Cooke County Boys and Girls Club 2016

City of Gainesville, Texas

Comprehensive Annual Financial Report

Fiscal Year Ending September 30, 2016

Cooke County Boys and Girls Club
(Front Cover)

The City of Gainesville has worked with Cooke County Boys and Girls Club and Gainesville Independent School District on a project where the Gainesville School District donated land and building at 315 North Denton Street to the City of Gainesville. After the School District removed the asbestos from the facility, the city demolished the building. The City and Club exchanged the empty lot for the old Boys and Girls Club building.

This was beneficial for both the Club and the City, since it allows the city to avoid previous situations where large, old buildings had become dilapidated-eyesores in the community, while the Boys and Girls Club could build in a location that was walkable for an additional 1,000 children. The new, 32,700-square foot facility developed with community support, private donations, and volunteer labor.

The city determined the new club would be a traffic generator; hence, city leaders decided to rebuild the surrounding streets (Red River, Scott and Denton). The street construction is estimated to be complete in the summer of 2017.

Since the new Club has opened, membership has grown to serve over 2,900 youth and has an operating budget of $700,000. Surrounding counties in Texas and Oklahoma also participate in programs offered through the Club. The Boys & Girls Club does not turn away any child wanting to participate in their programs.

Government Finance Officers Association

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, 2015

Executive Director/CEO

City of Gainesville, Texas
Comprehensive Annual Financial Report
September 30, 2016

TABLE OF CONTENTS

City of Gainesville, Texas
Comprehensive Annual Financial Report
September 30, 2016

TABLE OF CONTENTS

City of Gainesville, Texas
Comprehensive Annual Financial Report
September 30, 2016

TABLE OF CONTENTS

Page

Introductory Section

March 21, 2017

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, 2016, is hereby submitted as mandated by both local ordinances and state statutes. These ordinances and statutes require that the City issue an annual report on its financial position and activity, and that an independent firm of certified public accountants audit this report.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures rests with management. Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City Council contracts with Schalk and Smith Certified Public Accountants. The independent auditor has issued an unqualified ("clean") opinion on the City's financial statements for the year ended September 30, 2016, and the auditor's report is located at the front of the financial section of the Comprehensive Financial Report.

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

200 South Rusk * Gainesville, Texas 76240 * (940) 668-4500 * Fax (940) 668-4518

GENERAL INFORMATION — CITY OF GAINESVILLE

The City is located in North Central Texas and was originally incorporated in 1873, with the first Charter being adopted in 1909 and the latest revision made on August 10, 1996. The City currently has a land area of 19.47 square miles and, as of 2010 U.S. Census a population of 16,002. 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 and pleasure of the majority of the City Council. One of the responsibilities of the City Manager is to appoint and remove department heads and conduct the general affairs of the City in accordance with the policies of the City Council. The City Manager is also responsible for carrying out the policies and ordinances of the City Council, and for overseeing the day-to-day operations of the City government.

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

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

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

During the fiscal year, budgetary control is maintained by the review of purchase orders for compliance with adopted policies and procedures. Purchase orders that

200 South Rusk * Gainesville, Texas 76240 * (940) 668-4500 * Fax (940) 668-4518

exceed appropriated balances are not released until they have been further reviewed and approved by the City Manager or his representative. Departmental appropriations that have not been expended by the department at the end of the fiscal year lapse and are not available for use unless appropriated in the ensuing fiscal year's budget.

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

LOCAL ECONOMIC CONDITIONS AND OUTLOOK

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

Unemployment in Gainesville has remained lower than both the state and national averages (3.8 % vs. 4.6% and 4.5% respectively). The new business development and diversity of economy are the main reasons for this lower unemployment rate. The uptick in oil and gas prices along with additional business development will help to keep the unemployment rate low. Gainesville's diversified employment center is fueled by the gaming industry in Oklahoma and by an increasingly trained workforce in various industries, including oil, gas, plastic molding, metal fabricating, metal finishing, aerospace and agriculture.

200 South Rusk * Gainesville, Texas 76240 * (940) 668-4500 * Fax (940) 668-4518

The following are significant program, infrastructure and business developments for fiscal year 2015-2016:

- Dura-Line completed a $2,000,000 expansion to support a new extrusion line. GEDC constructed a $2,460,000 industrial park. Retailers built new structures and additions in the City including: Rib Crib built it Texas flagship restaurant ($1,200,000); Schlotzky's started construction on a new restaurant along with a strip center ($1,500,000); Circuit Breaker was permitted to expand its facility ($700,000); Texas Trailer began remodeling and an expansion ($625,000); and QT requested a permit to build a new facility ($3,500,000).

- The City issued $5,000,000 of General Obligation Bonds in 2016 for street improvements.

- Approximately $900,000 was spent on Street Utility Maintenance Program (SUMP) in 2016, while $2,600,000 was set aside from the Assigned Fund for additional street projects.

- The City continued construction on the expansion of the Moss Lake Water Treatment Plant and the Northwest Water Distribution Line. At year-end, $7,100,000 had been spent.

- Gainesville's net capital assets increased by $3,541,401 or 6.7% through the investment bonds funds and cash into new infrastructure.

- The City demolished 91 structures FY 2016. Gentrification continues to play a large role in the City's economy with the demolition of older structures and new development on the sites.

Ad Valorem Tax

The City is empowered to levy an Ad Valorem Tax on both real and business personal property located within its boundaries. The levy is set based on the Certified Tax Roll presented to the City by the Chief Tax Appraiser in July of each year. This is prior to settlement of any lawsuits that can take several months and can change the total assessed valuation. The tax levy is calculated at a 95% collection rate, established by the Appraisal District, and the amount of collectible taxes changes.

Allocation of Ad Valorem Taxes

The revenue to be received from current tax collections is distributed between the General Fund and Debt Service Fund according to the ratio for allocation that is set when the budget is adopted. Allocation of ad valorem tax revenues by purpose for fiscal year 2016 and the preceding four years is reflected in the following table. The amounts in the table are per one hundred dollars of assessed value.

200 South Rusk * Gainesville, Texas 76240 * (940) 668-4500 * Fax (940) 668-4518

Purpose	2016	2015	2014	2013	2012
General	0.445595	0.443426	0.445078	0.458500	0.4342600.
Debt Service	0.252227	0.244396	0.200922	0.188550	0.2127400.
Total	0.697822	0.687822	0.646000	0.647000	0.6470000

For fiscal year 2016, the Total Assessed Taxable Value increased by $1,017,717 or 0.12%.

Long-term Financial Planning

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

Gainesville examines its debt schedule annually to determine when it can issue debt for the succeeding 20 years without increasing the tax rate. Currently, the City can issue a total of $16.89 million (FY 2018 - $4.43 million, FY 2022 - $7.63 million and FY 2030 - $4.894 million) in the next twenty years without increasing the tax rate to help reach its long-term goals. The City Council will not approve a bond that increases the tax rate without voter approval.

The City utilizes the master plans along with the debt schedule to create a five-year capital improvement program (CIP), which is fiscally constrained by the five-year budget. The CIP and five-year budget are used as planning tools and do not commit the City to any project or project funding. The intent of the CIP and five-year budget is for the City to prioritize specific capital improvements and the means of financing the improvements during the subsequent five years. Recommended improvements are not approved until official action has been taken by the City Council to authorize funding for the improvements through its annual budget process.

The CIP and five-year budget for fiscal years 2017-2021 were approved by the City Council and are included in the fiscal year 2017 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 $37.59 million in total capital expenditures. The CIP breaks these expenditures into two separate categories: recurring at $6.71 million or 17.85% and non-recurring at $30.88 million or 82.15%.

Financial Policies

The City is required by ordinance to maintain a ninety (90) day reserve. At the close of fiscal year 2016, the City had a 191-day operating, cash reserve for the General Fund. Detailed financial policies are included as part of the City's budget document and in city ordinances.

200 South Rusk * Gainesville, Texas 76240 * (940) 668-4500 * Fax (940) 668-4518

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, 2015. This was the twenty-fifth (25th) year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a municipality must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

In addition to the Certificate of Achievement, the City has also received GFOA's Distinguished Budget Presentation Award for the past seven years. In order to qualify for the award, the City's budget document was judged proficient in all categories including as a policy document, a financial plan, an operations guide and a communications device. The 2017 budget document has been submitted and we believe it meets the requirements to receive another award.

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

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

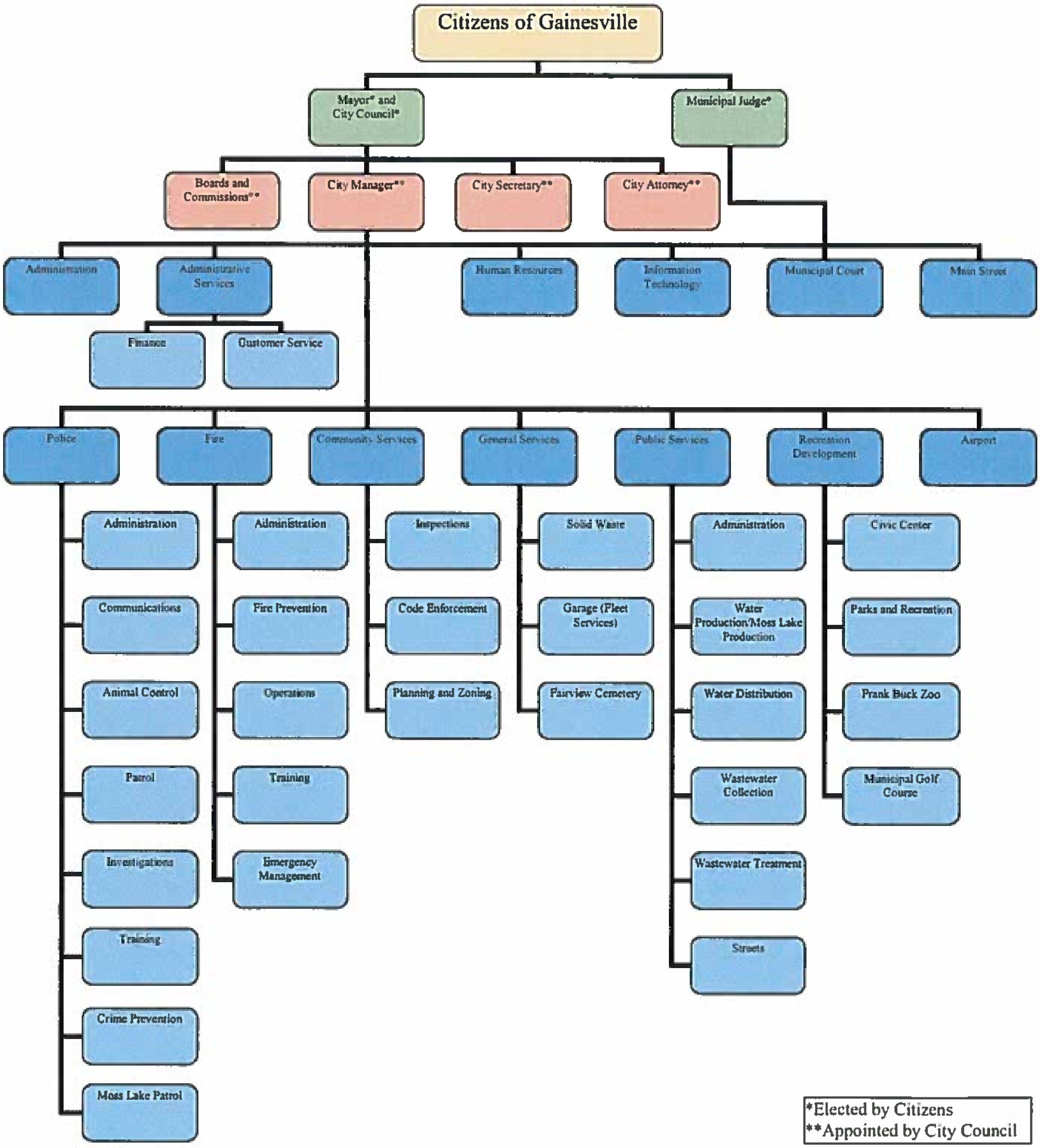
Sincerely,

Barry Sullivan	Daniel W. Parker Daniel W Parker, CPA	Karen F. Dixon, CPA Karen F. Dixon, CPA
City Manager	Administrative Services Director	Controller

200 South Rusk * Gainesville, Texas 76240 * (940) 668-4500 * Fax (940) 668-4518

City of Gainesville, Texas

Organizational Chart



FY 2017-2018

CITY OF GAINESVILLE, TEXAS
September 30, 2016

LIST OF PRINCIPAL OFFICIALS

Title	Name
Mayor *	Jim Goldsworthy
Council Member & Mayor Pro Tem *	Keith Clegg
Council Member *	Tommy Moore
Council Member *	Carolyn Hendricks
Council Member *	Ken Keeler
Council Member *	Mary Jo Dollar
Council Member *	Steve Gordon
City Manager **	Barry L. Sullivan
City Secretary **	Caitlyn Huddleston
City Attorney **	Bill Harris
Administrative Services Director	Daniel W. Parker
Police Chief	Kevin Phillips
Municipal Court Judge *	Chris Cypert
Fire Chief	Wally Cox
Director of Utilities	Ron Sellman
Community Services Director	Julie Smith
Director of Human Services	Leah Gore
Airport Manager	David Vinton

* Denotes Elected Official
** Denotes Appointed by City Council

Financial Section

§ SCHALK & SMITH PC
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

Thomas E. Schalk, CPA
Judy Smith, CPA
Cynthia Muñoz, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gainesville, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Gainesville, Texas's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gainesville, Texas, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

701 E. California St. • P.O. Box 1194 • Gainesville, TX 76241-1194 • 940-665-3702 • Fax 940-668-8458

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gainesville, Texas's basic financial statements. The combining nonmajor fund financial statements and budgetary comparison schedules for major and nonmajor funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2017, on our consideration of the City of Gainesville, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Gainesville, Texas's internal control over financial reporting and compliance.

Schalk & Smith PC

Schalk & Smith, P.C.
March 14, 2017

As Management of the City of Gainesville (the City) , we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2016. It should be read in conjunction with the accompanying letter of transmittal and basic financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the City of Gainesville exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $49,756,748 (net position) (pg. 7 and 23). Of this amount, $15,501,650 or 31.2% is unrestricted net position and which may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's net position increased $3,570,680, or 7.7% (pg. 8) from last fiscal year's net position. The governmental net position increased $1,728,660 or 7.1% and the business type activities increased $1,842,020 or 8.4%. The net position increased, even with a prior period adjustment, which decreased the fund balance by $937,698. The prior period adjustment was mainly due to a detailed inventory of all assets going back to the 1950's, to ensure all assets on the books were correctly reported and still utilized by the City.

- Per City ordinance, Gainesville keeps a minimum of 90 days of budgeted operating expenses on hand in the General Fund. Any cash in excess of this amount can be used for other projects. The total fund balance in the General Fund during FY 2016 was $7,403,837 (pg. 26) of that amount $7,340,004 is cash and investments. This represents 191 days of operation. The City reached its planned and budgeted General Fund surplus of $44,920.

- As a result of General Fund operations, the City was able to transfer $1,741,144 (pg. 30 and 99) to the Assigned Projects Fund. In FY 2016, the Assigned Fund was used for several projects including the Street Utility Maintenance Program (SUMP) ($2,603,340), demolition program ($1,600,000) and police vehicles ($120,165).

- The City's total debt outstanding increased by $1,925,673 or 4.5% (pg. 18) during the current fiscal year reflecting the issuance of FY 2016 General Obligation Refunding and Improvement Bonds in the amount of $9,215,000 to refund a 2007 General Obligation Bond (pg. 67) and pay for street improvements that are part of the SUMP.

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements include not only the City of Gainesville itself (known as the primary government), but also a legally separate economic development corporation for which Gainesville Economic Development Corporation is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. The government–wide financial statements can be found on pages 23 through 25 of this report.

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

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

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

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

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

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

The City reports twenty-one (21) individual governmental funds, two of which are permanent. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, the Debt Service Fund, the 2016 GO Bonds Fund and Assigned Project Fund which are considered to be major funds. Data for the other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report. The City's governmental funds begin on page 26 of this report.

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

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

Proprietary funds financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the water and sewer operations, solid waste services, stormwater drainage, and the municipal airport all of which are considered 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. The proprietary funds begin on page 32 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements also present certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. The notes begin on page 40 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *supplementary information* concerning budgetary compliance of the City's progress in funding its obligation to provide pension benefits and other post-employment benefits (OPEB) to its employees. Required supplementary information begins on page 82 of this report.

A budgetary comparison has been provided for the General Fund, as well as the other governmental funds, to demonstrate compliance with budget. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to financial statements. In the Comprehensive Financial Annual Report (CAFR) we include a statistical section, which is the chief source of information regarding the government's economic condition. The statistical section is organized into five areas: Financial Trends, Revenue Capacity, Debt Capacity, Demographic and Economic Information and Operating Information.

Government-Wide Financial Analysis

Total assets of the City on September 30, 2016, were $102,614,417 deferred outflows of resources were $3,361,440, total liabilities were $55,935,394 and deferred inflows of resources were $283,715, resulting in a net position balance of $49,756,748 (pg. 7 and 23). This is a 7.7% increase from the prior fiscal year.

The City's total net position equals $49,756,748. A portion of the net position, $1,467,761 or 2.9% represents resources that are subject to external restrictions on how they may be used (pg. 7 and 23). The restricted net position has increased over the prior year by $4,510,216 or 58.6%. Capital assets (land, buildings, machinery and equipment) net of related debt total $22,244,933 or 44.7% of total net position, this represents a decrease of $1,956,594 or 8.0% compared to the prior year. The second largest portion of the City's net position, $15,299,998 or 30.7% of net position reflects unrestricted net position, which may serve the ongoing desires of its citizens.

Amounts for FY 2016 in the schedules below have been modified to match the FY 2017 presentation. The following table reflects the condensed Statement of Net Position:

Net Position

	Governmental Activities		Business Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and other assets	$27,956,798	$22,884,413	$8,431,160	$21,344,444	$36,387,958	$44,228,857
Restricted Cash	-	-	9,556,699	-	9,556,699	-
Capital assets	23,178,346	24,630,001	33,491,414	28,498,358	56,669,760	53,128,359
Total Assets	51,135,144	47,514,414	51,479,273	49,842,802	102,614,417	97,357,216
Deferred Outflow of Resources	2,631,180	1,306,289	730,260	439,446	3,361,440	1,745,735
Long-term liabilities outstanding	24,373,054	20,941,417	25,571,392	25,307,735	49,944,446	46,249,152
Other liabilities	3,129,128	3,401,435	2,861,820	3,052,415	5,990,948	6,453,850
Total liabilities	27,502,182	24,342,852	28,433.212	28,360,150	55,935,394	52,703,002
Deferred Inflows of Resources:	228,624	170,993	55,091	42,888	283,715	213,881
Net Investment in Capital Assets	4,216,159	7,022,501	18,033,774	17,184,026	22,249,933	24,206,527
Restricted	12,206,817	7,696,601	-	-	12,206,817	7,696,601
Unrestricted	9,612,542	9,587,756	5,687,456	4,695,184	15,299,998	14,282,940
Total net position	$26,035,518	$24,306,858	$23,721,230	$21,879,210	$49,756,748	$46,186,068

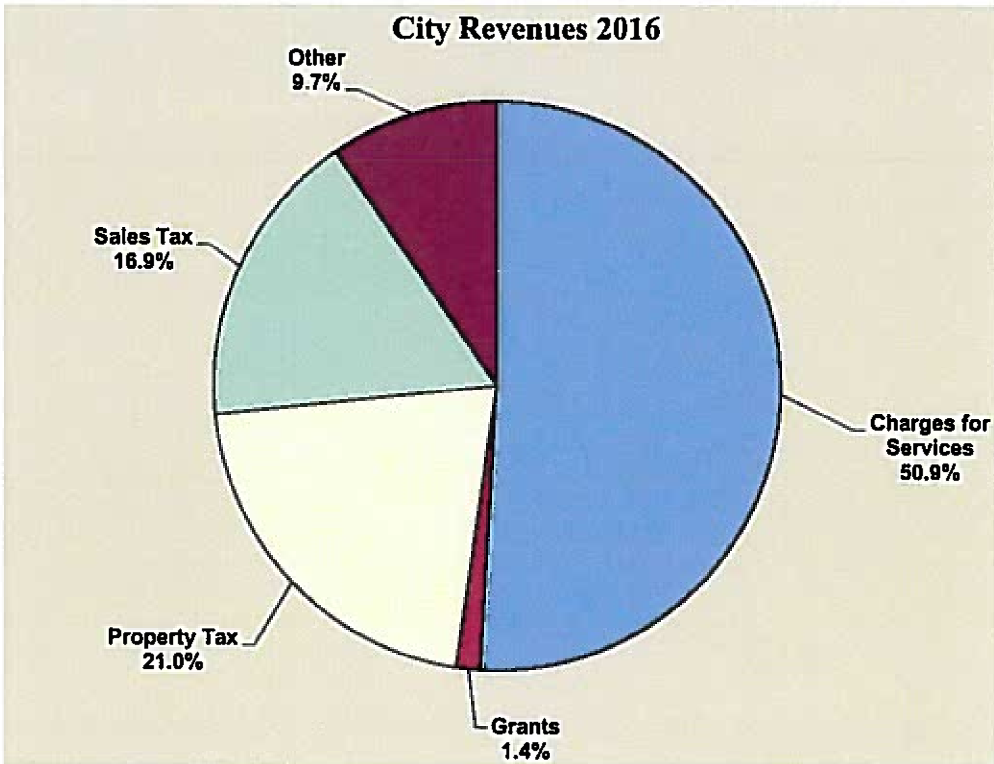
City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2016

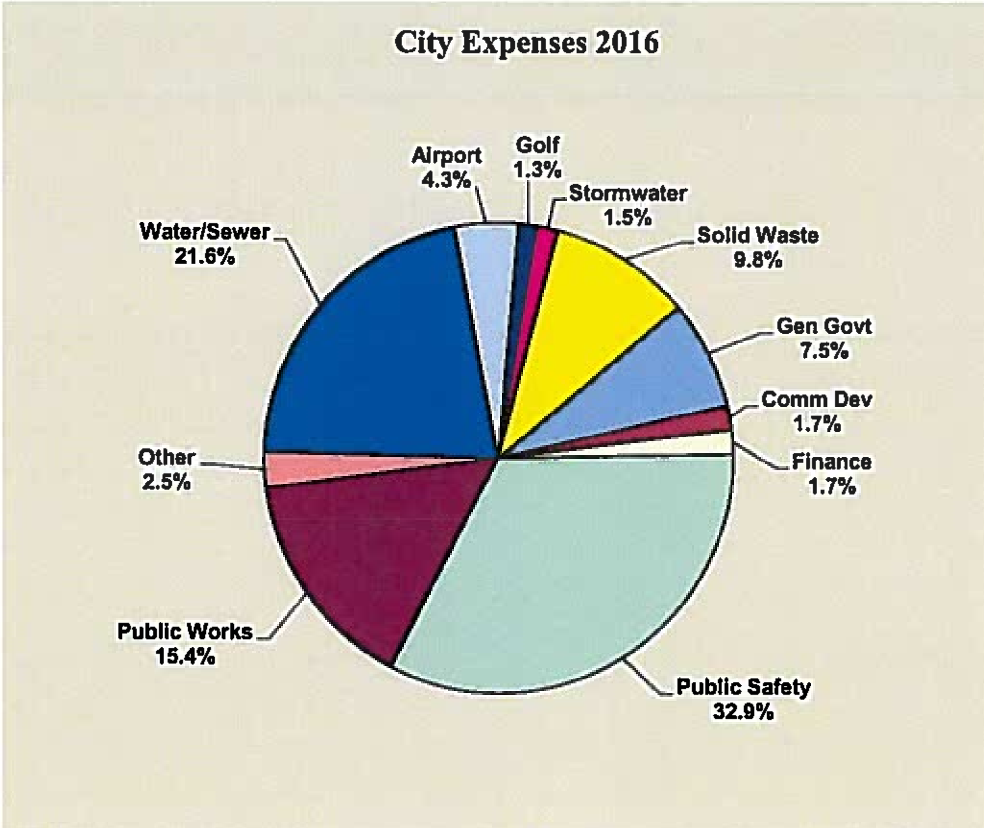
The following table provides a summary of the city's operations for the year ended September 30, 2016. Overall, the city had an increase in net position of $3,570,680.

Changes in Net Position

	Governmental Activities		Business Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Fines, fees, & charges for services	$1,938,962	$1,487,247	$14,319,225	$13,488,315	$16,258,187	$14,975,562
Operating grants & contributions	325,203	50,600	117,941	86,996	443,144	137,596
General revenues:						
Property taxes	6,742,089	6,400,677	-	-	6,742,089	6,400,677
Sales taxes	5,404,024	6,167,640	-	-	5,404,024	6,167,640
Other taxes & fees	1,940,453	2,040,775	-	-	1,940,453	2,040,775
Other misc.	1,046,685	378,516	102,632	11,927	1,149,317	390,443
Total revenues	17,397,416	16,525,455	14,539,798	13,587,238	31,937,214	30,112,693
Expenses:						
General Government	2,057,544	2,134,433	-	-	2,057,544	2,134,433
Community Development	460,691	474,022	-	-	460,691	474,022
Finance	453,957	424,733	-	-	453,957	424,733
Public safety	9,014,024	8,469,599	-	-	9,014,024	8,469,599
Public works	4,216,838	3,790,990	-	-	4,216,838	3,790,990
Interest on long term debt	672,462	609,610	-	-	672,462	609,610
Bond issuance cost	-	-	-	-	-	-
Water & Sewer	-	-	5,928,017	6,084,430	5,928,017	6,084,430
Municipal Airport	-	-	1,187,416	1,162,751	1,187,416	1,162,751
Golf Course	-	-	351,975	380,340	351,975	380,340
Stormwater	-	-	401,177	397,236	401,177	397,236
Solid Waste	-	-	2,684,735	2,454,876	2,684,735	2,454,876
Total Expenses	16,875,516	15,903,387	10,553,320	10,479,633	27,428,836	26,383,020
Increase(decrease)in net position before transfers	521,900	622,068	3,986,478	3,107,605	4,508,378	3,729,673
Transfers in(out)	2,511,059	1,865,324	(2,511,059)	(1,865,324)	-	-
Increase(decrease) in Net Position	3,032,959	2,487,392	1,475,419	1,242,281	4,508,378	3,729,673
Net Position 10/01	24,306,858	25,864,222	21,879,210	21,604,815	46,186,068	47,469,037
Prior Period Adjustment	(1,304,299)	(4,044,756)	366,601	(967,886)	(937,698)	(5,012,642)
Restated 10/1	23,002,559	21,819,466	22,245,811	20,636,929	45,248,370	42,456,395
Net Position 09/30	$26,035,518	$24,306,858	$23,721,230	$21,879,210	$49,756,748	$46,186,068

The following graphs provide a summary of the operations for the year ended September 30, 2016.



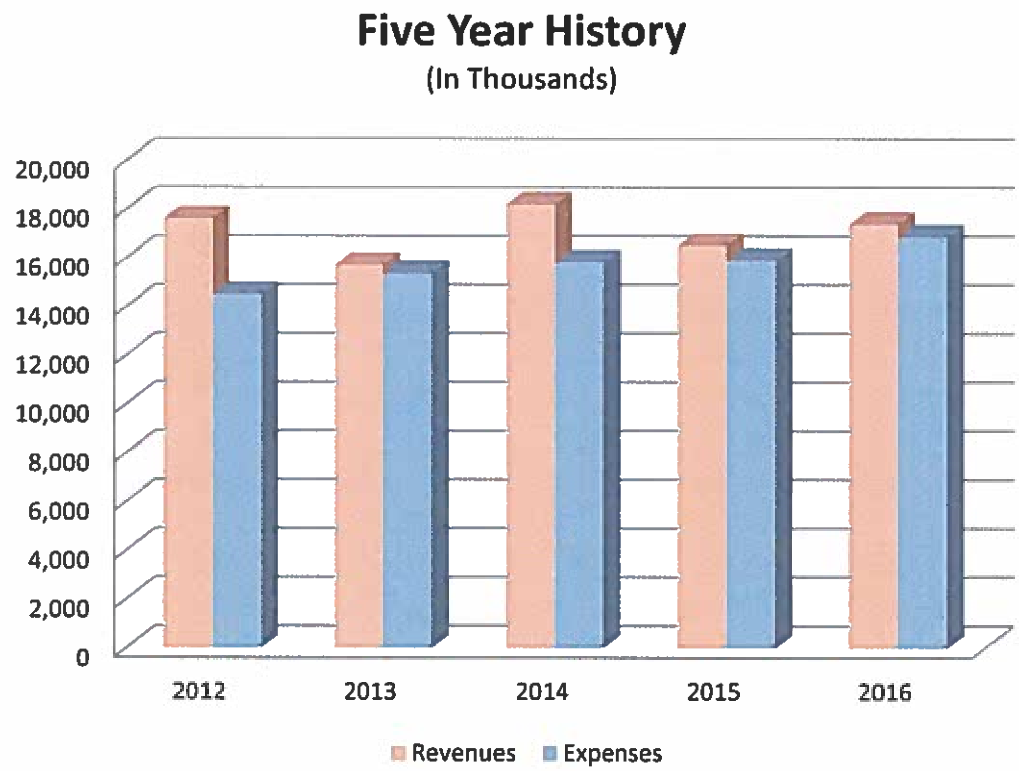


Governmental Activities The statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. Both are prepared using the economic resources focus and the accruals of accounting, meaning that all the current year's revenues and expenses are included regardless of when cash is received or paid. Governmental-type activities include services largely funded through non-exchange revenues (taxes are the most common example).

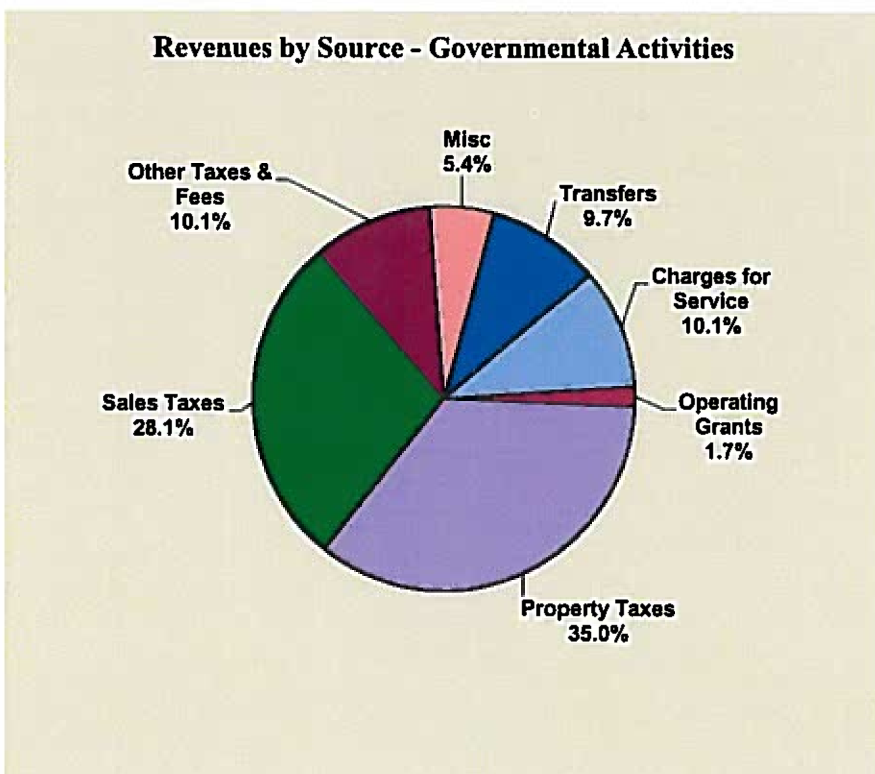
Net position increased $1,728,660, or 7.1% (pg. 8). Key revenue and expense transactions are as follows:

- Fines, fees and services increase $451,715 or 30.4% over the prior year.
- Property taxes increased $341,412 or 5.3% over the prior year.
- Sales Taxes decreased $763,616 or 12.4%
- Overall revenues increased $871,961 or 5.3% (pg.8) compared to the prior year.
- Expenses increased $972,129 or 6.1% (pg. 8) compared to the prior year.
- Revenues exceeded expenses by $521,900, which is a decrease from prior year of $100,168 or 16.1%.

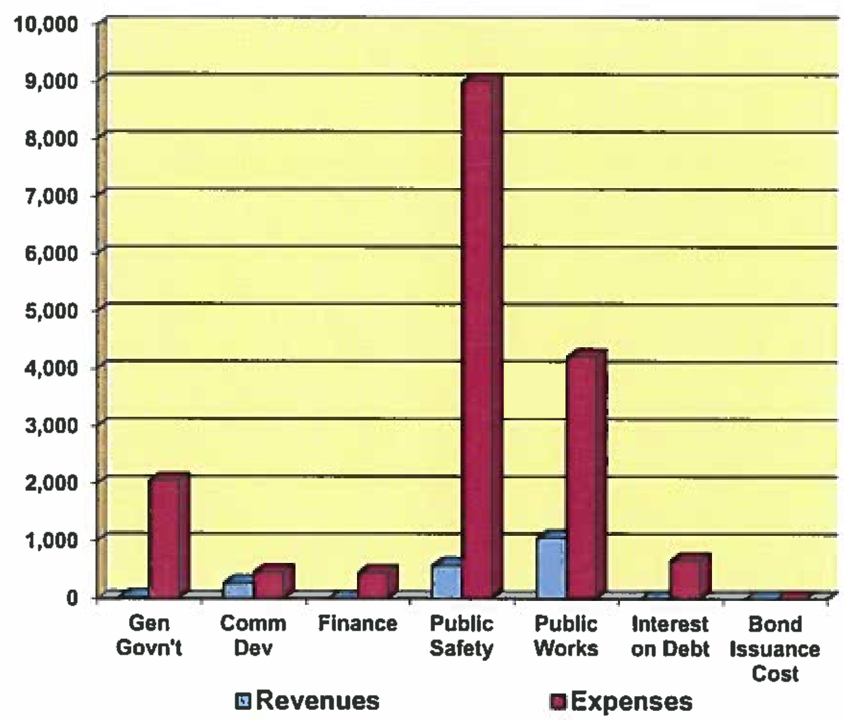
The following graph depicts the five-year history of the expenses and revenues.



The following graph depicts current year revenues by source.



Expenses and Program Revenues
Governmental Activities
(In thousands)



Business-Type Activities Total business-type activities increased net position by $1,842,020 or 8.4%. Key elements to the change in net position are as follows:

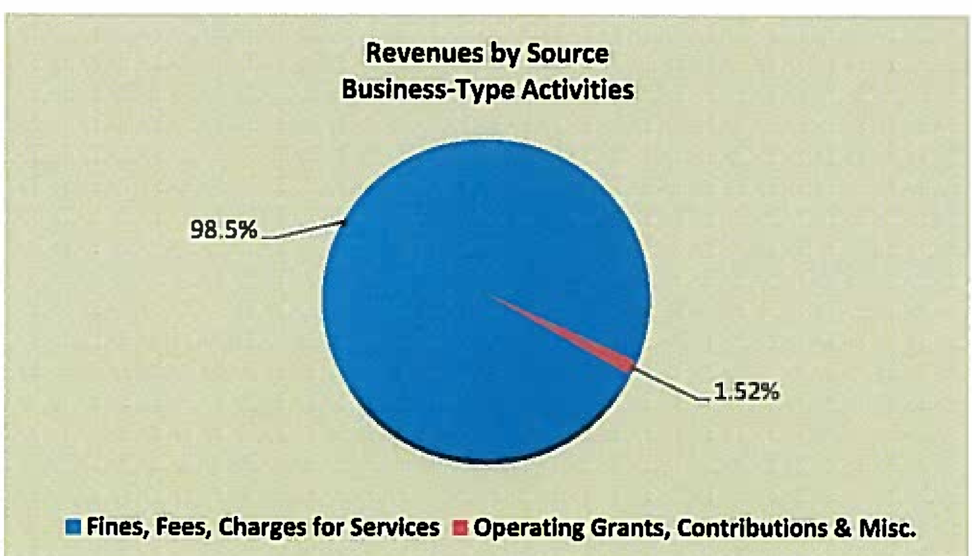
- Revenues increased $952,560 or 7.0%, of this amount charges for services increased $830,910 or 6.2% (pg. 8).
- Water Fund revenues increased by $701,116 or 9.3% from FY 2015 due to an increase in the water rate (3%) and sewer rate (25%).
- The revenues of the Airport Fund decreased $45,974 or 4.3% primarily as a result of decreased fuel sales.
- Revenues in the Golf Fund increased by $39,705 or 28.1%, due to FEMA funding for 2015 storm related damages.
- Revenues in the Solid Waste Fund increased by $269,382 or 7.1% compared to last year. The increase was almost all attributable to a 3% rate increase.
- Revenues in the Stormwater Fund decreased $11,669 or 1.1 %.
- Total overall expenses in the proprietary funds decreased by $73,687 or 0.7% in FY 2016.

  The following funds showed decreases in expenses as compared to the prior year: Water and Sewer ($156,413 or 2.6%) due to decreases in operating costs such as supplies, materials, repair and maintenance and electricity and Golf Course Fund ($28,365 or 7.5%) (pg. 8) reduced expenses in all categories due to a restructuring of that department.

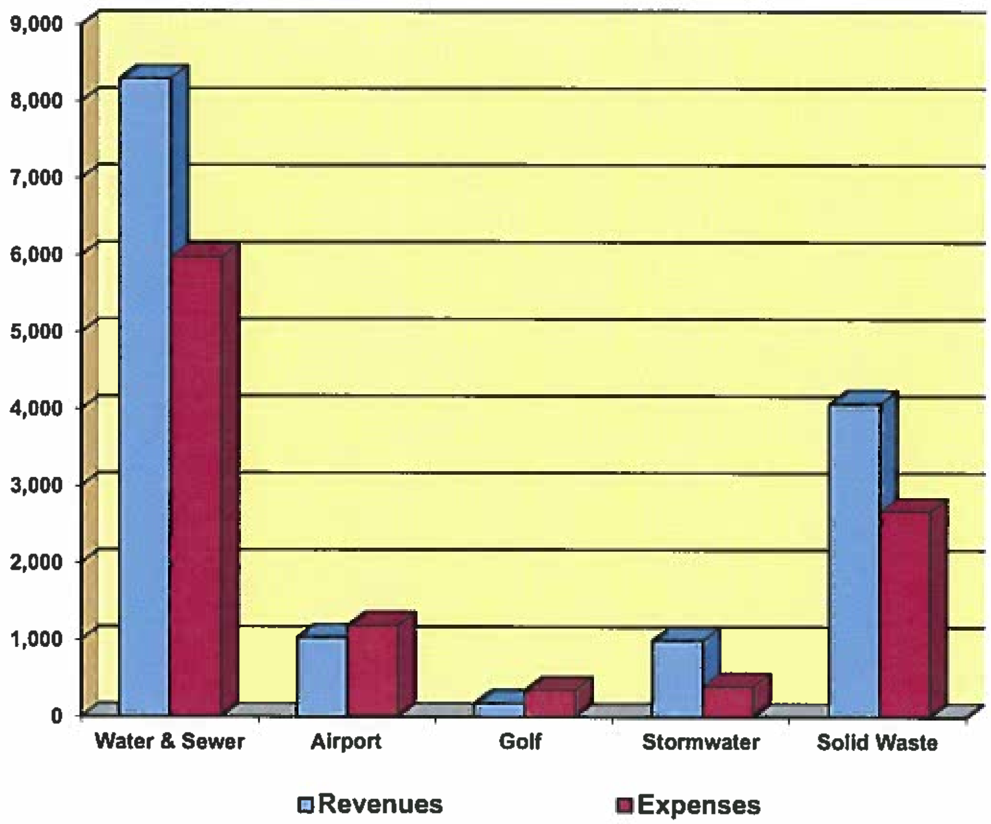
- The remaining enterprise funds expenses increased over the prior year actual expenses. The Airport increased by $24,665 or 2.1% due to increases in personnel and depreciation, Stormwater Fund expenses increased by $3,941 or 1.0%, due to depreciation expense. The Solid Waste Fund expenses increased by $229,859 or 9.4% in all operating expense categories.

A prior period adjustment (PPA) was made to reflect franchise fees recorded in a prior year. During the current fiscal year, the City undertook an inventory of all city assets, from the 1950's to the current year, and an entry was necessary to move fixed assets to the correct funds and remove assets that had been previously disposed. There were two entries in particular that made noticeable changes, one was a Construction in Progress (CIP) project at the Airport that had not been depreciated the past two years and the other was reallocation of assets constructed with the 2010 and 2012 bond issues among the General Fund, Water & Sewer Fund and Stormwater Fund. This entry had an impact on the business-type activity fund balances (pg. 8), which is shown in the following paragraph in detail.

The Solid Waste fund generated a profit of $420,329. The PPA related to the asset re-evaluation was a decrease of $71,554. The net increase to the Solid Waste fund was $348,775 or 19.5%. The Stormwater fund generated a profit of $376,002. The PPA related to the asset re-evaluation was an increase of 1,978,688. The net increase to the Stormwater fund was $2,354,690 or 22.7%. Water & Sewer Fund generated a profit of $843,123. The PPA related to the asset re-evaluation was a decrease of $1,144,688. The net decrease to the Water & Sewer fund was $301,565 or 4.79%. The Municipal Airport fund generated a loss of $155,966. The PPA related to the asset re-evaluation was a decrease of $392,680. The net decrease to the Municipal Airport fund was $548,646 or 15.7%. The Golf Fund generated a loss of $8,069. The PPA related to the asset re-evaluation was a decrease of $3,165. The net decrease to the Golf Fund was $11,234 or 14.9%.



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



Financial Analysis of the Government's Funds Statements

Governmental Funds. The focus of the City'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 $26,398,142 an increase from the prior year of $5,340,859 or 25.4% (pg. 29). This includes a prior period adjustment of ($224,726). The adjustment restates franchise tax recorded as a receivable in FY 2015 to franchise fees received for FY 2016.

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 $7,397,240 or 28.0% constitutes the unassigned fund balance, which is reported in the General Fund and available for spending at the government's discretion. The remainder of the fund balance is not available for general spending and is classified as follows: Non-spendable $6,597 or .03%, Restricted $10,739,056 or 40.7%, Committed $1,467,761 or 5.6% and Assigned $6,787,488 or 25.7% (pg. 26-27).

The General Fund is the chief operating fund of the City. At the end of FY 2016, the fund balance in the General Fund was $7,403,837 (pg. 26), of which $7,340,004 is cash. There was a decrease in General Fund balance of $179,806 or 2.4%.

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

- Prior period adjustment of $224,726 related to franchise tax.
- The use of conservative budgeting for revenue and expenditures
- Property taxes $87,488 and sales taxes $824,866 exceeded budget (page 81).
- Service charges $44,820, mixed beverage tax $1,178, licenses and permits $80,379, fines and forfeitures $78,484, investment income $22,192, donations $951, intergovernmental revenue $222,042 and other income $153,393 exceeded budget (pg. 81).

Key factors in increases in other governmental fund balances are:

- The Debt Service Fund has a restricted fund balance of $1,244,098 (pg. 26 and 29). This fund balance increased during the year by $295,577 or 31.2%. The key factors in the increase are property tax of $158,939 or 7.0% over the prior year and a decrease in principal retirement and interest expense due to the 2007 refunding. The Debt Service fund is utilized for retirement of debt financed through taxes.

- The Hotel/Motel Fund is used to account for hotel occupancy tax revenues and expenditures and shows an ending restricted fund balance of $613,710 (pg. 90 and 94). This reflects a $167,313 or 37.5% fund balance increase from the prior year and $124,836 more than budgeted (pg. 102). Revenues exceeded budget by $115,949 or 21.1%, while expenditures were lower than budget by $8,887 or 5.7% (pg. 102).

Key factors in decreases in other governmental fund balances are:

- The Assigned Projects Fund has an unrestricted fund balance of $2,854,963 (pg. 26 and 29). This fund balance decreased during the year by $2,797,689 or 49.5%. The decrease in fund balance is expected due to completing projects budgeted, while projects unable to be completed this year were moved to the Capital Project Construction Fund.
- Added a new 2016 GO Bonds Fund for reconstructing streets with a fund balance of $5,029,857.
- Continue to work on City streets with the 2014 Bonds Fund. The fund balance is $3,696,098 and decreased by $821,899 or 18.2% from the prior year.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail (pg. 32 through 35). Unrestricted net position of the Water and Sewer Fund is $3,352,144; the Solid Waste Fund $1,388.639; Stormwater Utility Fund $1,226,943; Municipal Airport Fund $3,250; and the Golf Course Fund with an unrestricted net position of ($81,868).

Gainesville's Water and Sewer Fund had a cash balance of $3,597,703. Solid Waste Fund cash balance was $1,883,065. Stormwater Utility Fund cash was $1,145,570.

Business-type activities increased the City's net position by $1,842,020 or 8.4% (pg. 8 and 23). Two of the funds categorized as business-type activities saw an increase in net position including Solid Waste and Stormwater and three of the funds Water and Sewer, Airport and Golf had decreases in net position. The following are the key elements of these increases/decreases:

- The Solid Waste Fund increased in net position by $348,775 or 19.5% primarily due an increase in operating revenues $704,178 or 9.3% and an increase in the cost of services. Assisting in the increased net position, operating expenses decreased $153,351 or 2.5%. The net Capital Assets increased by $69,158 (due to addition of assets not recorded).
- The Stormwater Fund increased net position by $2,354,690 or 22.7% and its net Capital Assets by $2,200,617. The increased position is primarily due to reclassification of the assets as discussed on page 12.
- The Water and Sewer Fund saw a decrease in net position of $301,565 or 4.8% and an increase in net Capital Assets of $1,061,552 or 28.7%, primarily due to the reallocation of assets.
- The Golf Course total net position decreased $11,234 or 15.0% over the prior year mainly due to depreciation.
- The Municipal Airport decreased net position by $548,646, and saw a decrease in net Capital Assets of $559,370 due to catch up depreciation on a capital improvement project completed in 2015.

General Fund Budgetary Highlights

The revenues in the original budget for FY 2016 were increased in the final budget by $89,549 or 0.8% (pg. 82). The actual revenue total at year-end was more than the final budget by $1,464,040 or 12.3%. The actual revenue finished greater than the final budget mainly due to higher than expected sales tax of $824,866. Also, ad valorem tax ($87,488), service charges ($44,820), beverage taxes ($1,178), license and permits ($80,379), fines and forfeitures (78,484), investment income ($22,192), donations ($951) and intergovernmental revenues ($222,042).

A comparison of actual expenditures to Budget, shows that out of the twenty departments in the General Fund, sixteen came in under budget for the fiscal year. The actual total expenditures for FY 2016 were $356,599 or 2.5% under the original budget and $340,027 or 2.4% under the final budget. Capital projects ended the year over the final budget by $55,680 or 101.9%. All departments finished the year under the original and final budgets with the exception of the following: Information Technology, Emergency Management and Fire Department.

Out of the twenty-one governmental funds, nineteen came in under budget. The two that were over budget are technology and municipal court security.

The $7,403,837 actual ending fund balance is $224,726 (pg. 82-83) less than the final budgeted amount due to the prior period adjustment related to a franchise payment recorded in the wrong period.

Capital Asset and Debt Administration

The largest portion of the City's net position, $22,048,481 or 44.3%, reflects its investment in capital assets (land, and improvements, buildings, infrastructure, vehicles, machinery and equipment), less any related outstanding debt used to acquire those assets. The City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City reports its capital assets net of related debt, the resources needed to repay the debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounts to $56,669,760 net of accumulated depreciation (pg. 7 and 23). The City's net capital assets increased $3,541,401 or 6.7%. This increase is comprised of a decrease of $1,451,655 from Capital Assets within Governmental Activities and increased Capital Assets by $4,993,056 from the business-type activities.

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

- A portion of the 2016 GO bonds in the amount of $5,000,000 were issued to continue the street improvement project. Gainesville expended $900,925 on SUMP projects in FY 2016.

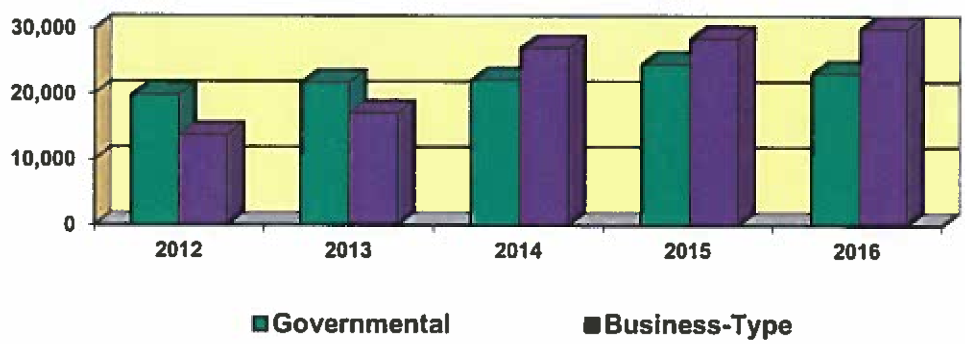
- The City continued construction on the $7,572,701 expansion of the Moss Lake Water Treatment Plant.
- The Solid Waste Fund purchased two semi-tractors for $162,064.
- The City undertook an actual inventory of all capital assets, dating back to the beginning of the City's founding and made a prior period adjustment of $937,698 as a result. The assets were verified one by one with each department head and with the help from a third party engineer. The governmental funds were reduced by $1,304,299 and the business-type activities were increased by $366,601.

Additional information on the City's capital assets can be found in note III D (pg. 54-56) of this report.

City of Gainesville
Capital Assets

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	$3,410,943	$3,410,943	$7,129,971	$7,070,999	$10,540,914	$8,551,531
Buildings	9,969,168	10,285,702	2,637,460	2,598,963	12,606,628	12,884,665
Improvements	85,827,205	86,478,235	37,348,691	30,479,548	123,175,896	116,957,783
Machinery & equipment	8,827,798	11,162,595	9,496,429	10,681,881	18,234,227	21,847,476
Construction in progress	2,628,228	2,628,228	6,415,918	6,699,575	9,044,146	11,281,613
Less accumulated depreciation	(87,484,996)	(89,359,101)	(29,537,055)	(29,035,608)	(117,022,051)	(112,394,709)
Total	$23,178,346	$24,630,001	$33,491,414	$28,498,358	$56,669,760	$53,128,359

Capital Assets
Five Year History
(in thousands)

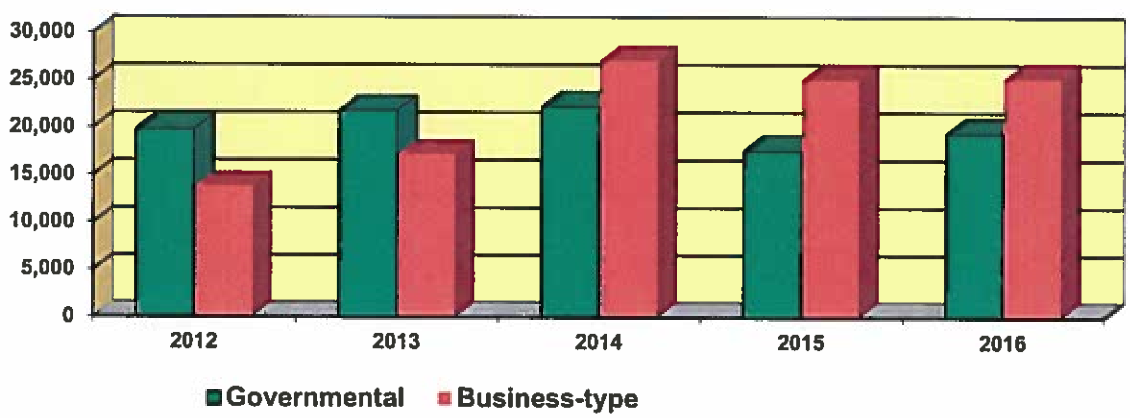


Long-Term Debt. As of September 30, 2016, the City of Gainesville had total debt outstanding of $44,614,825 (see note III F. pg. 58-66). Of this amount, $19,398,834 is in the Governmental Activities (pg. 59) and $25,215,991 (pg. 61) is in the Business–Type Activities. The City's debt increased $1,925,673 or 4.5% during FY 2016. Principal payments in FY 2016 were $3,016,947. The increase in outstanding debt reflects new debt issued in 2016 for street reconstruction.

City of Gainesville
Outstanding Debt

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
General obligation bonds	$16,054,484	$12,765,493	$6,030,519	$7,189,508	$22,085,003	$19,955,001
Certificates of obligation bonds	2,494,500	4,499,250	18,130,500	16,815,750	20,625,000	21,315,000
Premium/Disc. /Capital leases	849,850	342,757	1,054,972	1,076,394	1,904,822	1,419,151
Total	$19,398,834	$17,607,500	$25,215,991	$25,081,652	$44,614,825	42,689,152

Outstanding Debt
Five Year History
(in thousands)



As of September 30, 2016, Moody's assigned the City's bond ratings at "Aa3". At the same time, Standard & Poor's assigned the City's bond ratings at "AA-". The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services including the payment of principal and interest on long-term debt.

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

Economic Factors and Next Year's Budgets and Rates

The continued focus of the City of Gainesville is to maintain unassigned fund balances that match the City's established requirements and goals. Gainesville has been able to do this over the past several years, which has allowed the City to start refocusing some attention to capital improvements throughout the City using excess cash instead of debt. The FY 2017 budget will utilize $291,576 for improvements to the city including upgrading the Farmers Market and Commerce Street ($128,000), purchasing police vehicles ($63,576) and continuing the demolition program ($100,000).

The City's demolition program continues to create open space for additional commercial and residential development. Phase One of the new subdivision Black Hill Farm, containing 42 single-family lots, recently opened for home sales. Four model homes were built for potential buyers to tour. The second phase of this project was only made possible after the City demolished a structure that gave way for an entrance off of Highway 51. At this time, the master plan for phase two has been approved for 130 lots for detached townhomes. It is anticipated that construction will start on the infrastructure of the second phase in 2017. Additional housing stock will be coming available next fall in the Vintage Square Subdivision. This development had been in probate for an extended time but has been purchased by a development group that recently built out all of its lots in the Summerfield Addition and Chalmers Addition in Gainesville.

A developer is building a new luxury apartment complex ($20,000,000) with 233 units. The apartments will begin leasing in the spring of 2017. The complex is located on I-35 where an old minor league baseball field was previously located.

Gainesville's commercial development has continued to diversify the overall economy with non-petroleum business as listed below.

- First State Bank recently purchased a lot where the City helped to demolish an old hotel, restaurant antique mall and a couple of houses. The bank will start construction on an office tower ($22,000,000) in the spring of 2017
- Duraline (formerly Poly Pipe) expanded to allow for its new extrusion lines ($2,000,000)
- Rib Crib built its Texas flagship restaurant ($1,200,000) where the City's water shop was formerly located
- Schlotzsky's is building a restaurant along with a strip center ($1,500,000) next to the Rib Crib
- Circuit Breaker has been permitted to expand its current facility ($700,000)
- QT has requested a permit to build a new facility ($2,500,000)
- North Texas Vision built a new facility ($500,000)
- Texas Trailer is remodeling and expanding its facility ($625,000)
- McCoy's is almost complete with a remodel ($750,000)
- Lone Star Transportation completed a remodel of its facility ($300,000)
- Saddlebrook Dentistry built a new office ($221,850)
- O'Reilly Auto Parts completed an expansion ($156,000)
- Ayer's Aviation built a new hanger ($155,000) for a flight school at the Municipal Airport
- Applebee's purchased a larger building and has been permitted to remodel ($150,000) the building

Commercial development is expected to continue to grow through FY 2017.

General Fund
The major revenue source for the General Fund continues to be the City's 1.25 cent sales tax. The current economic situation in Gainesville is moderate due to the downturn in the oil industry, but an increase in commercial development. The City anticipates collecting $274,824 or 5.1% less in sales tax revenues in FY 2017 than in FY 2016. Gainesville, however, will bring in more sales tax in FY 2017 than it budgeted for in FY 2016. The net revenue from sales tax is estimated to be $5,129,200 in FY 2017.

The other largest revenue source for the General Fund is ad valorem (property) taxes. Based on the tax rate of $0.70503 per $100 of property value, the total ad valorem tax revenue (including delinquent penalties) is projected to increase over the FY 2016 budget by $586,894 or 8.4%. Total ad valorem tax revenue (including delinquent penalties) is projected to be $6,788,193. This is divided between the General Fund ($4,382,224) and the Debt Service Fund ($2,405.969).

Enterprise Funds
The City's enterprise funds are Water and Sewer, Solid Waste, Stormwater Drainage Utility, Airport and Golf. Revenues for Water and Sewer, Solid Waste, and Airport Funds and are projected to increase for FY 2017, while revenues for the Stormwater and Golf funds are projected to decrease. Overall revenue in the enterprise funds are projected to increase by $324,935 or 2.2% compared to the FY 2016 budget and expenditures for FY 2017 are expected to increase by $517,917 or 3.5%.

Water and Sewer Fund
The FY 2017 revenues for the Water and Sewer Fund are estimated to be $8,454,503. A transfer of $1,238,406 will be made to the General Fund to pay for the administrative services and to pay the franchise fee for use of City right-of-way, which is required from all utility services that are located in the City and is required by the City code.

Expenses are projected to increase by $79,612 or 0.1% in FY 2017 due to increased costs. Fees will remain unchanged.

Solid Waste Fund
The FY 2017 revenues for the Solid Waste Fund are projected to increase slightly $26,424 or 0.7%, while the normal expenditures are anticipated to decrease by $184,882 or 4.9%. Fees will remain flat.

Airport Fund
The FY 2017 revenues for the Airport Fund are projected to increase by $252,911 or 22.0% and expenses and also expected to increase by $254,557 or 22.3% over the FY 2016 budget. These increases are due to a grant funded project for taxiways.

Other Funds

The Golf Course is projecting a decrease in revenues and expenses of $2,515 or 0.6% and Stormwater Drainage Fund is projected to decrease revenues by $2,561 over the FY 2016 budget. Expenses in Golf Course will decrease by $2,515 or 0.6%, and Stormwater Drainage fund is projected to increase over the FY 2016 budget $1,381 or 0.1%.

Additional information

The FY 2017 budget includes personnel "pay-for-performance" programs. Gainesville's compensation plan is designed to accomplish two goals: to compensate all employees in direct relation to the value of their position to the market and to compensate employees based upon their individual job contributions to the city. The City increased the City match for retirement contributions from 9.5% to 9.79%. Gainesville is paying the full matching rate for the Texas Municipal Retirement System (TMRS). This reduces the City's actuarial loss and limits the increase in the rate for future valuations.

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

Capital projects for FY 2017 are projected to be $2,590,000. These projects are funded with O & M Budgets for FY 2017 and include a few of the following projects:

- The Assigned Projects Fund and General Fund will procure $97,350 for police department vehicles.
- The Assigned Projects Fund will invest $128,000 for improvements in Farmers Market, and Commerce Street.
- The Capital Projects Fund will expend $1,369,786 on SUMP Projects, $326,681 on repairing the Garnett Street Retaining Wall and $40,382 completion of the bridge replacement at the Golf Course damaged during the 2015 floods.
- The Water and Sewer fund will expend $174,653 for new Neptune water meters.
- The Water and Sewer fund will expend $118,000 on capital improvements to an elevated storage tank.
- The Solid Waste Fund will purchase $283,310 in equipment and machinery.
- The Stormwater Fund will expend $145,000 drainage improvement.
- The Airport Fund will match will spend $265,000 on a taxiway project that is funded by a Texas Department of Aviation 90-10 grant with the state covering $238,500.

Basic
Financial Statements

CITY OF GAINESVILLE, TEXAS
STATEMENT OF NET POSITION
September 30, 2016

	PRIMARY GOVERNMENT			
	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS				
Current Assets:				
Cash	$ 26,417,355	$ 6,707,339	$ 33,124,694	$ 1,316,483
Investments	45,317	-	45,317	1,393,569
Receivables (Net of Allowances for Uncollectibles)				
Taxes	986,453	-	986,453	164,757
Service	-	1,667,091	1,667,091	-
Other	501,076	56,730	557,806	20,480
Inventories	6,597	-	6,597	-
Total Current Assets	27,956,798	8,431,160	36,387,958	2,895,289
Noncurrent Assets:				
Restricted Assets				
Cash	-	9,556,699	9,556,699	-
Capital Assets (Net)	23,178,346	33,491,414	56,669,760	3,674,344
Total Noncurrent Assets	23,178,346	43,048,113	66,226,459	3,674,344
TOTAL ASSETS	51,135,144	51,479,273	102,614,417	6,569,633
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Loss on Refunding	436,647	201,652	638,299	-
Deferred Outflows Related to Pension	2,194,533	528,608	2,723,141	59,483
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,631,180	730,260	3,361,440	59,483
LIABILITIES				
Current Liabilities:				
Accounts Payable	775,651	597,539	1,373,190	7,047
Accrued Expense	682,609	126,399	809,008	11,765
Interest Payable	217,102	132,687	349,789	-
Deposits	74,057	224,905	298,962	1,500
Current Portion-Long Term Debt	1,379,709	1,780,290	3,159,999	231,186
Total Current Liabilities	3,129,128	2,861,820	5,990,948	251,498
Noncurrent Liabilities:				
Accrued Compensated Absences	352,581	41,148	393,729	3,654
Postclosure Care Costs	-	649,545	649,545	-
Net Pension Liability	6,001,348	1,444,998	7,446,346	162,601
Long-Term Debt	18,019,125	23,435,701	41,454,826	1,826,826
Total Noncurrent Liabilities	24,373,054	25,571,392	49,944,446	1,993,081
TOTAL LIABILITIES	27,502,182	28,433,212	55,935,394	2,244,579
DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS	228,624	55,091	283,715	6,199
NET POSITION				
Net Investment in Capital Assets	4,216,159	18,033,774	22,249,933	1,847,518
Restricted for:				
Debt Service	1,244,098	-	1,244,098	-
Construction	8,725,955	-	8,725,955	-
Tourism & the Arts	613,710	-	613,710	-
Cemetery (nonexpendable)	1,467,761	-	1,467,761	-
Other	155,293	-	155,293	-
Unrestricted	9,612,542	5,687,456	15,299,998	2,530,820
TOTAL NET POSITION	$ 26,035,518	$ 23,721,230	$ 49,756,748	$ 4,378,338

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, 2016

FUNCTIONS/ACTIVITY	EXPENSES	PROGRAM REVENUES: FINES, FEES, AND CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUES AND CHANGES IN NET POSITION, PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNIT
Primary Government:							
Governmental Activities							
General Government	$ 2,057,544	$ 28,075	$ 145,994	$ (1,883,475)	$ -	$ (1,883,475)	$ -
Community Development	460,691	272,729	-	(187,962)	-	(187,962)	-
Finance	453,957	-	-	(453,957)	-	(453,957)	-
Public Safety	9,014,024	578,735	38,924	(8,396,365)	-	(8,396,365)	-
Public Works	4,216,838	1,059,423	140,285	(3,017,130)	-	(3,017,130)	-
Interest on Long-Term Debt	672,462	-	-	(672,462)	-	(672,462)	-
Total Governmental Activities	16,875,516	1,938,962	325,203	(14,611,351)	-	(14,611,351)	-
Business-Type Activities							
Water and Sewer	5,928,017	8,111,187	51,722	-	2,234,892	2,234,892	-
Municipal Airport	1,187,416	1,007,774	22,716	-	(156,926)	(156,926)	-
Golf Course	351,975	140,044	40,382	-	(171,549)	(171,549)	-
Stormwater	401,177	990,405	-	-	589,228	589,228	-
Solid Waste	2,684,735	4,069,815	3,121	-	1,388,201	1,388,201	-
Total Business-Type Activities	10,553,320	14,319,225	117,941	-	3,883,846	3,883,846	-
Total Primary Government	$ 27,428,836	$ 16,258,187	$ 443,144	$ (14,611,351)	$ 3,883,846	$ (10,727,505)	$ -
Component Unit:							
Gainesville Economic Development Corp.	$ 1,694,038	$ 280,544	$ -	$ -	$ -	$ -	$ (1,413,494)
General Revenues:							
Taxes							
Property Taxes				$ 6,742,089	$ -	$ 6,742,089	$ -
Sales Taxes				5,404,024	-	5,404,024	1,136,031
Franchise Fees				1,240,790	-	1,240,790	-
Occupancy Taxes				665,456	-	665,456	-
Mixed Beverage Taxes				34,207	-	34,207	-
Investment Income				78,841	52,415	131,256	4,746
Donations				1,101	-	1,101	-
Miscellaneous				966,743	50,217	1,016,960	478,367
Transfers In (Out) between Governmental and Business-Type Activities				2,511,059	(2,511,059)	-	-
Total General Revenues and Transfers				17,644,310	(2,408,427)	15,235,883	$ 1,619,144
Change in Net Position				3,032,959	1,475,419	4,508,378	205,650
Net Position-October 1				24,306,858	21,879,210	46,186,068	4,172,688
Prior Period Adjustment				(1,304,299)	366,601	(937,698)	-
Net Position, October 1 as restated				23,002,559	22,245,811	45,248,370	4,172,688
Net Position-September 30				$ 26,035,518	$ 23,721,230	$ 49,756,748	$ 4,378,338

Fund Financial Statements

Governmental Fund Financial Statements

CITY OF GAINESVILLE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	MAJOR FUNDS					
	GENERAL FUND	DEBT SERVICE FUND	ASSIGNED PROJECTS FUND	2016 GO BONDS	OTHER GOVERNMENTAL FUNDS	TOTAL
ASSETS:						
Cash	$ 7,294,687	$ 1,249,530	$ 2,864,113	$ 5,029,857	$ 6,132,409	$ 22,570,596
Investments	45,317	-	-	-	3,846,759	3,892,076
Receivables (Net of Allowances for Uncollectible)						
Taxes	925,551	60,902	-	-	-	986,453
Other	432,967	-	-	-	68,109	501,076
Inventory	6,597	-	-	-	-	6,597
Due from Other Funds	-	-	-	-	-	-
Interfund Receivable	-	-	-	-	-	-
TOTAL ASSETS	8,705,119	1,310,432	2,864,113	5,029,857	10,047,277	27,956,798
LIABILITIES:						
Accounts Payable	$ 579,179	$ 5,432	$ 9,150	$ -	$ 181,890	$ 775,651
Accrued Payroll & Benefits	330,028	-	-	-	-	330,028
Funds Held for Others	74,057	-	-	-	-	74,057
Interfund Payable	-	-	-	-	-	-
TOTAL LIABILITIES	983,264	5,432	9,150	-	181,890	1,179,736
DEFERRED INFLOWS OF RESOURCES:						
Unavailable Revenue	318,018	60,902	-	-	-	378,920
FUND BALANCES:						
Nonspendable:						
Inventories	6,597	-	-	-	-	6,597
Restricted:						
Debt Service	-	1,244,098	-	-	-	1,244,098
Construction	-	-	-	5,029,857	3,696,098	8,725,955
Tourism and the Arts	-	-	-	-	613,710	613,710
Other	-	-	-	-	155,293	155,293
Committed:						
Cemetery	-	-	-	-	1,467,761	1,467,761
Assigned:						
Construction	-	-	-	-	3,899,903	3,899,903
Other	-	-	2,854,963	-	32,622	2,887,585
Unassigned	7,397,240	-	-	-	-	7,397,240
TOTAL FUND BALANCES	7,403,837	1,244,098	2,854,963	5,029,857	9,865,387	26,398,142
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 8,705,119	$ 1,310,432	$ 2,864,113	$ 5,029,857	$ 10,047,277	$ 27,956,798

CITY OF GAINESVILLE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION
September 30, 2016

Total Fund Balance - Total Governmental Funds	$ 26,398,142
Amounts reported for governmental activities in the statement of net position are different because of the following:	
Taxes and municipal court fines are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	378,920
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds balance sheet; net of accumulated depreciation of $87,484,995.	23,178,346
Interest payable on long-term debt does not require current financial resources, and therefore, interest payable is not reported as a liability on the governmental funds balance sheet.	(217,102)
Certificates of obligation and bonds payable are not reported as liabilities in the governmental fund balance sheet. This amount represents total noncurrent liabilities related to governmental activities.	(18,548,984)
Costs associated with long term debt are not reported in the governmental funds balance sheets.	
Deferred Loss on Early Extinguishment of Debt	436,647
Premium on Bonds	(849,850)
Compensated absences are not reported as liabilities in the governmental fund balance sheet.	(705,162)
Included in the noncurrent liabilities is the recognition of the City's net pension liability required by GASB 68 in the amount of $6,001,348, a deferred resource inflow in the amount of $228,624 and a deferred resource outflow in the amount of $2,194,533. This resulted in a decrease in net position by $4,035,439.	(4,035,439)
Net Position of Governmental Activities	$ 26,035,518

CITY OF GAINESVILLE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	MAJOR FUNDS					
REVENUES:	GENERAL	DEBT SERVICE FUND	ASSIGNED PROJECTS FUND	2016 GO BONDS	OTHER GOVERNMENTAL FUNDS	TOTAL
Taxes						
Ad Valorem Taxes	$ 4,259,085	$ 2,435,476	$ -	$ -	$ -	$ 6,694,561
Sales Taxes	5,404,024	-	-	-	-	5,404,024
Franchise Tax	1,240,790	-	-	-	-	1,240,790
Occupancy Tax	-	-	-	-	665,456	665,456
Mixed Beverage Tax	34,207	-	-	-	-	34,207
Service Charges	1,038,563	-	-	-	20,860	1,059,423
License & Permits	272,729	-	-	-	28,075	300,804
Fines & Forfeitures	483,389	-	-	-	47,540	530,929
Investment Income	30,192	3,848	11,991	11,727	7,320	65,078
Intergovernmental Revenues	322,088	-	-	-	3,115	325,203
Donations	1,101	-	-	-	-	1,101
Other Income	257,398	23,039	500,000	-	200,069	980,506
TOTAL REVENUES	13,343,566	2,462,363	511,991	11,727	972,435	17,302,082
EXPENDITURES:						
Current						
General Government	1,456,091	110,256	110,359	-	161,343	1,838,049
Community Development	442,832	-	-	-	-	442,832
Finance	443,431	-	-	-	-	443,431
Public Safety	8,274,865	-	-	-	31,069	8,305,934
Public Works	3,297,462	-	-	-	143,525	3,440,987
Debt Service						
Principal	-	1,355,894	-	-	-	1,355,894
Interest and Other Charges	-	459,537	-	71,581	-	531,118
Capital Outlay	110,280	-	1,389,248	-	1,414,954	2,914,482
TOTAL EXPENDITURES	14,024,961	1,925,687	1,499,607	71,581	1,750,891	19,272,727
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(681,395)	536,676	(987,616)	(59,854)	(778,456)	(1,970,645)
OTHER FINANCING SOURCES (USES):						
Refunding Bonds Issued	-	-	-	7,715,806	-	7,715,806
Payment to Bond Escrow Agent	-	-	-	(3,210,454)	-	(3,210,454)
Premium on Debt Issuance	-	-	-	519,819	-	519,819
Funds Transferred In	2,803,467	165,920	1,741,144	97,011	4,151,969	8,959,511
Funds Transferred Out	(2,077,152)	(407,019)	(3,551,217)	(32,471)	(380,593)	(6,448,452)
TOTAL OTHER FINANCING SOURCES (USES):	726,315	(241,099)	(1,810,073)	5,089,711	3,771,376	7,536,230
NET CHANGE IN FUND BALANCES	44,920	295,577	(2,797,689)	5,029,857	2,992,920	5,565,585
FUND BALANCE - Oct 1 as previously reported	7,583,643	948,521	5,652,652	-	6,872,467	21,057,283
PRIOR PERIOD ADJUSTMENT	(224,726)	-	-	-	-	(224,726)
FUND BALANCE-OCT 1, as restated	7,358,917	948,521	5,652,652	-	6,872,467	20,832,557
FUND BALANCE - September 30	$ 7,403,837	$ 1,244,098	$ 2,854,963	$ 5,029,857	$ 9,865,387	$ 26,398,142

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, 2016

Net Change in Fund Balances - Total Governmental Funds	$ 5,565,585
Amounts reported for governmental activities in the statement of activities are different because of the following:	
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the government-wide statement of net position in the current period.	2,914,482
In the government wide statement of activities and changes in net position, loss on disposal of fixed assets is recognized. The effect of this adjustment is to reduce changes in net position.	-
Amortization of costs associated with debt are reported in the government-wide financial statements but not governmental funds as it does not require the use of current financial resources. The current year amortization on these costs are:	
Amortization of Loss on Early Extinguishment of Debt	(31,351)
Amortization of Bond Premium	48,404
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(1,417,566)
Compensated absences are accrued on the government-wide statement of net position but do not require the use of current financial resources. The current period change in compensated absences is reported in the government-wide statement of activities and changes in net position. The current period net decrease in compensated absences is not reported as expenditures in governmental funds.	(34,683)
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.	(141,344)
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.	$ (3,715,147)
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.	95,334
The implementation of GASB 68 required that certain expenditures be de-expensed and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/15 caused the change in the ending net position to increase in the amount of $708,653. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling $(998,511). The City's reported TMRS net pension expense had to be recorded. The net pension expense increased the change in net position by $39,103. The result of these changes is to increase the change in net position by $250,755.	(250,755)
Change in Net Position of Governmental Activities	$ 3,032,959

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

Proprietary Fund Financial Statements

CITY OF GAINESVILLE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2016

	WATER & SEWER	MUNICIPAL AIRPORT	SOLID WASTE	STORMWATER	OTHER ENTERPRISE FUNDS GOLF FUND	TOTAL
ASSETS						
Cash	$ 3,597,703	$ 76,859	$ 1,883,065	$ 1,145,570	$ 4,142	$ 6,707,339
Receivables (Net of Allowances for Uncollectibles						
Service	1,023,948	28,211	499,679	115,253	-	1,667,091
Other	56,730	-	-	-	-	56,730
Interfund Receivables	-	-	-	-	-	-
Total Current Assets	4,678,381	105,070	2,382,744	1,260,823	4,142	8,431,160
Noncurrent Assets:						
Restricted Assets:						
Cash	9,556,699	-	-	-	-	9,556,699
Interfund Receivables	-	-	-	-	-	-
Capital Assets (net)	12,559,290	3,090,436	2,097,137	15,693,618	50,933	33,491,414
Total Noncurrent Assets	22,115,989	3,090,436	2,097,137	15,693,618	50,933	43,048,113
TOTAL ASSETS	26,794,370	3,195,506	4,479,881	16,954,441	55,075	51,479,273
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Loss on Refunding	60,218	5,357	81,826	49,156	5,095	201,652
Deferred Outflow Related to Pension	317,550	22,647	142,110	7,333	38,968	528,608
TOTAL DEFERRED OUTFLOWS OF RESOURCES	377,768	28,004	223,936	56,489	44,063	730,260
LIABILITIES						
Current Liabilities:						
Accounts Payable	397,464	53,760	100,890	41,736	3,689	597,539
Accrued Expense	73,061	6,728	33,177	2,986	10,447	126,399
Interfund Payables	-	-	-	-	-	-
Interest Payable	87,724	2,014	17,498	24,412	1,039	132,687
Customer Deposits	221,936	-	2,894	75	-	224,905
Capital Leases Payable-Current Portion	-	-	-	-	-	-
Revenue Bonds Payable-Current Portion	1,131,307	31,303	281,227	329,783	6,670	1,780,290
Total Current Liabilities	1,911,492	93,805	435,686	398,992	21,845	2,861,820
Noncurrent Liabilities:						
Accrued Compensated Absences	22,674	3,055	10,755	350	4,314	41,148
Postclosure Care Costs Payable	-	-	649,545	-	-	649,545
Net Pension Liability	868,051	61,907	388,471	20,046	106,523	1,444,998
Revenue Bonds Payable	18,350,212	122,731	1,064,707	3,849,294	48,757	23,435,701
Total Noncurrent Liabilities	19,240,937	187,693	2,113,478	3,869,690	159,594	25,571,392
TOTAL LIABILITIES	21,152,429	281,498	2,549,164	4,268,682	181,439	28,433,212
DEFERRED INFLOW OF RESOURCES RELATED TO PENSIONS	33,095	2,360	14,811	764	4,061	55,091
NET POSITION						
Net Investment in Capital Assets	2,694,688	2,941,759	833,029	11,563,697	601	18,033,774
Unrestricted	3,291,926	(2,107)	1,306,813	1,177,787	(86,963)	5,687,456
TOTAL NET POSITION	$ 5,986,614	$ 2,939,652	$ 2,139,842	$ 12,741,484	$ (86,362)	$ 23,721,230

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

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

CITY OF GAINESVILLE, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	WATER & SEWER	MUNICIPAL AIRPORT	SOLID WASTE	STORMWATER	OTHER ENTERPRISE FUNDS GOLF FUND	TOTAL
OPERATING REVENUES						
Charges for Services	$ 8,111,187	$ 1,007,774	$ 4,069,815	$ 990,405	$ 140,044	$14,319,225
Grant Revenue	51,722	22,716	3,121	-	40,382	117,941
Other Income	43,451	-	5,962	-	804	50,217
TOTAL OPERATING REVENUES	8,206,360	1,030,490	4,078,898	990,405	181,230	14,487,383
OPERATING EXPENSES						
Salaries and Benefits	1,667,725	116,105	743,546	37,352	220,464	2,785,192
Supplies, Materials, Repair and Maintenance	746,959	719,199	351,352	6,510	51,101	1,875,121
Heat, Light and Power	564,145	21,350	17,975	-	13,198	616,668
Lease Payments	1,007,386	14,400	-	-	-	1,021,786
Other	569,664	30,428	1,153,426	29,865	51,964	1,835,347
Depreciation	777,687	280,166	319,779	175,547	12,492	1,565,671
TOTAL EXPENSES	5,333,566	1,181,648	2,586,078	249,274	349,219	9,699,785
OPERATING INCOME (LOSS)	2,872,794	(151,158)	1,492,820	741,131	(167,989)	4,787,598
NONOPERATING REVENUES (EXPENSES)						
Reevaluation of Postclosure Care Costs	-	-	(40,816)	-	-	(40,816)
Amortization of Bond Premium	45,765	(208)	(9,846)	(862)	(131)	34,718
Bond Issuance Costs	(6,041)	(834)	(7,058)	(4,043)	(453)	(18,429)
Donations	-	-	-	-	-	-
Gain (Loss) on Disposal of Fixed Assets	-	-	-	-	-	-
Investment Income	43,913	184	5,075	3,243	-	52,415
Interest Expense	(634,175)	(4,726)	(40,937)	(146,998)	(2,172)	(829,008)
TOTAL NONOPERATING REVENUES (EXPENSES)	(550,538)	(5,584)	(93,582)	(148,660)	(2,756)	(801,120)
INCOME BEFORE TRANSFERS	2,322,256	(156,742)	1,399,238	592,471	(170,745)	3,986,478
TRANSFERS						
Transfers In	136,192	36,151	13,149	148,119	203,058	536,669
Transfers Out	(1,615,325)	(35,375)	(992,058)	(364,588)	(40,382)	(3,047,728)
NET TRANSFERS	(1,479,133)	776	(978,909)	(216,469)	162,676	(2,511,059)
CHANGE IN NET POSITION	843,123	(155,966)	420,329	376,002	(8,069)	1,475,419
NET POSITION, OCTOBER 1	6,288,179	3,488,298	1,791,067	10,386,794	(75,128)	21,879,210
PRIOR PERIOD ADJUSTMENT	(1,144,688)	(392,680)	(71,554)	1,978,688	(3,165)	366,601
NET POSITION, OCTOBER 1, AS RESTATED	5,143,491	3,095,618	1,719,513	12,365,482	(78,293)	22,245,811
NET POSITION, SEPTEMBER 30	$ 5,986,614	$ 2,939,652	$ 2,139,842	$ 12,741,484	$ (86,362)	$23,721,230

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

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

CITY OF GAINESVILLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	WATER AND SEWER FUND	MUNICIPAL AIRPORT	SOLID WASTE FUND	STORMWATER	OTHER ENTERPRISE FUND GOLF	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from Customers	$ 7,913,235	$ 1,004,864	$ 3,960,803	$ 980,247	$ 181,230	$ 14,040,379
Payments to Suppliers for Goods and Services	(3,261,058)	(759,015)	(1,496,540)	(3,604)	(119,362)	(5,639,579)
Payments to Employees	(1,645,526)	(111,869)	(741,917)	(44,444)	(220,017)	(2,763,773)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	3,006,651	133,980	1,722,346	932,199	(158,149)	5,637,027
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Transfers In	136,192	36,151	13,149	148,119	203,058	536,669
Transfers Out	(1,615,325)	(35,375)	(992,058)	(364,588)	(40,382)	(3,047,728)
Payments Made on Loans from Other Funds	-	-	-	-	-	-
Receipts From Loans from Other Funds	-	-	-	-	-	-
Payments Received on Loans to Other Funds	-	-	-	-	-	-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	(1,479,133)	776	(978,909)	(216,469)	162,676	(2,511,059)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of Capital Assets	(4,000,569)	(81,402)	(172,771)	(62,029)	(7,809)	(4,324,580)
Proceeds from Sale of Assets	-	-	-	-	-	-
Proceeds from Debt Issuance	-	-	-	-	-	-
Payment of Bond Issuance Costs	(6,041)	(834)	-	(4,043)	(453)	(11,371)
Payment of Postclosure Care Costs	-	-	(21,898)	-	-	(21,898)
Principal Paid on Bonds and Certificates of Obligation	(1,018,129)	(31,223)	(280,550)	(324,526)	(6,627)	(1,661,055)
Interest and Paying Agent Fees Paid on Bonds, Notes, and Certificates of Obligation	(782,957)	(3,812)	(39,861)	(144,245)	(1,678)	(972,553)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(5,807,696)	(117,271)	(515,080)	(534,843)	(16,567)	(6,991,457)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on Investments	43,913	184	5,076	3,243	-	52,416
Proceeds from Maturities of Investments	-	-	-	-	-	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	43,913	184	5,076	3,243	-	52,416
INCREASE (DECREASE) IN CASH DURING YEAR	(4,236,265)	17,669	233,433	184,130	(12,040)	(3,813,073)
CASH - October 1	17,390,667	59,190	1,649,632	961,440	16,182	20,077,111
CASH - September 30	$ 13,154,402	$ 76,859	$ 1,883,065	$ 1,145,570	$ 4,142	$ 16,264,038
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating Income (Loss)	$ 2,872,794	$ (151,158)	$ 1,492,820	$ 741,131	$ (167,989)	$ 4,787,598
Adjustments:						
Depreciation Expense	777,687	280,166	319,779	175,547	12,492	1,565,671
Prior Period Adjustment	-	-	-	-	-	-
Pension Expense	13,507	2,491	14,110	(8,102)	(3,566)	18,440
Change in Assets and Liabilities:						
Receivables, Net	(302,547)	(25,626)	(118,157)	(10,158)	-	(456,488)
Inventories	-	-	-	-	-	-
Accounts Payable	(372,910)	26,362	26,213	32,771	(3,099)	(290,663)
Accrued Expense	8,698	1,745	(12,481)	1,010	4,013	2,985
Customer Deposits	9,422	-	62	-	-	9,484
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 3,006,651	$ 133,980	$ 1,722,346	$ 932,199	$ (158,149)	$ 5,637,027
NON CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Capital Assets Acquired with Capital Lease	$ -	$ -	$ -	$ -	$ -	$ -

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

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

Fiduciary Fund
Financial Statements

CITY OF GAINESVILLE, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
STANFORD HOUSE
SEPTEMBER 30, 2016

		STANFORD HOUSE
ASSETS:		
Cash	$	93,392
Investments, fair value		128,092
TOTAL ASSETS		221,484
LIABILITIES:		
Accrued Expenses		1,031
NET POSITION	$	220,453

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

CITY OF GAINESVILLE, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
STANDFORD HOUSE
SEPTEMBER 30, 2016

	AGENCY FUND
	STANFORD HOUSE
ADDITIONS	
Rental income	$ 8,970
Activities income	80,013
Contributions	13,269
Subtotal	102,252
Investment income:	
Interest & dividends	11,278
Realized gains & losses	(12,510)
Net appreciation in fair value of investments	9,660
Subtotal	8,428
TOTAL ADDITIONS	110,680
DEDUCTIONS	
Salaries & benefits	47,295
Supplies	8,630
Maintenance	56,355
Other	38,999
TOTAL DEDUCTIONS	151,279
NET INCREASE IN NET POSITION	(40,599)
NET POSITION, OCTOBER 1	261,052
NET POSITION, SEPTEMBER 30	$ 220,453

Notes to Basic
Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

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

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

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for the local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants, in the publication entitled, "Audits of State and Local Governmental Units", and by the Financial Accounting Standards Board (FASB) when applicable.

B. Financial Reporting Entity

The City's financial reporting entity comprises the following:

Primary Government: City of Gainesville
Discrete Component Unit: Gainesville Economic Development Corporation (GEDC)

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as discretely presented component units with the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name);
- The City holds the corporate powers of the organization;
- The City appoints a voting majority of the organization's board;
- The City is able to impose its will on the organization;
- The organization has the potential to impose a financial benefit/burden on the City and
- There is fiscal dependency by the organization on the City.

These factors make the organization meet the criteria for being presented as a discretely presented component unit.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending.

The component unit that is discretely presented into the reporting activity type of the City's report is presented below:

Gainesville Economic Development Corporation, Inc. – The purpose of the Gainesville Economic Development Corporation, Inc. (GEDC) is to promote economic development within the City by encouraging, developing, and providing financing for manufacturing, industrial, and retail or commercial operations. The primary source of revenue is a sales and use tax specified in the Texas Development Corporation Act of 1979, which is remitted to the City by the State of Texas and which is then allocated to the GEDC fund. The City provides administrative support to the GEDC for which it is reimbursed by the GEDC. The GEDC Board of Directors consists of seven members, appointed by the City Council, at least five of which may not be City officers, employees, or council members. A separate audit report is issued for the GEDC, a copy of which may be obtained by writing to 200 S. Rusk, Gainesville, TX, 76240.

C. Government-Wide and Fund Financial Statements

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

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

The statement of activities reports changes in the City's net position from October 1, 2015 to September 30, 2016. This statement demonstrates the degree to which the direct expenses of a given function of government are offset by program revenues. Specifically, the City has identified the following functions of government: support services, public safety services, recreation and leisure services, development services, water and wastewater services, solid waste operations, stormwater services, municipal airport operations, and golf course operations. *Direct expenses* are those that are clearly identifiable with a specific function of City government. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included with program revenues are reported instead as *general revenues* in the statement of activities.

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

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

The City reports the following major governmental funds at September 30, 2016:

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

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

2016 GO Bond Fund - This fund accounts for the street utility maintenance project funded by the 2016 General Obligation Bonds.

Assigned Projects Fund - These funds are to be used for construction, improvements and purchase of capital assets.

The City reports the following major proprietary funds at September 30, 2016:

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.

The City also has the following nonmajor funds:

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

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

Fiduciary Fund Types - Private purpose trust fund which is used to account for and report assets held by the City in a trustee capacity. The City's private purpose trust fund is the Stanford House.

D. Measurement Focus and Basis of Accounting

1. Governmental Funds

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

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

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

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

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

- Intergovernmental revenues are recognized when the qualifying expenditures are incurred and all other grant requirements have been met for reimbursement expenditure grants. The availability period for intergovernmental revenues is 60 days.

2. Proprietary Funds

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

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

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

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

Internal Service Funds – These 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.

3. Fiduciary Funds - This fund accounts for assets held by the City in a trustee capacity. As such fiduciary funds are not reported in the government-side statements. The City's fiduciary fund is the Stanford House.

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

1. Deposits and Investments

Cash in all funds, including restricted cash, is pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month-end. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

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

2. Receivables and Payables

Accounts Receivable – Utility customers are billed monthly on a regular cycle as meters are read, or services are performed, with revenue recorded when customers are billed. The estimated unbilled revenue at September 30, 2016, was derived by taking the cycle billings that the City billed customers in October and prorating the amount of days applicable to the current year and recording the prorated amount as current year revenue. The total prorated amount is also recorded as accounts receivable at year-end.

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

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

3. Inventories

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

4. Capital Assets

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

Buildings, systems, and improvements	15-30 years
Machinery, vehicles, and other equipment	3-15 years
Furniture and fixtures	3-10 years
Infrastructure	25-40 years

5. Encumbrances

Encumbrance accounting is used for governmental funds. Encumbrances are recorded when a purchase order is issued, and encumbrances are not considered expenditures until a liability for payment is incurred. There were no outstanding encumbrances as of September 30, 2016.

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. Long-term Obligations

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

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

8. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Unspent debt proceeds are not used in this calculation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net investment in capital assets for the Water & Sewer fund has been calculated as follows:

Capital assets net of accumulated depreciation		$ 12,559,290
Deferred Loss on Refunding		60,218
Less: Bonds & leases payable	$ (19,481,519)	
Add back unspent bond funds	9,556,699	(9,924,820)
Net investment in capital assets		$ 2,694,688

9. Fund Balance Classification

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

> *Restricted fund balance.* This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
>
> *Committed fund balance.* These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the City Council – the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing

resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts contained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council has the authority to assign amounts to be used for specific purposes.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

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

10. Deferred Outflows and Inflows of Resources

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

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

11. Estimates

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

12. Net Pension Liability

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

13. Prior Period Adjustments

Adjustments have been recorded to the beginning net position. The details of the adjustments are as follows:

	Net Position at 9/30/2015 as Previously Reported	Correction of Prior Year Income	Evaluation of Fixed Assets	Net Position at 9/30/2015 as Restated
Governmental Wide Information				
Governmental Activities	$ 24,306,858	$ -	$(1,304,299)	$ 23,002,559
Business-Type Activities	21,879,210	-	366,601	22,245,811
Fund Financial Statements				
Governmental Funds				
General Fund	7,583,643	(224,726)	-	7,358,917
Proprietary Funds:				
Water & Sewer	6,288,179	8,800	(1,153,488)	5,143,491
Municipal Airport	3,488,298	-	(392,680)	3,095,618
Solid Waste	1,791,067	-	(71,554)	1,719,513
Stormwater	10,386,794	-	1,978,688	12,365,482
Non major Funds	(75,128)	-	(3,165)	(78,293)

One adjustment was needed to correct prior year income charged to the wrong period. During the current fiscal year, the City inventoried all fixed assets. An entry was needed to move fixed assets into the correct fund and remove assets that had been disposed of.

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: General Fund, Municipal Court Security, Municipal Court Technology, Hotel/Motel, Law Enforcement Education, G.I.V.E, City Athletic Fields, Federal Seizure, State

Seizure, Juvenile Case Manager, Cable Peg Fee, Debt Service, Cemetery Permanent, Assigned Projects, and Cohen Scholarship.

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

The original budget and amended budget for major governmental funds are presented as required supplementary information. The Council made several supplemental budgetary appropriations throughout the year. The only material budget amendment was made to create the new Information Technology Department in the amount of $60,338.

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2016, expenditures exceeded appropriations in the following funds:

General Fund	
Information Technology	$ 26,668
Emergency Management	3,339
Fire	3,693
Capital Outlay	55,680
Nonmajor Governmental Funds:	
Municipal Court Technology	4,568
Municipal Court Security	9,780

C. Deficit Fund Equity

The Golf Course Fund is reporting a deficit fund balance in the amount of $86,362. This deficit was the result of posting the entries for the net pension liability in the amount of $106,523.

III. DETAILED NOTES ON ALL FUNDS

A. Cash

Cash on Hand	$ 5,550
Cash Equivalents - TexStar & TexPool	40,360,671
Cash in Banks	3,725,047
Total Cash and Cash Equivalents	$ 44,091,268

	Governmental Activities	Business Activities	Agency Fund	Component Unit	Total
Cash and Cash Equivalents	$ 26,417,355	$ 6,707,339	$ 93,392	$ 1,316,483	$ 34,534,569
Restricted Cash and Cash Equivalents	-	9,556,699	-	-	9,556,699
Totals	$ 26,417,355	$ 16,264,038	$ 93,392	$ 1,316,483	$ 44,091,268

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, 2016, the City had $5,550 of cash on hand. The carrying amount of the City's cash in bank totaled $3,051,928 and bank balance was $3,600,789. During the year, the deposits were fully covered by Federal Depository Insurance amounting to $250,000 and with securities held by the pledging financial institution in the depositor-government's name amounting to $3,889,654 carrying amount of the Gainesville Economic Development Corporation's cash as of September 30, 2016, as reflected in the statement of net position was $673,119 and the bank balance was $682,982. Deposits of the GEDC component unit were not fully covered. The City believes the financial institutions to be high quality, which limits the risk of loss of uninsured balances.

Investments -

	Governmental Activities	Business Activities	Agency Fund	Component Unit	Total
Investments	$ 45,317	$ -	$ 128,092	$ 1,393,569	$1,566,978

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

The Public Funds Investment Act (Act) requires an annual audit of investment practices. Audit procedures in this area conducted as part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

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

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

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

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

Both public fund investment pool agencies operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940 and is rated AAAm by Standard and Poors. All investments are stated at amortized cost, and accordingly, the fair value of the position of the pool funds are the same as the value of shares. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poors, as well as the Office of the Comptroller of Public Accounts for review. Deposits held in these public funds investment pools are not subject to custodial credit risk. The City had $4,258,059 on deposit with TexPool and $35,382,302 on deposit with TexStar at September 30, 2016. The GEDC had $720,310 on deposit with TexStar at September 30, 2016.

Custodial Credit Risk – The risk that in the event of a bank failure, the City's deposits may not be returned to it. It is the policy of the City that their deposits are to be covered by federal depository insurance or by collateral held by the City's agent or pledging financial institution's trust department or agent in the name of the City. At September 30, 2016, the City had no cash deposits that were exposed to custodial credit risk. Deposits of the GEDC component unit were not fully covered. The City believes the financial institutions to be high quality, which limits the risk of loss of uninsured balances

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

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

Fair value of assets measured on a recurring basis of the GEDC at September 30, 2016 is as follows:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Component Unit				
Certificates of Deposit	1,393,569		1,393,569	

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

B. Receivables

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

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, 2016, the rates were $.445595 and $.252227, respectively, per $100 of assessed value. At September 30, 2016, the City had a tax margin of $1.802178 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, 2016, 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			
	General Fund	Debt Service	Nonmajor Funds	Total
Property Taxes	$ 146,614	$ 78,252	$ -	$ 224,866
Sales Tax	969,796	-	-	969,796
Other Local Fees	-	-	61,076	61,076
Franchise Fees	70,197	-	-	70,197
Court Warrants	580,942	-	-	580,942
Grants	34,366	-	-	34,366
Other	32,125	-	7,033	39,158
	1,834,040	78,252	68,109	1,980,401
Allowance for Uncollectibles	(475,522)	(17,350)	-	(492,872)
Net Receivables	$ 1,358,518	$ 60,902	$ 68,109	$ 1,487,529

	Proprietary Funds					
	Water and Sewer	Municipal Airport	Solid Waste	Stormwater Utility	Nonmajor-Golf Fund	Total
Service Receivables	$ 1,023,948	$ 28,084	$ 351,203	$ 116,111	$ -	$ 1,519,346
Other	63,210	127	151,837	-	-	215,174
	1,087,158	28,211	503,040	116,111	-	1,734,520
Allowance for Uncollectibles	(6,480)	-	(3,361)	(858)	-	(10,699)
Net Receivables	$ 1,080,678	$ 28,211	$ 499,679	$ 115,253	$ -	$ 1,723,821

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.

There were no interfund receivable or payable balances at September 30, 2016.

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	$ 377,456
	Water & Sewer Utility	1,238,406
	Stormwater Utility	198,668
	Solid Waste Utility	988,936
Assigned Projects	General Fund	1,741,144
Debt Service Fund	Stormwater Utility	165,920
Nonmajor Governmental Funds	Nonmajor Governmental Funds	96
	General Fund	152,947
	Debt Service	97,011
	Assigned Projects Fund	3,543,128
	Water & Sewer Utility	376,920
	Airport	35,375
	Solid Waste Utility	3,121
	Nonmajor Proprietary Funds	41,229
Enterprise Funds:		
Water & Sewer Fund	Debt Service Fund	126,808
	2016 GO	9,384
Municipal Airport Fund	Debt Service Fund	34,591
	2016 GO	1,560
Stormwater Fund	Debt Service Fund	140,548
	2016 GO	7,532
	Nonmajor Governmental Funds	40
Solid Waste Fund	2016 GO	13,149
Nonmajor Enterprise Funds	General Fund	191,149
	Debt Service Fund	8,062
	Nonmajor Governmental Funds	3,000
		$ 9,496,180

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, 2016 was as follows:

Governmental Activities:	Balance 10/1/2015	Additions/ Completions	Transfers & Deletions	Balance 9/30/2016
Non-Depreciable Capital Assets:				
Construction in Progress	$ 4,582,038	$ -	$ (1,953,810)	$ 2,628,228
Land & Land Rights	1,480,532	589	1,929,822	3,410,943
	6,062,570	589	(23,988)	6,039,171
Depreciable Capital Assets:				
Motorized Vehicle	-	119,761	6,012,509	6,132,270
Machinery & Equip.	9,001,944	132,368	(7,223,351)	1,910,961
Furniture & Fixtures	191,426	-	(18,218)	173,208
Office Mach. & Equip.	1,969,225	167,535	(1,525,401)	611,359
Buildings	10,285,702	60,986	(377,520)	9,969,168
Improvements	86,478,235	2,433,242	(3,084,272)	85,827,205
	107,926,532	2,794,131	(12,228,762)	104,624,171
Less Accumulated Depreciation:				
Motorized Vehicle	-	(355,404)	(3,657,220)	(4,012,624)
Machinery & Equip.	(5,632,434)	(73,338)	4,546,505	(1,159,267)
Furniture & Fixtures	(180,294)	(2,866)	18,175	(164,985)
Office Mach. & Equip.	(1,783,679)	36,697	1,396,078	(350,904)
Buildings	(7,197,329)	(281,814)	585,365	(6,893,778)
Improvements	(74,565,365)	(740,841)	402,768	(74,903,438)
	(89,359,101)	(1,417,566)	3,291,671	(87,484,996)
Net Depreciable Capital Assets	18,567,431	1,376,565	(8,937,091)	17,139,175
Net Capital Assets	$ 24,630,001	$ 1,377,154	$ (8,961,079)	$ 23,178,346

Proprietary Funds	Balance 10/1/2015	Additions/ Completions	Transfers/ Disposals	Balance 9/30/2016
Non-Depreciable Capital Assets:				
Construction in Progress	$ 6,699,575	$ 3,808,688	$ (4,092,345)	$ 6,415,918
Land & Land Rights	7,070,999	-	58,972	7,129,971
	13,770,574	3,808,688	(4,033,373)	13,545,889
Depreciable Capital Assets:				
Motorized Vechicles	-	62,690	5,922,852	5,985,542
Machinery & Equip.	10,435,281	392,265	(7,580,285)	3,247,261
Furniture & Fixtures	1,080	4,788	(4,788)	1,080
Office Mach. & Equip.	248,520	-	14,026	262,546
Buildings	2,598,963	4,979	33,518	2,637,460
Improvements	13,324,036	51,170	6,233,144	19,608,350
Plant In Svc-Water	12,582,791	-	(7,169,734)	5,413,057
Plant In Svc-Sewer	4,572,721	-	7,754,563	12,327,284
	43,763,392	515,892	5,203,296	49,482,580
Less Accumulated Depreciation:				
Motorized Vechicles	-	(382,016)		(3,519,911)
Machinery & Equip.	(6,650,057)	(113,918)	4,163,656	(2,600,319)
Furniture & Fixtures	(1,080)	-	-	(1,080)
Office Mach. & Equip.	(236,306)	(8,782)	21,155	(223,933)
Buildings	(1,347,014)	(65,851)	(633,155)	(2,046,020)
Improvements	(4,987,330)	(576,905)	(1,505,938)	(7,070,173)
Plant In Svc-Water	(14,147,079)	(385,253)	5,275,376	(9,256,956)
Plant In Svc-Sewer	(1,666,742)	(32,946)	(3,118,975)	(4,818,663)
	(29,035,608)	(1,565,671)	4,202,119	(29,537,055)
Net Depreciable Capital Assets	14,727,784	(1,049,779)	9,405,415	19,945,525
Net Capital Assets	$ 28,498,358	$ 2,758,909	$ 5,372,042	$ 33,491,414

Discretely Presented Component Unit:	Balance 10/1/2015	Additions/ Completions	Disposals	Balance 9/30/2016
Non-Depreciable Capital Assets:				
Land & Land Rights	$ 1,184,253	$ -	$ (397,371)	$ 786,882
Construction in Progress	1,761,279	(1,761,279)	-	-
Total Non-Depreciable Capital Assets	2,945,532	(1,761,279)	(397,371)	786,882
Depreciable Capital Assets:				
Office Mach. & Equip.	1,545	-	-	1,545
Improvements	-	1,761,279		1,761,279
Buildings	1,984,814	-	-	1,984,814
	1,986,359	1,761,279	-	3,747,638
Less Accumulated Depreciation:				
Office Mach. & Equip.	(155)	(309)	-	(464)
Buildings	(793,391)	(66,321)	-	(859,712)
	(793,546)	(66,630)	-	(860,176)
Net Depreciable Capital Assets	$ 4,138,345	$ (66,630)	$ (397,371)	$ 3,674,344

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Capital asset balances of individual proprietary funds as of September 30, 2016 were as follows:

	Water and Sewer	Municipal Airport	Solid Waste	Stormwater Utility	Nonmajor-Golf Fund	Totals
Non-Depreciable Capital Assets:						
Construction in Progress	$ 6,415,918	$ -	$ -	$ -	$ -	$ 6,415,918
Land & Land Rights	114,517	118,075	-	6,882,114	15,265	7,129,971
	6,530,435	118,075	-	6,882,114	15,265	13,545,889
Depreciable Capital Assets:						
Motorized Vehicles	1,637,484	153,178	3,154,995	838,901	200,984	5,985,542
Machinery & Equip.	1,460,916	169,941	1,545,388	34,121	36,895	3,247,261
Furniture & Fixtures	1,080	-	-	-	-	1,080
Office Mach. & Equip.	196,727	6,500	34,244	25,075	-	262,546
Buildings	533,546	876,395	1,156,811	-	70,708	2,637,460
Improvements	4,228,231	5,928,378	52,747	8,958,495	440,499	19,608,350
Plant In Service-Water	5,413,057	-	-	-	-	5,413,057
Plant In Service-Sewer	12,327,284	-	-	-	-	12,327,284
	25,798,325	7,134,392	5,944,185	9,856,592	749,086	49,482,580
Less Accumulated Depreciation:						
Motorized Vehicles	(987,692)	(124,149)	(1,798,361)	(425,219)	(184,490)	(3,519,911)
Machinery & Equip.	(1,263,972)	(127,737)	(1,141,243)	(34,121)	(33,246)	(2,600,319)
Furniture & Fixtures	(1,080)	-	-	-	-	(1,080)
Office Mach. & Equip.	(179,641)	(6,500)	(34,244)	(3,548)	-	(223,933)
Buildings	(533,545)	(578,549)	(863,218)	-	(70,708)	(2,046,020)
Improvements	(2,727,921)	(3,325,096)	(9,982)	(582,200)	(424,974)	(7,070,173)
Plant In Service-Water	(9,256,956)	-	-	-	-	(9,256,956)
Plant In Service-Sewer	(4,818,663)	-	-	-	-	(4,818,663)
	(19,769,470)	(4,162,031)	(3,847,048)	(1,045,088)	(713,418)	(29,537,055)
Net Depreciable Capital Assets	6,028,855	2,972,361	2,097,137	8,811,504	35,668	19,945,525
Net Capital Assets	$ 12,559,290	$ 3,090,436	$ 2,097,137	$ 15,693,618	$ 50,933	$ 33,491,414

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

Governmental Activities:	
General Government	$ 168,266
Community Development	9,415
Public Safety	509,863
Public Works	730,022
	$ 1,417,566
Discretely Presented Component Unit:	
Gainesville Economic Development Corp	$ 66,630
Proprietary Funds:	
Water & Sewer	$ 777,687
Airport	280,166
Solid Waste	319,779
Stormwater	175,547
Golf Course	12,492
	$ 1,565,671

E. Accounts Payable

Accounts payable as of September 30, 2016, for the City's major funds and nonmajor funds in the aggregate are as follows:

	Governmental Funds					
	General Fund	Debt Service	Assigned Projects	2016 GO	Nonmajor Funds	Total
Vendor Payables	$ 588,208	$ 5,432	$ 9,150	$ -	$ 181,890	$ 784,680
Court Costs Payable	335	-	-	-	-	335
Funds Held for Others	74,057	-	-	-	-	74,057
Accrued Payroll & Benefits	320,664	-	-	-	-	320,664
	$ 983,264	$ 5,432	$ 9,150	$ -	$ 181,890	$ 1,179,736

	Proprietary Funds						Agency Fund
	Water and Sewer	Municipal Airport	Solid Waste	Stormwater Utility	Nonmajor-Golf Fund	Total	Stanford House
Vendor Payables	$ 397,120	$ 53,851	$ 90,925	$ 41,314	$ 3,838	$ 587,048	$ -
Accrued Comp. Absences	22,674	3,055	10,755	350	4,314	41,148	-
Postclosure Care Costs	-	-	11,916	-	-	11,916	-
Accrued Payroll & Benefits	50,731	3,582	20,470	3,058	5,984	83,825	1,031
Deposits Payable	221,936	-	2,895	75	-	224,906	-
Interest Payable	87,724	2,014	17,498	24,412	1,039	132,687	-
Totals	$ 780,185	$ 62,502	$ 154,459	$ 69,209	$ 15,175	$ 1,081,530	$ 1,031

F. Long-Term Debt

1. Governmental Activities Long-Term Debt

As of September 30, 2016, the City had the following governmental activities long-term debt outstanding:

	Interest Rate	Year of Issue	Year of Maturity	Original Amount	Amount Outstanding	Due Within One Year
General Obligation Bonds:						
Series 2007	4.0-4.125%	2007	2026	6,639,539	834,932	432,435
Series 2008	4.00%	2008	2030	2,805,000	1,555,306	103,150
Series 2012	2.0-3.0%	2012	2025	2,422,557	1,089,945	374,283
Series 2014	0.33-2.31%	2014	2020	753,455	428,495	156,841
Series 2014	3.5-4.0%	2014	2034	4,765,000	4,430,000	175,000
Series 2016	2.25-4.0%	2016	2036	9,215,000	7,715,806	-
Total General Obligation Bonds					16,054,484	1,241,709
Certificates of Obligation Bonds:						
Series 2010	1.25-4.4%	2010	2029	2,036,000	1,732,500	99,000
Series 2012	2.0-3.5%	2012	2032	2,219,000	762,000	39,000
Total Certificates of Obligation Bonds					2,494,500	138,000
Total Long-Term Debt - Governmental Activities					$ 18,548,984	$ 1,379,709

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

	Balance 10/1/2015	New Debt or Increases	Transfers/ Refunded	Payments or Decreases	Balance 9/30/2016
General Obligation Bonds:					
Series 2007	$ 4,470,711	$ -	$ (3,206,673)	$ (429,106)	$ 834,932
Series 2008	1,654,330	-	-	(99,024)	1,555,306
Series 2012	1,460,115	-	-	(370,170)	1,089,945
Series 2014	4,595,000	-	-	(165,000)	4,430,000
Series 2014 Ref	585,337	-	-	(156,842)	428,495
Series 2016 Ref	-	7,715,806	-	-	7,715,806
Total GO Bonds	12,765,493	7,715,806	(3,206,673)	(1,220,142)	16,054,484
Certificates of Obligation Bonds:					
Series 2010	1,829,250	-	-	(96,750)	1,732,500
Series 2012	2,670,000	-	(1,869,000)	(39,000)	762,000
Total CO Bonds	4,499,250	-	(1,869,000)	(135,750)	2,494,500
Premium/Discount	342,757	565,689	(10,192)	(48,404)	849,850
Total Long Term Debt - Governmental Activities	$ 17,607,500	$ 8,281,495	$ (5,085,865)	$ (1,404,296)	$ 19,398,834

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	General Obligation Bonds			Certificates of Obligation			Totals		
Sep. 30,	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2017	1,241,709	644,242	1,885,951	138,000	80,245	218,251	1,379,709	724,487	2,104,196
2018	1,383,889	481,563	1,865,452	141,750	76,447	218,204	1,525,639	558,010	2,083,649
2019	1,201,910	440,591	1,642,501	146,250	72,532	218,790	1,348,160	513,123	1,861,283
2020	1,342,658	400,951	1,743,609	150,000	68,396	218,405	1,492,658	469,347	1,962,005
2021	1,204,052	360,774	1,564,826	154,500	64,144	218,654	1,358,552	424,918	1,783,470
2022	1,238,297	317,853	1,556,150	158,250	59,880	218,141	1,396,547	377,733	1,774,280
2023	817,023	278,291	1,095,314	164,250	55,147	219,409	981,273	333,438	1,314,711
2024	853,998	245,939	1,099,937	170,250	49,282	219,545	1,024,248	295,221	1,319,469
2025	775,882	213,896	989,778	176,250	42,829	219,093	952,132	256,725	1,208,857
2026	808,817	185,795	994,612	182,250	36,390	218,655	991,067	222,185	1,213,252
2027	634,549	162,181	796,730	188,250	29,669	217,935	822,799	191,850	1,014,649
2028	656,791	140,384	797,175	195,000	22,641	217,658	851,791	163,025	1,014,816
2029	509,446	121,286	630,732	203,250	15,258	218,526	712,696	136,544	849,240
2030	527,819	104,326	632,145	210,750	7,518	218,268	738,569	111,844	850,413
2031	542,006	86,830	628,836	57,000	2,697	59,697	599,006	89,527	688,533
2032	560,379	68,794	629,173	58,500	907	59,407	618,879	69,701	688,580
2033	583,752	49,506	633,258	-	-	-	583,752	49,506	633,258
2034	602,125	28,944	631,069	-	-	-	602,125	28,944	631,069
2035	280,498	13,946	294,444	-	-	-	280,498	13,946	294,444
2036	288,884	4,694	293,578	-	-	-	288,884	4,694	293,578
	$ 16,054,484	$ 4,350,786	$ 20,405,270	$ 2,494,500	$ 683,982	$ 3,178,638	$ 18,548,984	$ 5,034,768	$ 23,583,752

2. Business-Type Activities Long-Term Debt

As of September 30, 2016, 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
Water and Sewer Utility						
Certificates of Obligation Bonds:						
Series 2010	1.25-4.4%	2010	2030	1,111,500	1,001,000	57,200
Series 2012	2.0-3.5%	2012	2032	400,500	381,000	19,500
Series 2013	4%-2.75%	2013	2033	5,730,000	5,140,000	230,000
Series 2015	4%-2.75%	2015	2035	9,215,000	9,095,000	285,000
General Obligation Bonds:						
Series 2007	4.0-4.125%	2007	2026	965,362	121,396	62,875
Series 2008	4.00%	2008	2028	12,000	1,260,130	83,550
Series 2014	0.33-2.31%	2014	2020	1,888,818	1,074,186	393,182
Series 2016 Ref	2.25-4.0%	2016	2036	433,257	433,257	-
					18,505,969	1,131,307
Municipal Airport						
General Obligation Bonds:						
Series 2007	4.0-4.125%	2007	2026	160,450	20,177	10,450
Series 2014	0.33-2.31%	2014	2020	100,176	56,970	20,853
Series 2016 Ref	2.25-4.0%	2016	2036	72,009	72,009	-
					149,156	31,303
Solid Waste Utility						
General Obligation Bonds:						
Series 2007	4.0-4.125%	2007	2026	1,352,678	170,101	88,100
Series 2014	0.33-2.31%	2014	2020	1,194,790	527,628	193,127
Series 2016 Ref	2.25-4.0%	2016	2036	607,079	607,079	-
					1,304,808	281,227
Stormwater Utility						
Certificates of Obligation Bonds:						
Series 2010	1.25-4.4%	2010	2030	1,239,750	1,116,500	63,800
Series 2012	2.0-3.5%	2012	2032	1,468,500	1,397,000	71,500
General Obligation Bonds:						
Series 2007	4.0-4.125%	2007	2026	774,843	97,438	50,466
Series 2008	4.00%	2008	2028	2,608,000	954,564	63,300
Series 2012	2.0-3.0%	2012	2024	522,443	235,055	80,717
Series 2016 Ref	2.25-4.0%	2016	2036	347,750	347,750	-
					4,148,307	329,783
Municipal Golf Course						
General Obligation Bonds:						
Series 2007	4.0-4.125%	2007	2026	87,127	10,956	5,675
Series 2014	0.33-2.31%	2014	2020	4,784	2,721	995
Series 2016 Ref	2.25-4.0%	2016	2036	39,102	39,102	-
					52,779	6,670
Total Bonds - Proprietary Funds Activities					$ 24,161,019	$ 1,780,290

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

Water and Sewer Utility	Balance 10/1/2015	New Debt or Increases	Transfers/ Refunded	Payments or Decreases	Balance 9/30/2016
Certificates of Obligation Bonds:					
Series 2010	1,056,900	-	-	(55,900)	1,001,000
Series 2012	-	-	400,500	(19,500)	381,000
Series 2013	5,365,000	-	-	(225,000)	5,140,000
Series 2015	9,215,000	-	-	(120,000)	9,095,000
General Obligation Bonds:				-	
Series 2007	650,024	-	(466,237)	(62,391)	121,396
Series 2008	1,340,338	-	-	(80,208)	1,260,130
Series 2014	1,467,368	-	-	(393,182)	1,074,186
Series 2016	-	433,257	-	-	433,257
Capital Leases					
Community Leaseing	61,948	-	-	(61,948)	-
Discount/Premium	1,002,542	30,863	(3,055)	(54,800)	975,550
	20,159,120	464,120	(68,792)	(1,072,929)	19,481,519
Municipal Airport					
General Obligation Bonds:					
Series 2007	108,038	-	(77,492)	(10,369)	20,177
Series 2014	77,824	-	-	(20,854)	56,970
Series 2016	-	72,009		-	72,009
Discount/Premium	246	5,129	(246)	(251)	4,878
	186,108	77,138	(77,738)	(31,474)	154,034
Solid Waste Utility					
General Obligation Bonds:					
Series 2007	910,822	-	(653,298)	(87,423)	170,101
Series 2014	720,755	-	-	(193,127)	527,628
Series 2016	-	607,079	-	-	607,079
Discount/Premium	2,077	43,246	(2,076)	(2,121)	41,126
	1,633,654	650,325	(655,374)	(282,671)	1,345,934
Stormwater Utility					
General Obligation Bonds:					
Series 2007	521,738	-	(374,222)	(50,078)	97,438
Series 2008	1,015,332	-	-	(60,768)	954,564
Series 2012	314,885	-	-	(79,830)	235,055
Series 2016	-	347,750		-	347,750
Certificates of Obligation Bonds:					
Series 2010	1,178,850	-	-	(62,350)	1,116,500
Series 2012	-	-	1,468,500	(71,500)	1,397,000
Discount/Premium	9,447	24,772	(1,190)	(2,259)	30,770
	3,040,252	372,522	1,093,088	(326,785)	4,179,077
Municipal Golf Course					
General Obligation Bonds:					
Series 2007	58,667	-	(42,080)	(5,631)	10,956
Series 2014	3,717	-	-	(996)	2,721
Series 2016	-	39,102	-	-	39,102
Discount/Premium	134	2,785	(134)	(137)	2,648
	62,518	41,887	(42,214)	(6,764)	55,427
Totals	$ 25,081,652	$ 1,605,992	$ 248,970	$ (1,720,623)	$ 25,215,991

City of Gainesville, Texas
Notes to Basic Financial Statements
September 30, 2016

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	Certificates of Obligation			General Obligation Bonds			Totals		
Sep. 30,	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2017	591,700	524,618	1,116,318	539,607	85,334	624,941	1,131,307	609,952	1,741,259
2018	613,750	503,810	1,117,560	560,711	68,237	628,948	1,174,461	572,047	1,746,508
2019	691,350	481,111	1,172,461	276,224	58,916	335,140	967,574	540,027	1,507,601
2020	713,400	455,218	1,168,618	289,188	50,957	340,145	1,002,588	506,175	1,508,763
2021	741,000	427,136	1,168,136	142,079	44,032	186,111	883,079	471,168	1,354,247
2022	773,050	395,887	1,168,937	146,832	38,471	185,303	919,882	434,358	1,354,240
2023	811,400	360,925	1,172,325	125,725	33,019	158,744	937,125	393,944	1,331,069
2024	844,750	325,654	1,170,404	131,443	27,876	159,319	976,193	353,530	1,329,723
2025	873,100	295,947	1,169,047	137,397	22,499	159,896	1,010,497	318,446	1,328,943
2026	896,450	270,734	1,167,184	143,350	17,084	160,434	1,039,800	287,818	1,327,618
2027	924,800	244,123	1,168,923	136,113	11,790	147,903	1,060,913	255,913	1,316,826
2028	953,700	216,009	1,169,709	143,228	6,396	149,624	1,096,928	222,405	1,319,333
2029	978,350	187,040	1,165,390	13,165	3,432	16,597	991,515	190,472	1,181,987
2030	1,017,450	155,763	1,173,213	13,635	3,030	16,665	1,031,085	158,793	1,189,878
2031	953,500	123,961	1,077,461	13,870	2,618	16,488	967,370	126,579	1,093,949
2032	989,250	92,223	1,081,473	14,340	2,195	16,535	1,003,590	94,418	1,098,008
2033	985,000	59,213	1,044,213	14,810	1,748	16,558	999,810	60,961	1,060,771
2034	620,000	32,650	652,650	15,280	1,277	16,557	635,280	33,927	669,207
2035	645,000	11,288	656,288	15,751	782	16,533	660,751	12,070	672,821
2036	-	-	-	16,221	263	16,484	16,221	263	16,484
	$ 15,617,000	$ 5,163,310	$ 20,780,310	$ 2,888,969	$ 479,956	$ 3,368,925	$ 18,505,969	$ 5,643,266	$ 24,149,235

Stormwater Utility – Stormwater long-term debt consists of general obligation bonds and certficates of obligation, 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	General Obligation Bonds			Certificates of Obligation			Totals		
Sep. 30,	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2017	194,483	60,802	255,285	135,300	75,533	210,833	329,783	136,335	466,118
2018	153,904	49,466	203,370	139,500	72,140	211,640	293,404	121,606	415,010
2019	123,427	44,614	168,041	142,400	68,655	211,055	265,827	113,269	379,096
2020	131,620	40,305	171,925	146,600	64,883	211,483	278,220	105,188	383,408
2021	131,776	35,844	167,620	149,500	61,020	210,520	281,276	96,864	378,140
2022	135,441	31,119	166,560	153,700	57,255	210,955	289,141	88,374	377,515
2023	118,349	26,375	144,724	159,350	52,752	212,102	277,699	79,127	356,826
2024	124,487	21,749	146,236	165,000	47,069	212,069	289,487	68,818	358,305
2025	105,091	17,278	122,369	170,650	41,229	211,879	275,741	58,507	334,248
2026	109,643	13,145	122,788	176,300	35,630	211,930	285,943	48,775	334,718
2027	103,684	9,116	112,800	181,950	29,730	211,680	285,634	38,846	324,480
2028	108,937	5,016	113,953	186,300	23,534	209,834	295,237	28,550	323,787
2029	10,567	2,755	13,322	193,400	17,005	210,405	203,967	19,760	223,727
2030	10,944	2,432	13,376	201,800	10,091	211,891	212,744	12,523	225,267
2031	11,133	2,101	13,234	104,500	4,944	109,444	115,633	7,045	122,678
2032	11,510	1,761	13,271	107,250	1,662	108,912	118,760	3,423	122,183
2033	11,887	1,403	13,290	-	-	-	11,887	1,403	13,290
2034	12,265	1,026	13,291	-	-	-	12,265	1,026	13,291
2035	12,642	628	13,270	-	-	-	12,642	628	13,270
2036	13,017	211	13,228	-	-	-	13,017	211	13,228
	$ 1,634,807	$ 367,146	$ 2,001,953	$ 2,513,500	$ 663,132	$ 3,176,632	$ 4,148,307	$ 1,030,278	$ 5,178,585

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	General Obligation Bonds		
Sep. 30,	Principal	Interest	Total
2017	31,303	4,695	35,998
2018	34,547	2,879	37,426
2019	14,626	2,328	16,954
2020	15,934	1,944	17,878
2021	7,228	1,624	8,852
2022	7,463	1,367	8,830
2023	3,399	1,150	4,549
2024	3,516	1,011	4,527
2025	3,673	867	4,540
2026	3,829	751	4,580
2027	2,071	682	2,753
2028	2,110	630	2,740
2029	2,188	571	2,759
2030	2,266	504	2,770
2031	2,305	435	2,740
2032	2,383	364	2,747
2033	2,462	291	2,753
2034	2,540	212	2,752
2035	2,618	130	2,748
2036	2,695	44	2,739
	$ 149,156	$ 19,298	$ 146,887

Solid Waste Utility

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

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

Fiscal Year	General Obligation Bonds		
Sep. 30,	Principal	Interest	Total
2017	281,227	40,125	321,352
2018	308,453	24,636	333,089
2019	129,650	19,822	149,472
2020	140,793	16,472	157,265
2021	60,939	13,694	74,633
2022	62,915	11,522	74,437
2023	28,658	9,691	38,349
2024	29,646	8,525	38,171
2025	30,964	7,313	38,277
2026	32,281	6,331	38,612
2027	17,458	5,749	23,207
2028	17,788	5,308	23,096
2029	18,446	4,809	23,255
2030	19,105	4,246	23,351
2031	19,435	3,668	23,103
2032	20,094	3,075	23,169
2033	20,752	2,450	23,202
2034	21,411	1,791	23,202
2035	22,070	1,097	23,167
2036	22,723	369	23,092
	$ 1,304,808	$ 190,693	$ 1,495,501

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 Utility Fund surplus net revenues.

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

Fiscal Year	General Obligation Bonds		
Sep. 30,	Principal	Interest	Total
2017	6,671	2,227	8,898
2018	8,498	1,347	9,845
2019	4,162	1,142	5,304
2020	4,806	1,011	5,817
2021	3,925	882	4,807
2022	4,053	742	4,795
2023	1,846	625	2,471
2024	1,909	549	2,458
2025	1,994	471	2,465
2026	2,079	408	2,487
2027	1,124	370	1,494
2028	1,146	342	1,488
2029	1,188	310	1,498
2030	1,231	274	1,505
2031	1,252	236	1,488
2032	1,294	198	1,492
2033	1,337	157	1,494
2034	1,379	115	1,494
2035	1,422	71	1,493
2036	1,463	24	1,487
	$ 52,779	$ 11,501	$ 64,280

3. Component Unit Long-Term Debt

As of September 30, 2016, the component unit had the following long-term debt:

	Interest Rate	Year of Issue	Year of Maturity	Original Amount	Amount Outstanding	Due Within One Year
Limited Sales and Use Tax Bond						
Series 2014	2.95-15.0%	2014	2024	2,500,000	2,058,012	231,186

	Balance 10/1/2015	Increase	Decrease	Balance 9/30/2016
Series 2014 Bond	$ 2,282,217	-	(224,205)	$ 2,058,012

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

Fiscal Year	Principal	Interest	Total
2017	231,186	58,386	289,572
2018	238,196	51,376	289,572
2019	245,419	44,153	289,572
2020	193,700	191,608	385,308
2021	225,871	159,437	385,308
2022	262,720	122,588	385,308
2023	305,581	79,727	385,308
2024	355,339	29,969	385,308
	$ 2,058,012	$ 737,244	$ 2,795,256

4. Advance Refunding Bonds

The City issued General Obligation Refunding and Improvement Bonds, Series 2016 on February 18, 2016. The bonds were issued to partially refund the 2007 General Obligation Bonds and to provide additional funding for the Street Utility Maintenance project. The par amount of the bonds refunded totaled $4,820,000. As a result of the refunding, $4,825,389 was placed with the refunding escrow agent. The debt service savings is $572,975 and the present value of the savings is $494,260. The difference between the par value of the refunded bonds and the amount placed with the escrow agent is a loss of $5,389.

5. Defeased Debt

As of September 30, 2016, the following defeased bonds remain outstanding:

	Amount
Series 1998 CO	$ 1,580,000
Series 1998 GO	535,000
Series 1999 CO	435,000
Series 2000 CO	525,000
Series 2001 CO	2,495,000
Series 2002 CO	2,440,000
Series 2002 GO	460,000
Series 2003 CO	1,025,000
Series 2005 GO	1,608,000
Series 2008 GO	550,000
Series 2007 GO	4,820,000

6. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require that the City place a final cover on its municipal landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The City's landfill was considered full September 30, 1994. The estimated total cost of the landfill closure and postclosure care costs of $1,075,000 recognized at September 30, 1993, was based on an amount that would be paid if all services required to close, monitor, and maintain the landfill were incurred as of September 30, 1993. However, the actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. In recent years, in order to comply with State regulations, the postclosure liability has been increased to adjust for inflation. The balance of the liability at September 30, 2016 was $661,461 of which $11,916 is considered as a current liability. The change in the postclosure care costs liability for the fiscal year ended September 30, 2016 was an increase of $19,266.

G. <u>Compensated Absences</u>

The activity related to compensated absences is as follows:

	Compensated Absences 10/1/2015	Earned	Used	Compensated Absences 9/30/2016	Current Portion
Governmental Funds	$ 670,479	$ 307,549	$ 272,866	$ 705,162	$ 352,581
Proprietary Funds:					
Water & Sewer	44,671	25,913	25,236	45,348	22,674
Airport Fund	4,486	1,804	180	6,110	3,055
Stormwater Utility	-	701	-	701	351
Solid Waste	36,666	1,528	16,684	21,510	10,755
Golf Course	5,439	5,703	2,513	8,629	4,315
Component Unit	7,430	8,610	8,731	7,309	3,655
	$ 769,171	$ 351,808	$ 326,210	$ 794,769	$ 397,385

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

H. Fund Equity and Net position

1. Fund Balance

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

General Fund

The General Fund has Unassigned Fund Balance of $7,397,240 at September 30, 2016.

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 2016 GO Bond fund is classified as restricted for construction. A portion of this fund balance is unspent bond proceeds. The Assigned Projects Fund's fund balance is classified as assigned. These funds are to be used for construction, improvements and purchase of capital assets.

Other Funds

The fund balances of the Hotel/Motel Fund, Municipal Court Technology, Municipal Court Security, 2014 GO Bonds, Juvenile Case Manager, Cable Peg Fee, Federal Seizure, Law Officer Education, 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. Flood Repairs, City Athletic Fields, G.I.V.E, Cohen Scholarship, Hospital Demolition and Construction Project Fund are classified as Assigned.

2. Net Position: Net Investment in Capital Assets

This component of net position is reported in the proprietary fund financial statements and in the government-wide financial statements. It represents the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets. 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 Position: Restricted

This component of net position is reported in the proprietary fund financial statements and in the government-wide financial statements. It represents amounts that are restricted for a particular purpose. At September 30, 2016, the City had funds restricted for capital projects, debt service and other programs.

4. Net Position: Unrestricted

This component of net position is reported in the proprietary fund financial statements and in the government-wide financial statements. It represents the difference between assets and liabilities that is not reported in net investment in capital assets or net position restricted for specific purposes.

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

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. During fiscal 2016, the City was covered under a general liability insurance policy plan with a combined single limit of $1 million at a cost it considered being economically justifiable.

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

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

B. Contingent Liabilities

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

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

C. Contracts

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

Greater Texoma Utility Authority (GTUA) – The City has entered into various contracts with the Greater Texoma Utility Authority (GTUA), whereby GTUA provides water and sewer services to the City. As part of the contractual agreements, GTUA issues debt for the benefit of the City, the proceeds of which are used to finance construction of water and sewer facilities and infrastructure within the City. Although this debt is not that of the City, the City is contractually obligated for the repayment of principal and interest on the debt through a pledging of water and sewer revenues. During the year ended September 30, 2016, the City paid $1,002,536 to GTUA in accordance with these contracts.

The audited financial statements of the year ended September 30, 2016, for GTUA, issued by the GTUA's independent auditors, reflected total assets for the City projects as $10,137,543, deferred outflows of resources of $89,050, liabilities of $8,206,451, and total net position of $2,020,142. Additionally, total revenues and expenses for the City's projects were $720,289 and $1,032,888, respectively. Revenues, as reported, included investment income of $6,786.

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

In fiscal year 2010, GTUA issued $2,830,000 in Gainesville Contract Revenue Refunding Bonds having an interest rate of 2.0% to 3.25%. These bonds were issued to refund the 1995, 1997 and 2002 Contract Revenue Bonds. The City has agreed and is obligated to GTUA to make payments from pledged revenues of the Water and Sewer enterprise fund in amounts sufficient to provide for the payment and redemption of the principal and interest of these revenue bonds as they become due. The balance outstanding at September 30, 2016, was $280,000.

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, 2016 was $3,770,000.

In fiscal year 2012, GTUA issued $2,000,000 in Gainesville Contract Revenue Bonds having an interest rate of .1740% to 2.822%. The City has agreed and is obligated to GTUA to make payments from pledged revenues of the Water and Sewer enterprise fund in amounts sufficient to provide for the payment and redemption of the principal and interest of these revenue bonds as they become due. The balance outstanding at September 30, 2016 was $1,865,000.

In fiscal year 2012, GTUA issued 2012 Gainesville Contract Revenue Bonds having an interest rate of .140% to 1.867%. The City has agreed and is obligated to GTUA to make payments from pledged revenues of the Water and Sewer enterprise fund in amounts sufficient to provide for the payment and redemption of the principal and interest of these revenue bonds as they become due. The balance outstanding at September 30, 2016 was $995,000.

In fiscal year 2013, GTUA issued 2013 Gainesville Contract Revenue Bonds having an interest rate of 2.0% to 3.0%. The City has agreed and is obligated to GTUA to make payments from pledged revenues of the Water and Sewer enterprise fund in amounts sufficient to provide for the payment and redemption of the principal and interest of these revenue bonds as they become due. The balance outstanding at September 30, 2016 was $1,165,000.

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

Fiscal Years Ending September 30,	Principal	Interest	Amount
2017	535,000	160,482	695,482
2018	545,000	152,629	697,629
2019	550,000	143,937	693,937
2020	555,000	135,403	690,403
2021	560,000	126,893	686,893
2022-2026	2,430,000	474,069	2,904,069
2027-2031	2,330,000	218,459	2,548,459
2032-2033	570,000	8,356	578,356
	$ 8,075,000	$ 1,420,228	$ 9,495,228

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, 2016, 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, 2016, 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
2017	209,520	65,982	275,502
2018	214,920	64,338	279,258
2019	220,320	62,198	282,518
2020	225,720	59,588	285,308
2021	232,200	56,318	288,518
2022-2026	1,248,480	214,128	1,462,608
2027-2030	1,082,160	66,200	1,148,360
	$ 3,433,320	$ 588,752	$ 4,022,072

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

D. Commitments

1. Construction Commitments

The City has projects in the construction phase. Construction commitments are as follows:

Vendor	Project	Contract	Expended to Date	Balance of Commitment
Eagle Air Marketing	Airport Runway Painting	$ 13,978	$ -	$ 13,978
Lynn Vessels Construction	Crack Seal Project on Runway	17,000	-	17,000
Lynn Vessels Construction	Sump Bond Package H	4,023,071	850,589	3,172,482
Lynn Vessels Construction	Sump Bond Package J	789,360		789,360
HDR Engineering Inc	Golf Course Water Rights	21,000	11,819	9,181
HDR Engineering Inc	Surge Tank/Feed System WWTP	98,000	64,608	33,392
HDR Engineering Inc	Elevated Water Tower Gateway	226,900		226,900
HDR Engineering Inc	Garnett Street MSE Retaining Wall	42,500	39,915	2,585
Kimley Horn	Engineering SUMP I Culbertson	515,000	151,500	363,500
Kimley Horn	Waste Water Treatment Plant Phase 2	912,000	284,000	628,000
Kimley Horn	Sump Bond Package H	571,500	-	571,500
Kimley Horn	Sump Bond Package J	168,000	109,206	58,794
Gracon Construction	Waste Water Treatment Plant Phase 2 and Sump Bond Package H	11,477,995		11,477,995
Fryer Construction	Surge Tank/Feed System WWTP	489,800	20,568	469,232
Iowa Bridge and Culvert	Garnett Street MSE Retaining Wall	456,984	182,464	274,520

2. GEDC Commitments

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

Vendor	Commitment	Expended to Date	Balance of Commitment
Granite, BHF	$ 800,000	$ 50,000	$ 750,000
BNSF ROW Land	102,000	12,000	90,000
Industrial Park Land	150,000	5,504	144,496
Trident Process Systems, LLC	410,000	45,100	364,900
Texas Trailer Sales	20,000	-	20,000

E. Commitments Under Operating Leases

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments. Lease expense for operating lease agreements for the current year is $13,547. Minimum future annual requirements are as follows:

Year Ended	Amount
2017	23,351
2018	23,351
2019	23,351
2020	23,351
2021	14,375
Total	$ 107,779

F. Related Organizations

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

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

G. Jointly Governed Organizations

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

Greater Texoma Utility Authority – The Greater Texoma Utility Authority (GTUA) is a political subdivision of the State of Texas and was created to assist incorporated cities, towns or villages to develop water, sewer and solid waste facilities. Initially, the GTUA was comprised of all the territory that is contained within the corporate boundaries of Sherman and Denison, Texas. Subsequent to the creation of the GTUA, in 1979, several other cities, including the City of Gainesville, have been annexed into the Authority. The City is contractually obligated to make sufficient payments to the GTUA, recognized as operating expenses by the City and as revenues by the GTUA, for the redemption and payment of the City's portion of certain GTUA revenue bonds as they become due. The cities of Sherman and Denison have the right to appoint three members each to the GTUA's nine member Board of Directors. The City of Gainesville currently appoints one member of the Board. The City has limited governing ability over the GTUA.

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

H. Joint Ventures

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

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

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, 2016, was $13,760,000. Financial statements and other information may be obtained by contacting TASWA's business office, P.O. Box 249, Whitesboro, Texas 76273.

I. RETIREMENT PLANS

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

The total (aggregate for the TMRS and TESRS plans) of the City's net pension liabilities, deferred outflows and deferred inflows of resources related to pensions as of September 30, 2016 and the pension expense for the year ended is as follows:

	TMRS	TESRS	Total
Net pension liability	$ 7,604,142	$ 4,805	$ 7,608,947
Deferred outflows of resources	2,781,741	883	2,782,624
Deferred inflows of resources	289,914	-	289,914

1. Texas Municipal Retirement System

A. Plan Description

The City of Gainesville participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tmrs.com*.

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

B. Benefits Provided

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

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

Employees covered by benefit terms.

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

	2015
Inactive employees or beneficiaries currently receiving benefits	129
Inactive employees entitled to but not yet receiving benefits	89
Active Employees	214
	432

C. Contributions

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

Employees for the City of Gainesville were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Gainesville were 9.95% and 9.52% in calendar years 2015 and 2016, respectively. The city's contributions to TMRS for the year ended September 30, 2016 were $1,047,978, and were equal to the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	3% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected return, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 12/31/2014	$ 38,634,768	$ 32,964,817	$ 5,669,951
Changes for the year:			
Service Cost	983,604	-	983,604
Interest	2,667,580	-	2,667,580
Difference between expected and actual expense	(96,053)	-	(96,053)
Changes of assumptions	(78,753)	-	(78,753)
Contributions-employer	-	1,006,406	(1,006,406)
Contributions-employees	-	518,232	(518,232)
Net investment income	-	48,641	(48,641)
Benefit payments, including refunds of employee contributions	(2,036,560)	(2,036,560)	-
Administrative expense	-	(29,628)	29,628
Other changes	-	(1,463)	1,463
Net change	1,439,818	(494,372)	1,934,190
Balance at 12/31/2015	$ 40,074,586	$ 32,470,445	$ 7,604,141

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

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

	1% Decrease in Discount Rate 5.75%	Discount Rate 6.75%	1% Increase in Discount Rate 7.75%
City's net pension liability	$ 13,450,363	$ 7,604,141	$ 2,843,662

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2016. The city recognized pension expense of $1,287,157. At September 30, 2016, the city reported deferred outflows of resources and deferred inflows or resources related to pensions for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 229,780
Changes in actuarial assumptions	-	60,135
Difference between projected and actual investment earings	2,049,831	-
Contributions subsequent to the measurement date	731,910	-
Total	$ 2,781,741	$ 289,915

$738,910 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2016	$ 430,651
2017	460,651
2018	456,336
2019	442,278
2020	-
Thereafter	-

2. Texas Emergency Services Retirement System (TESRS)

A. Plan Description

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

Of the nine member state board of trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. At August 31, 2016, there were 199 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

B. Benefits Provided

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

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

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

C. Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2016, total contributions (dues, prior service, and interest on prior service financing) of $3,463,603 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated $1,583,825 for the fiscal year ending August 31, 2016.

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

The actuarial valuation as of August 31, 2016 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately $725,000 each year to pay for part of the System's administrative expenses.

The City's contribution for 2016, 2015 and 2014 was $1,188, 864 and $1,080 respectively.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of August 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.5% per year
Salary increases	N/A
Investment Rate of Return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2024 by scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (currently 4.97%) and by adding expected inflation (3.0%). In addition, the final 7.75% assumption was selected by "rounding down" and thereby reflected a reduction of 0.22% for adverse deviation. The target allocation and expected arithmetic real rates of return are summarized in the following table:

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

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

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

	1% Decrease in Discount Rate 5.75%	Discount Rate 6.75%	1% Increase in Discount Rate 7.75%
City's net pension liability	$ 8,877	$ 4,805	$ 2,928

Changes in Net Pension Liability

	Increase (Decrease) Total Pension Liability
Balance at 08/31/2015	$ 3,453
Changes for the year:	
Service Cost	974
Interest	1,525
Projected earnings on pension plan investments	(1,283)
Amortization of differencess between projected and actual earnings on plan investments	175
Administrative expense	(39)
Net change	1,352
Balance at 08/31/2016	$ 4,805

Pension Plan Fiduciary Net Position

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

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

At September 30, 2016, the city reported deferred outflows of resources and deferred inflows or resources related to pensions for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 883	$ -

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

Year Ended August 31,	
2016	$ 169
2017	169
2018	169
2019	375
Thereafter	-

3. Supplemental Death Benefits Fund

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

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

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

Schedule of Contribution Rates:

Calendar Year	Annual Required Contribution	Actual Contribution Made	Percentage of ARC Contributed
2014	0.06%	0.06%	100%
2015	0.07%	0.07%	100%
2016	0.07%	0.07%	100%

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

Year	City Contribution
2014	$ 6,298
2015	24,581
2016	23,214

J. Subsequent Events

The City's management has evaluated subsequent events through March 14, 2017, the date which the financial statements were available for issue.

Required Supplemental Information

CITY OF GAINESVILLE, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:	ORIGINAL	FINAL	AMOUNTS	POSITIVE (NEGATIVE)
Ad Valorem Taxes	$ 4,182,347	$ 4,171,597	$ 4,259,085	$ 87,488
Sales Taxes	4,570,000	4,579,158	5,404,024	824,866
Franchise Fees	1,292,543	1,292,543	1,240,790	(51,753)
Mixed Beverage Tax	33,029	33,029	34,207	1,178
Service Charges	993,193	993,743	1,038,563	44,820
License & Permits	192,350	192,350	272,729	80,379
Fines & Forfeitures	404,905	404,905	483,389	78,484
Investment Income	8,000	8,000	30,192	22,192
Intergovernmental Revenues	14,360	100,046	322,088	222,042
Donations	-	150	1,101	951
Other Income	99,250	104,005	257,398	153,393
TOTAL REVENUES	11,789,977	11,879,526	13,343,566	1,464,040
EXPENDITURES:				
Current				
General Government				
Administration	615,531	484,452	457,068	27,384
Human Resources	169,328	168,562	165,872	2,690
Main Street Operations	42,463	43,589	33,476	10,113
Information Technology	-	165,393	192,061	(26,668)
Building Operations	107,779	68,279	54,998	13,281
Public Assistance Programs	93,740	93,740	89,740	4,000
Municipal Court	243,330	248,028	246,926	1,102
Civic Center Operations	178,371	224,575	215,950	8,625
Total General Government	1,450,542	1,496,618	1,456,091	40,527
Community Development				
Planning and Zoning	142,963	137,298	128,064	9,234
Inspections	345,147	349,805	314,768	35,037
Total Community Development	488,110	487,103	442,832	44,271
Finance	459,058	451,313	443,431	7,882
Public Safety				
Police	4,775,555	4,648,831	4,537,929	110,902
Emergency Management	34,919	33,684	37,023	(3,339)
Fire	3,579,822	3,696,220	3,699,913	(3,693)
Total Public Safety	8,390,296	8,378,735	8,274,865	103,870
Public Works				
Administration	72,403	70,421	69,539	882
Street Maintenance	894,636	914,698	881,297	33,401
Central Garage	227,397	200,007	165,021	34,986
Parks and Recreation Operations	892,014	886,028	813,686	72,342
Zoo Operations	1,175,643	1,162,232	1,120,891	41,341
Cemetery Operations	268,661	263,253	247,028	16,225
Total Public Works	3,530,754	3,496,639	3,297,462	199,177

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, 2016
(Continued)

	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
Non Departmental	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital Outlay	62,800	54,600	110,280	(55,680)
TOTAL EXPENDITURES	14,381,560	14,365,008	14,024,961	340,047
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,591,583)	(2,485,482)	(681,395)	1,804,087
OTHER FINANCING SOURCES (USES):				
Issuance of Debt	-	-	-	-
Funds Transferred In	2,811,481	2,819,983	2,803,467	(16,516)
Funds Transferred Out	(175,000)	(289,581)	(2,077,152)	(1,787,571)
TOTAL OTHER FINANCING SOURCES (USES)	2,636,481	2,530,402	726,315	(1,804,087)
NET CHANGE IN FUND BALANCES	44,898	44,920	44,920	-
FUND BALANCE - Oct 1 as previously reported	7,583,643	7,583,643	7,583,643	-
PRIOR PERIOD ADJUSTMENT	-	-	(224,726)	-
FUND BALANCE-OCT 1, as restated	7,583,643	7,583,643	7,358,917	
FUND BALANCE - September 30	$ 7,628,541	$ 7,628,563	$ 7,403,837	$ -

CITY OF GAINESVILLE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS-TMRS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	2016	2015
Total Pension Liability		
Service Cost	$ 983,604	$ 904,131
Interest (on the total pension liability)	2,667,580	2,583,710
Changes of benefit terms	-	-
Difference between expected and actual experience	(96,053)	(277,847)
Change of assumptions	(78,753)	-
Benefit payments, including refunds of employee contributions	(2,036,560)	(2,066,593)
Net Change in Total Pension Liability	1,439,818	1,143,401
Total Pension Liability - Beginning	38,634,768	37,491,367
Total Pension Liability - Ending	$ 40,074,586	$ 38,634,768
Plan Fiduciary Net Pension		
Contributions - employer	$ 1,006,406	$ 1,106,406
Contributions - employee	518,232	524,860
Net investment income	48,641	1,808,335
Benefit payments, including refunds of employee contributions	(2,036,560)	(2,066,593)
Administrative expense	(29,628)	(18,881)
Other	(1,463)	(1,552)
Net Change in Plan Fiduciary Net Position	(494,372)	1,352,575
Plan Fiduciary Net Position - Beginning	32,964,817	31,612,242
Plan Fiduciary Net Position - Ending	$ 32,470,445	$ 32,964,817
Net Pension Liability - Ending	$ 7,604,141	$ 5,669,951
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	81.03%	85.32%
Covered Employee Payroll	$ 10,633,654	$ 10,295,465
Net Pension Liability as a Percentage of Covered Payroll	71.51%	55.07%

CITY OF GAINESVILLE, TEXAS
SCHEDULE OF CONTRIBUTIONS-TMRS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	2016	2015
Actuarially determined contribution	1,556,672	1,047,978
Contributions in relation to actuarially determined contribution	(1,556,672)	(1,047,978)
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 10,633,654	$ 10,295,465
Contributions as a percentage of covered employee payroll	14.64%	10.18%

CITY OF GAINESVILLE, TEXAS
NOTES TO SCHEDULE OF CONTRIBUTIONS-TMRS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	19 years
Asset valuation method	10 year smoothed market; 15% soft corridor
Inflation	2.5%
Salary increases	3.5% to 10.5% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information	There were no benefit changes during the year.

CITY OF GAINESVILLE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS-TESRS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Total Pension Liability	**2016**	**2015**
Service Cost	$ 974	$ 347
Interest (on the total pension liability)	1,525	1,530
Projected earnings on investment	(1,283)	(1,175)
Difference between expected and actual experience	175	(218)
Administrative expense	(39)	31
Net Change in Total Pension Liability	1,352	515
Total Pension Liability - Beginning	3,453	2,938
Total Pension Liability - Ending	$ 4,805	$ 3,453

CITY OF GAINESVILLE, TEXAS
SCHEDULE OF CONTRIBUTIONS-TESRS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	2016	2015
Actuarially determined contribution	1,188	864
Contributions in relation to actuarially determined contribution	1,188	864
Contribution deficiency (excess)	$ -	$ -

NOTES TO SCHEDULE OF CONTRIBUTIONS-TESRS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Valuation Date	August 31, 2015

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, open
Remaining amortization period	30 years
Asset valuation method	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value
Inflation	3.0%
Salary increases	n/a
Investment rate of return	7.75% per year, net of investment expenses
Mortality	RP2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2024 by scale AA

Combining Financial Statements

CITY OF GAINESVILLE, TEXAS
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

					REVENUE FUNDS					
	MUNICIPAL COURT TECHNOLOGY	MUNICIPAL COURT SECURITY	HOTEL/ MOTEL	LAW ENFORCEMENT EDUCATION	G.I.V.E.	JUVENILE CASE MANAGER	HOSPITAL DEMOLITON	CITY ATHLETIC FIELDS	FLOOD REPAIRS	CABLE PEG FEE FUND
ASSETS:										
Cash	$ 6,240	$ 14,368	$ 555,552	$ 1,301	$ 2,815	$ 13,041	$ 1,567,225	$ 32,525	$ 267,056	$ 86,044
Investments	-	-	-	-	-	-	-	-	-	-
Receivables (Net of Allowances for Uncollectibles)										
Taxes	-	-	-	-	-	-	-	-	-	-
Other	-	-	61,076	-	98	-	-	-	-	6,935
Inventory	-	-	-	-	-	-	-	-	-	-
Interfund Receivables	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	$ 6,240	$ 14,368	$ 616,628	$ 1,301	$ 2,913	$ 13,041	$ 1,567,225	$ 32,525	$ 267,056	$ 92,979
LIABILITIES AND FUND BALANCES										
LIABILITIES:										
Accounts Payable	$ 159	$ 9,047	$ 2,918	$ -	$ 2,816	$ 804	$ -	$ -	$ -	$ -
Interfund Payable	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	159	9,047	2,918	-	2,816	804	-	-	-	-
FUND BALANCES:										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted:	-	-	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-	-	-
Tourism and the Arts	-	-	613,710	-	-	-	-	-	-	-
Other	6,081	5,321	-	1,301	-	12,237	-	-	-	92,979
Committed:										
Cemetery	-	-	-	-	-	-	-	-	-	-
Assigned:										
Stanford House	-	-	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	1,567,225	-	267,056	-
Other	-	-	-	-	97	-	-	32,525	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	6,081	5,321	613,710	1,301	97	12,237	1,567,225	32,525	267,056	92,979
TOTAL LIABILITIES AND FUND BALANCES	$ 6,240	$ 14,368	$ 616,628	$ 1,301	$ 2,913	$ 13,041	$ 1,567,225	$ 32,525	$ 267,056	$ 92,979

CITY OF GAINESVILLE, TEXAS
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	SPECIAL REVENUE FUNDS		CONSTRUCTION PROJECTS		FUNDS	PERMANENT FUNDS		
ASSETS:	**FEDERAL SEIZURE FUND**	**STATE SEIZURE FUND**	**CONSTRUCTION PROJECTS FUND**	**STREET UTILITY MAINTENANCE**	**2014 GO BOND**	**CEMETERY PERMANENT**	**COHEN SCHOLARSHIP**	**TOTAL**
Cash	$ 2,978	$ 23,670	$ 2,081,107	$ -		$ 1,467,761	$ 10,726	$ 6,132,409
Investments	-	-	-	-	$ 3,846,759	-	-	3,846,759
Receivables (Net of Allowances								
for Uncollectibles)					-			
Taxes	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	68,109
Inventory	-	-	-	-	-	-	-	-
Interfund Receivables	-	-	-	-	-	-	-	-
TOTAL ASSETS	$ 2,978	$ 23,670	$ 2,081,107	$ -	$ 3,846,759	$ 1,467,761	$ 10,726	$ 10,047,277
LIABILITIES AND FUND BALANCES								
LIABILITIES:								
Accounts Payable	$ -	$ -	$ 15,485	$ -	$ 150,661	$ -	$ -	$ 181,890
Interfund Payable	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	15,485	-	150,661	-	-	181,890
FUND BALANCES:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted:	-	-	-	-	-	-	-	-
Construction	-	-	-	-	3,696,098	-	-	3,696,098
Tourism and the Arts	-	-	-	-	-	-	-	613,710
Other	2,978	23,670	-	-	-	-	10,726	155,293
Committed:								-
Cemetery	-	-	-	-	-	1,467,761	-	1,467,761
Assigned:								-
Stanford House	-	-	-	-	-	-	-	-
Construction	-	-	2,065,622	-	-	-	-	3,899,903
Other	-	-	-	-	-	-	-	32,622
Unassigned	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	2,978	23,670	2,065,622	-	3,696,098	1,467,761	10,726	9,865,387
TOTAL LIABILITIES AND FUND BALANCES	$ 2,978	$ 23,670	$ 2,081,107	$ -	$ 3,846,759	$ 1,467,761	$ 10,726	$ 10,047,277

CITY OF GAINESVILLE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	MUNICIPAL COURT TECH.	MUNICIPAL COURT SECURITY	HOTEL/ MOTEL	LAW ENFORCEMENT EDUCATION	G.I.V.E	JUVENILE CASE MANAGER	HOSPITAL DEMOLITON	CITY ATHLETIC FIELDS	FLOOD REPAIRS	CABLE PEG FEE FUND
REVENUES										
Taxes:										
Ad Valorem Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Sales Taxes	-	-	-	-	-	-	-	-	-	-
Occupancy Tax	-	-	665,456	-	-	-	-	-	-	-
Service Charges	-	-	-	-	-	-	-	20,860	-	-
License & Permits	-	-	-	-	-	-	-	-	-	28,075
Fines & Forfeitures	14,679	11,008	-	-	-	21,853	-	-	-	-
Investment Income	24	27	1,343	4	2	42	-	65	432	200
Intergovernmental Revenues	-	-	-	3,115	-	-	-	-	-	-
Other Income	-	-	-	-	1,718	-	-	-	138,072	-
TOTAL REVENUES	14,703	11,035	666,799	3,119	1,720	21,895	-	20,925	138,504	28,275
EXPENDITURES										
Current:										
General Government	-	-	145,840	-	1,656	-	-	-	-	36
Community Development	-	-	-	-	-	-	-	-	-	-
Finance	-	-	-	-	-	-	-	-	-	-
Public Safety	14,811	1,125	-	1,818	-	547	-	-	-	-
Public Works	-	-	-	-	-	-	-	14,141	113,484	-
Debt Service:										
Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	13,147	2,773	-	-	-	-	-	-	1,280
TOTAL EXPENDITURES	14,811	14,272	148,613	1,818	1,656	547	-	14,141	113,484	1,316
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(108)	(3,237)	518,186	1,301	64	21,348	-	6,784	25,020	26,959
OTHER FINANCING SOURCES (USES):										
Issuance of Debt	-	-	-	-	-	-	-	-	-	-
Funds Transferred In	-	-	-	-	-	-	1,567,225	96	235,886	-
Funds Transferred Out	-	-	(350,873)	-	(96)	(12,600)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(350,873)	-	(96)	(12,600)	1,567,225	96	235,886	-
NET CHANGE IN FUND BALANCES	(108)	(3,237)	167,313	1,301	(32)	8,748	1,567,225	6,880	260,906	26,959
FUND BALANCE - Oct 1 as previously re	6,189	8,558	446,397	-	129	3,489	-	25,645	6,150	66,020
PRIOR PERIOD ADJUSTMENT	-	-	-	-	-	-	-	-	-	-
FUND BALANCE-OCT 1, as restated	6,189	8,558	446,397	-	129	3,489	-	25,645	6,150	66,020
FUND BALANCE - September 30	$ 6,081	$ 5,321	$ 613,710	$ 1,301	$ 97	$ 12,237	$ 1,567,225	$ 32,525	$ 267,056	$ 92,979

CITY OF GAINESVILLE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	SPECIAL REVENUE FUNDS		CONSTRUCTION PROJECTS		FUNDS	PERMANENT FUNDS		
REVENUES	FEDERAL SEIZURE FUND	STATE SEIZURE FUND	CONSTRUCTION PROJECTS FUND	STEET UTILITY MAINTENANCE	2014 GO BONDS	CEMETERY PERMANENT	COHEN SCHOLARSHIP	TOTAL
Taxes:								
Ad Valorem Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Sales Taxes	-	-	-	-	-	-	-	-
Occupancy Tax	-	-	-	-	-	-	-	665,456
Service Charges	-	-	-	-	-	-	-	20,860
License & Permits	-	-	-	-	-	-	-	28,075
Fines & Forfeitures	-	-	-	-	-	-	-	47,540
Investment Income	7	55	714	-	-	4,372	33	7,320
Intergovernmental Revenues	-	-	-	-	-	-	-	3,115
Other Income	-	7,606	-	-	13,763	38,910	-	200,069
TOTAL REVENUES	7	7,661	714	-	13,763	43,282	33	972,435
EXPENDITURES								
Current:								
General Government	-	-	13,780	-	31	-	-	161,343
Community Development	-	-	-	-	-	-	-	-
Finance	-	-	-	-	-	-	-	-
Public Safety	-	6,359	6,409	-	-	-	-	31,069
Public Works	-	-	15,900	-	-	-	-	143,525
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-	-	-	-
Capital Outlay	-	-	562,123	-	835,631	-	-	1,414,954
TOTAL EXPENDITURES	-	6,359	598,212	-	835,662	-	-	1,750,891
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	7	1,302	(597,498)	-	(821,899)	43,282	33	(778,456)
OTHER FINANCING SOURCES (USES):								
Issuance of Debt	-	-	-	-	-	-	-	-
Funds Transferred In	-	-	2,348,762	-	-	-	-	4,151,969
Funds Transferred Out	-	-	(13,484)	(40)	-	(3,500)	-	(380,593)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	2,335,278	(40)	-	(3,500)	-	3,771,376
NET CHANGE IN FUND BALANCES	7	1,302	1,737,780	(40)	(821,899)	39,782	33	2,992,920
FUND BALANCE - Oct 1 as previously reported	2,971	22,368	327,842	40	4,517,997	1,427,979	10,693	6,872,467
PRIOR PERIOD ADJUSTMENT	-	-	-	-	-	-	-	-
FUND BALANCE-OCT 1, as restated	2,971	22,368	327,842	40	4,517,997	1,427,979	10,693	6,872,467
FUND BALANCE - September 30	$ 2,978	$ 23,670	$ 2,065,622	$ -	$ 3,696,098	$ 1,467,761	$ 10,726	$ 9,865,387

Budgetary Comparison Schedules

Major Governmental Funds

CITY OF GAINESVILLE, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	AMOUNTS	(NEGATIVE)
REVENUES				
Ad Valorem Taxes	$ 2,181,689	$ 2,351,117	$ 2,435,476	$ 84,359
Investment Income	2,500	2,500	3,848	1,348
Other Income	11,160	11,160	23,039	11,879
TOTAL REVENUES	2,195,349	2,364,777	2,462,363	97,586
EXPENDITURES				
Current:				
General Government	101,500	101,500	110,256	(8,756)
Debt Service				
Principal Retirement	1,355,894	1,355,894	1,355,894	-
Interest and Fiscal Charges	730,061	477,183	459,537	17,646
TOTAL EXPENDITURES	2,187,455	1,934,577	1,925,687	8,890
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	7,894	430,200	536,676	106,476
OTHER FINANCING SOURCES (USES)				
Refunding Bonds Issued	-	-	-	-
Payment to Escrow Agent	-	-	-	-
Funds Transferred In	-	165,920	165,920	-
Funds Transferred Out	(7,894)	(468,361)	(407,019)	61,342
TOTAL OTHER FINANCING SOURCES (USES)	(7,894)	(302,441)	(241,099)	61,342
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	127,759	295,577	167,818
FUND BALANCE - October 1	948,521	948,521	948,521	-
FUND BALANCE - September 30	$ 948,521	$ 1,076,280	$ 1,244,098	$ 167,818

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

CITY OF GAINESVILLE, TEXAS
ASSIGNED PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	AMOUNTS	(NEGATIVE)
REVENUES				
Intergovernmental Revenues	$ -	$ -	$ -	$ -
Investment Income	1,200	6,500	11,991	5,491
Other Income	-	-	500,000	500,000
TOTAL REVENUES	1,200	6,500	511,991	505,491
EXPENDITURES				
Current:				
General Government	1,619,000	1,619,000	110,359	1,508,641
Capital Outlay	1,811,826	2,973,949	1,389,248	1,584,701
Total EXPENDITURES	3,430,826	4,592,949	1,499,607	3,093,342
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,429,626)	(4,586,449)	(987,616)	3,598,833
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	1,741,144	1,741,144
Funds Transferred Out	-	-	(3,551,217)	(3,551,217)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(1,810,073)	(1,810,073)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(3,429,626)	(4,586,449)	(2,797,689)	1,788,760
FUND BALANCE - October 1	5,652,652	5,652,652	5,652,652	-
FUND BALANCE - September 30	$ 2,223,026	$ 1,066,203	$ 2,854,963	$ 1,788,760

Budgetary Comparison Schedules

Nonmajor Governmental Funds

CITY OF GAINESVILLE, TEXAS
MUNICIPAL COURT TECHNOLOGY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	AMOUNTS	(NEGATIVE)
REVENUES				
Fines & Forfeitures	$ 10,000	$ 14,000	$ 14,679	$ 679
Investment Income	-	22	24	2
Other Income	-	-	-	-
TOTAL REVENUES	10,000	14,022	14,703	681
EXPENDITURES				
Current:				
Public Safety	6,900	10,243	14,811	(4,568)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,100	3,779	(108)	(3,887)
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	-	-
Funds Transferred Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	3,100	3,779	(108)	(3,887)
FUND BALANCE - October 1	6,189	6,189	6,189	-
FUND BALANCE - September 30	$ 9,289	$ 9,968	$ 6,081	$ (3,887)

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, 2016

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Fines & Forfeitures	$ 6,000	$ 10,650	$ 11,008	$ 358
Investment Income	8	15	27	12
Other Income	-	-	-	-
TOTAL REVENUES	6,008	10,665	11,035	370
EXPENDITURES				
Current:				
Public Safety	1,300	4,492	1,125	3,367
Capital Outlay	-	-	13,147	(13,147)
TOTAL EXPENDITURES	1,300	4,492	14,272	(9,780)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,708	6,173	(3,237)	(9,410)
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	-	-
Funds Transferred Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	4,708	6,173	(3,237)	(9,410)
FUND BALANCE - October 1	8,558	8,558	8,558	-
FUND BALANCE - September 30	$ 13,266	$ 14,731	$ 5,321	$ (9,410)

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, 2016

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	AMOUNTS	(NEGATIVE)
REVENUES				
Other Local Taxes	$ 517,000	$ 550,010	$ 665,456	$ 115,446
Investment Income	500	840	1,343	503
Other Income	-	-	-	-
TOTAL REVENUES	517,500	550,850	666,799	115,949
EXPENDITURES				
Current:				
General Government	155,500	157,500	145,840	11,660
Capital Outlay	-	-	2,773	(2,773)
TOTAL EXPENDITURES	155,500	157,500	148,613	8,887
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	362,000	393,350	518,186	124,836
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	-	-
Funds Transferred Out	(342,371)	(350,873)	(350,873)	-
TOTAL OTHER FINANCING SOURCES (USES)	(342,371)	(350,873)	(350,873)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	19,629	42,477	167,313	124,836
FUND BALANCE - October 1	446,397	446,397	446,397	-
FUND BALANCE - September 30	$ 466,026	$ 488,874	$ 613,710	$ 124,836

CITY OF GAINESVILLE, TEXAS
LAW ENFORCEMENT EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	AMOUNTS	(NEGATIVE)
REVENUES				
Fines & Forfeitures	$ -	$ -	$ -	$ -
Investment Income	1	1	4	3
Other Income	3,200	3,115	3,115	-
TOTAL REVENUES	3,201	3,116	3,119	3
EXPENDITURES				
Current:				
Public Safety	3,201	198	1,818	(1,620)
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	3,201	198	1,818	(1,620)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	2,918	1,301	(1,617)
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	-	-
Funds Transferred Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	2,918	1,301	(1,617)
FUND BALANCE - October 1	-	-	-	-
FUND BALANCE - September 30	$ -	$ 2,918	$ 1,301	$ (1,617)

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, 2016

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	AMOUNTS	(NEGATIVE)
REVENUES				
Intergovernmental Revenues	$ -	$ -	$ -	$ -
Investment Income	-	1	2	1
Other Income	2,171	1,871	1,718	(153)
TOTAL REVENUES	2,171	1,872	1,720	(152)
EXPENDITURES				
Current:				
General Government	2,171	1,872	1,656	216
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	64	64
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	-	-
Funds Transferred (Out)	-	-	(96)	(96)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(96)	(96)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	-	(32)	(32)
FUND BALANCE - October 1	129	129	129	-
FUND BALANCE - September 30	$ 129	$ 129	$ 97	$ (32)

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, 2016

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	AMOUNTS	(NEGATIVE)
REVENUES				
Fines & Forfeitures	$ 13,000	$ 21,887	$ 21,853	$ (34)
Investment Income	-	-	42	42
Other Income	-	-	-	-
TOTAL REVENUES	13,000	21,887	21,895	8
EXPENDITURES				
Current:				
Public Safety	600	820	547	273
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	600	820	547	273
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	12,400	21,067	21,348	281
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	-	-
Funds Transferred Out	(12,600)	(12,600)	(12,600)	-
TOTAL OTHER FINANCING SOURCES (USES)	(12,600)	(12,600)	(12,600)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(200)	8,467	8,748	281
FUND BALANCE - October 1	3,489	3,489	3,489	-
FUND BALANCE - September 30	$ 3,289	$ 11,956	$ 12,237	$ 281

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, 2016

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	AMOUNTS	(NEGATIVE)
REVENUES				
Charges for Services	$ 23,000	$ 23,000	$ 20,860	$ (2,140)
Investment income	65	65	65	-
Other income	-	-	-	-
TOTAL REVENUES	23,065	23,065	20,925	(2,140)
EXPENDITURES				
Current:				
Public Works	20,000	20,000	14,141	5,859
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	20,000	20,000	14,141	5,859
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,065	3,065	6,784	3,719
OTHER FINANCING SOURCES (USES)				
Funds transferred in	-	-	96	96
Funds transferred (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	96	96
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	3,065	3,065	6,880	3,815
FUND BALANCE -OCTOBER 1	25,645	25,645	25,645	-
FUND BALANCE-SEPTEMBER 30	$ 28,710	$ 28,710	$ 32,525	$ 3,815

CITY OF GAINESVILLE, TEXAS
CABLE PEG FEE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	AMOUNTS	POSITIVE (NEGATIVE)
REVENUES				
License & Permits	$ 15,000	$ 28,362	$ 28,075	$ (287)
Investment Income	180	250	200	(50)
Other Income	-	-	-	-
TOTAL REVENUES	15,180	28,612	28,275	(337)
EXPENDITURES				
Current:				
General Government	-	-	36	(36)
Capital Outlay	15,000	15,000	1,280	13,720
TOTAL EXPENDITURES	15,000	15,000	1,316	13,684
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	180	13,612	26,959	13,347
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	-	-
Funds Transferred Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	180	13,612	26,959	13,347
FUND BALANCE - October 1	66,020	66,020	66,020	-
FUND BALANCE - September 30	$ 66,200	$ 79,632	$ 92,979	$ 13,347

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, 2016

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Intergovernmental	$ -	$ -	$ -	$ -
Investment income	8	8	7	(1)
Other income	-	-	-	-
TOTAL REVENUES	8	8	7	(1)
EXPENDITURES				
Current:				
Public Works	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	8	8	7	(1)
OTHER FINANCING SOURCES (USES)				
Funds transferred in	-	-	-	-
Funds transferred (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	8	8	7	(1)
FUND BALANCE -OCTOBER 1	2,971	2,971	2,971	-
FUND BALANCE-SEPTEMBER 30	$ 2,979	$ 2,979	$ 2,978	$ (1)

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, 2016

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	AMOUNTS	(NEGATIVE)
REVENUES				
Intergovernmental	$ -	$ -	$ -	$ -
Investment income	45	60	55	(5)
Other income	-	-	7,606	7,606
TOTAL REVENUES	45	60	7,661	7,601
EXPENDITURES				
Current:				
Public Safety	2,500	7,886	6,359	1,527
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	2,500	7,886	6,359	1,527
	-			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,455)	(7,826)	1,302	9,128
OTHER FINANCING SOURCES (USES)				
Funds transferred in	-	-	-	-
Funds transferred (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(2,455)	(7,826)	1,302	9,128
FUND BALANCE -OCTOBER 1	22,368	22,368	22,368	-
FUND BALANCE-SEPTEMBER 30	$ 19,913	$ 14,542	$ 23,670	$ 9,128

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, 2016

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	AMOUNTS	(NEGATIVE)
REVENUES				
Intergovernmental	$ -	$ -	$ -	$ -
Investment income	800	3,000	4,372	1,372
Other income	15,260	15,775	38,910	23,135
TOTAL REVENUES	16,060	18,775	43,282	24,507
EXPENDITURES				
Current:				
General government	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	16,060	18,775	43,282	24,507
OTHER FINANCING SOURCES (USES)				
Funds transferred in	-	-	-	-
Funds transferred (out)	(3,500)	(3,500)	(3,500)	-
TOTAL OTHER FINANCING SOURCES (USES)	(3,500)	(3,500)	(3,500)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	12,560	15,275	39,782	24,507
FUND BALANCE -OCTOBER 1	1,427,979	1,427,979	1,427,979	-
FUND BALANCE-SEPTEMBER 30	$ 1,440,539	$ 1,443,254	$ 1,467,761	$ 24,507

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, 2016

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL	AMOUNTS	(NEGATIVE)
REVENUES				
Intergovernmental	$ -	$ -	$ -	$ -
Investment income	6	6	33	27
Other income	-	-	-	-
TOTAL REVENUES	6	6	33	27
EXPENDITURES				
Current:				
General government	500	500	-	500
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(494)	(494)	33	527
OTHER FINANCING SOURCES (USES)				
Funds transferred in	-	-	-	-
Funds transferred (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(494)	(494)	33	527
FUND BALANCE -OCTOBER 1	10,693	10,693	10,693	-
FUND BALANCE-SEPTEMBER 30	$ 10,199	$ 10,199	$ 10,726	$ 527

Report on Internal Control

§ SCHALK & SMITH PC
CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL CORPORATION

Thomas E. Schalk, CPA
Judy Smith, CPA
Cynthia Muñoz, CPA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gainesville, Texas (the City) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 14, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Compliance and Other Matters

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

701 E. California St. • P.O. Box 1194 • Gainesville, TX 76241-1194 • 940-665-3702 • Fax 940-668-8458

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Schalk & Smith PC

Schalk & Smith, P.C.
March 14, 2017

Statistical Section

STATISTICAL SECTION

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

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

Contents **Page**

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

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net Investment in										
capital assets	$ 392,926	$ 779,029	$ 2,978,341	$ 2,633,311	$ (1,359,842)	$ (1,209,809)	$ 4,129,634	$ 3,551,425	$ 7,022,501	$ 4,216,159
Committed	1,153,826	1,173,937	1,208,887	1,241,202	1,272,802	1,327,746	1,374,067	1,420,639	1,438,672	0
Restricted	0	0	0	0	0	0	0	0	6,257,929	12,206,817
Unrestricted	2,135,879	4,224,966	4,885,310	6,487,507	13,574,502	18,787,054	15,860,901	20,892,158	9,587,756	9,612,542
Total governmental activities net position	$ 3,682,631	$ 6,177,932	$ 9,072,538	$ 10,362,020	$ 13,487,462	$ 18,904,991	$ 21,364,602	$ 25,864,222	$ 24,306,858	$ 26,035,518
Business-type activities										
Net Investment in										
capital assets	$ 3,437,721	$ 3,440,372	$ 3,394,196	$ 1,955,664	$ 5,535,078	$ 6,282,114	$ 7,684,214	$ 16,196,466	$ 17,184,026	$ 18,033,774
Restricted	0	0	0	0	0	0	0	0	0	0
Unrestricted	714,675	1,361,440	2,474,873	5,468,599	3,852,677	4,447,825	5,531,782	5,408,349	4,695,184	5,687,456
Total business-type activities net position	$ 4,152,396	$ 4,801,812	$ 5,869,069	$ 7,424,263	$ 9,387,755	$ 10,729,939	$ 13,215,996	$ 21,604,815	$ 21,879,210	$ 23,721,230
Primary government										
Net Investment in										
capital assets	$ 3,830,647	$ 4,219,401	$ 4,219,401	$ 6,372,537	$ 4,588,975	$ 5,072,305	$ 11,813,848	$ 19,747,891	$ 24,206,527	$ 22,249,933
Restricted for Permanent Endowment	1,153,826	1,173,937	1,173,937	1,208,887	1,241,202	1,327,746	1,374,067	1,420,639	1,438,672	0
Restricted	0	0	0	0	0	0	0	0	6,257,929	12,206,817
Unrestricted	2,850,554	5,586,406	5,586,406	7,360,183	11,956,106	23,234,879	21,392,683	26,300,507	14,282,940	15,299,998
Total primary government net position	$ 7,835,027	$ 10,979,744	$ 14,941,607	$ 17,786,283	$ 22,875,217	$ 29,634,930	$ 34,580,598	$ 47,469,037	$ 46,186,068	$ 49,756,748

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net Investment in										
capital assets	$ 392,926	$ 779,029	$ 2,978,341	$ 2,633,311	$ (1,359,842)	$ (1,209,809)	$ 4,129,634	$ 3,551,425	$ 7,022,501	$ 4,216,159
Committed	1,153,826	1,173,937	1,208,887	1,241,202	1,272,802	1,327,746	1,374,067	1,420,639	1,438,672	0
Restricted									6,257,929	12,206,817
Unrestricted	2,135,879	4,224,966	4,885,310	6,487,507	13,574,502	18,787,054	15,860,901	20,892,158	9,587,756	9,612,542
Total governmental activities net position	$ 3,682,631	$ 6,177,932	$ 9,072,538	$ 10,362,020	$ 13,487,462	$ 18,904,991	$ 21,364,602	$ 25,864,222	$ 24,306,858	$ 26,035,518
Business-type activities										
Net Investment in										
capital assets	$ 3,437,721	$ 3,440,372	$ 3,394,196	$ 1,955,664	$ 5,535,078	$ 6,282,114	$ 7,684,214	$ 16,196,466	$ 17,184,026	$ 18,033,774
Restricted	0	0	0	0	0	0	0	0	0	0
Unrestricted	714,675	1,361,440	2,474,873	5,468,599	3,852,677	4,447,825	5,531,782	5,408,349	4,695,184	5,687,456
Total business-type activities net position	$ 4,152,396	$ 4,801,812	$ 5,869,069	$ 7,424,263	$ 9,387,755	$ 10,729,939	$ 13,215,996	$ 21,604,815	$ 21,879,210	$ 23,721,230
Primary government										
Net Investment in										
capital assets	$ 3,830,647	$ 4,219,401	$ 4,219,401	$ 6,372,537	$ 4,588,975	$ 5,072,305	$ 11,813,848	$ 19,747,891	$ 24,206,527	$ 22,249,933
Restricted for Permanent Endowment	1,153,826	1,173,937	1,173,937	1,208,887	1,241,202	1,327,746	1,374,067	1,420,639	1,438,672	0
Restricted									6,257,929	12,206,817
Unrestricted	2,850,554	5,586,406	5,586,406	7,360,183	11,956,106	23,234,879	21,392,683	26,300,507	14,282,940	15,299,998
Total primary government net position	$ 7,835,027	$ 10,979,744	$ 14,941,607	$ 17,786,283	$ 22,875,217	$ 29,634,930	$ 34,580,598	$ 47,469,037	$ 46,186,068	$ 49,756,748

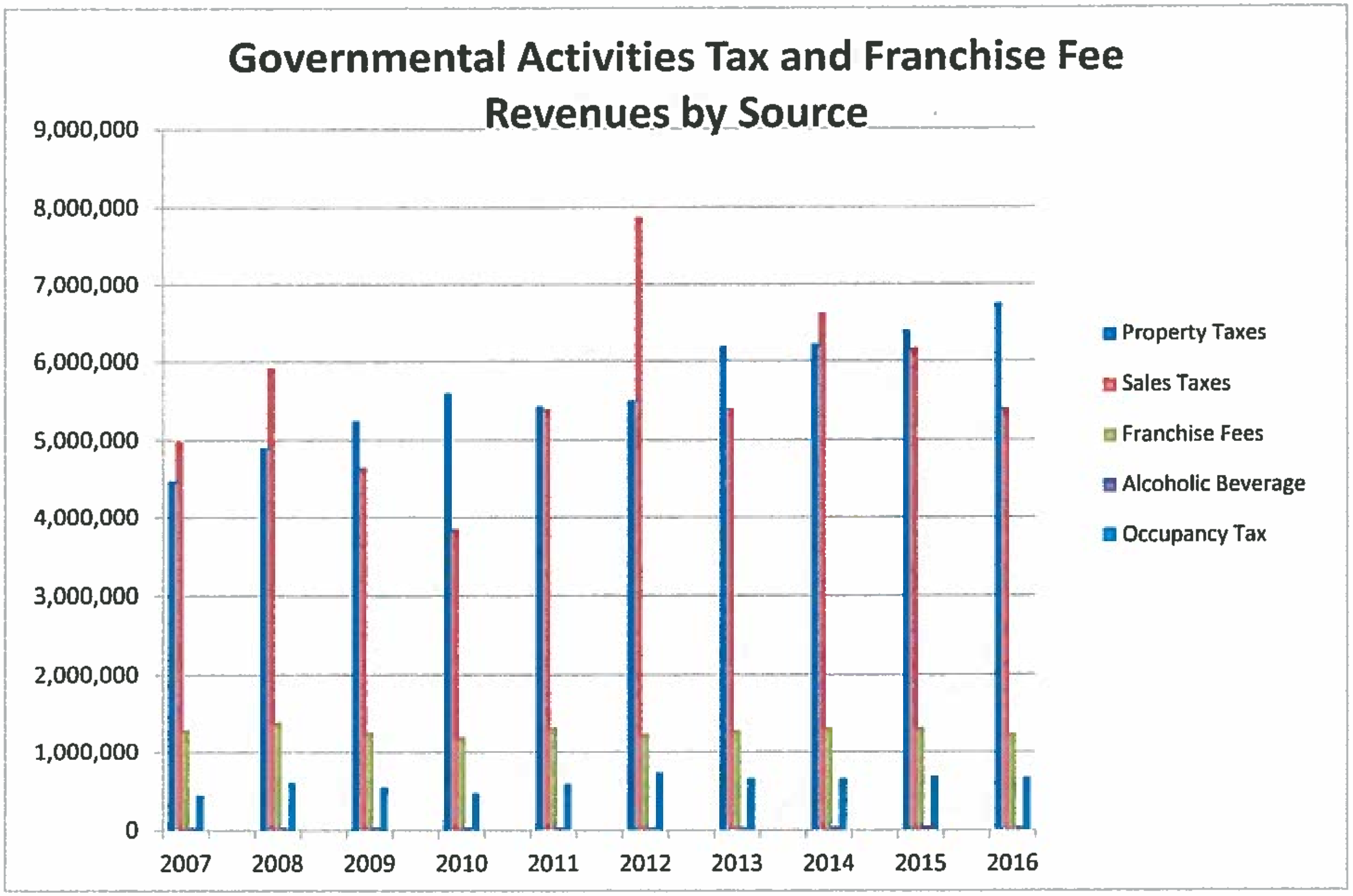
City of Gainesville, Texas
Changes in Net Position
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities:										
General Government	$2,075,083	$2,262,132	$1,956,841	$2,029,423	$2,043,290	$2,041,635	$2,036,650	$2,301,376	$2,134,433	$2,057,544
Community Development	276,415	349,900	354,000	410,999	347,571	375,589	488,974	499,803	474,022	460,691
Finance	448,207	431,430	399,885	401,758	400,922	406,189	462,758	404,366	424,733	453,957
Public Safety	6,891,589	7,164,808	7,191,305	7,462,751	7,747,905	7,661,491	8,108,422	8,262,814	8,469,599	9,014,024
General/Public Services	4,035,694	4,130,729	3,630,306	3,419,627	3,347,486	3,376,631	3,572,040	3,731,174	3,790,990	4,216,838
Bond Issuance Cost	0	0	20,163	0	0	0	0	79,487	0	0
Interest on Long-Term Debt	484,224	536,201	530,804	450,764	808,937	674,442	703,793	544,840	609,610	672,462
Total Governmental Activities Expenditures	14,211,212	14,875,200	14,083,304	14,175,322	14,696,111	14,535,977	15,372,637	15,823,860	15,903,387	16,875,516
Business-Type Activities:										
Water and Sewer	5,518,745	5,473,198	5,525,366	5,539,750	5,890,140	5,707,742	5,532,425	6,450,530	6,084,430	5,928,017
Municipal Airport	1,264,900	1,563,695	1,072,340	1,097,044	1,339,425	1,382,664	1,254,272	1,336,488	1,162,751	1,187,416
Golf Course	543,412	617,356	582,525	550,564	558,961	424,216	387,220	390,556	380,340	351,975
Stormwater	286,029	320,769	442,089	393,324	194,267	226,363	261,470	373,440	397,236	401,177
Solid Waste	2,692,962	2,782,776	2,581,076	2,446,737	2,316,359	2,653,827	2,638,857	2,775,951	2,454,876	2,684,735
Total Business-Type Activities Expenses	10,306,048	10,757,794	10,203,396	10,027,419	10,299,152	10,394,812	10,074,244	11,326,965	10,479,633	10,553,320
Total Primary Government Expenditures	$24,517,260	$25,632,994	$24,286,700	$24,202,741	$24,995,263	$24,930,789	$25,446,881	$27,150,825	$26,383,020	$27,428,836
Program Revenues										
Governmental Activities:										
Fines, Fees, Charges for Services										
General Government	$25,000	$25,000	$0	$0	$0	$40,808	$32,159	$0	$22,331	$28,075
Community Development	725,940	851,088	392,201	372,813	481,946	546,688	560,554	691,640	665,918	272,729
Public Safety	505,799	587,271	467,336	425,670	471,929	361,494	123,184	272,044	375,469	578,735
General/Public Services	0	0	453,436	453,449	518,943	533,552	605,285	675,361	423,529	1,059,423
Operating Grants and Contributions	883,906	385,352	1,480,927	235,593	268,736	259,748	409,629	260,794	50,600	325,203
Total Governmental Activities Program Revenues	2,140,645	1,848,711	2,793,900	1,487,525	1,741,554	1,742,290	1,730,811	1,899,839	1,537,847	2,264,165
Program Revenues (continued)										
Business-Type Activities:										
Fines, Fees, Charges for Services										
Water and Sewer	$6,747,113	$6,958,762	$7,262,043	$7,106,996	$7,691,710	$7,803,192	$7,494,981	$7,510,490	$7,541,024	$8,111,187
Municipal Airport	961,110	1,263,399	878,792	896,501	1,132,279	1,164,363	1,141,161	1,250,890	989,594	1,007,774
Golf Course	250,432	366,356	345,795	285,532	270,195	76,110	172,214	193,863	141,525	140,044
Stormwater	545,569	551,395	963,149	960,287	949,795	952,558	1,003,269	1,002,231	1,003,379	990,405
Solid Waste	3,843,877	3,817,914	3,490,902	3,395,912	3,591,358	3,798,315	4,383,827	3,690,851	3,812,793	4,069,815
Operating Grants and Contributions	76,539	90,123	185,616	919,693	377,385	276,940	0	472,676	86,996	117,941

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Business-Type Activities Program Revenues	12,424,640	13,047,949	13,126,297	13,564,921	14,012,722	14,071,478	14,195,452	14,121,001	13,575,311	14,437,166
Total Primary Government Program Revenues	$14,565,285	$14,896,660	$15,920,197	$15,052,446	$15,754,276	$15,813,768	$15,926,263	$16,020,840	$15,113,158	$16,701,331
Net (Expenses)/Revenue										
Governmental Activities	($12,070,567)	($13,026,489)	($11,289,404)	($12,687,797)	($12,954,557)	($12,793,687)	($13,641,826)	($13,924,021)	($14,365,540)	($14,611,351)
Business-Type Activities	2,118,592	2,290,155	2,922,901	3,537,502	3,713,570	3,676,666	4,121,208	2,794,036	3,095,678	3,883,846
Total Primary Government	($9,951,975)	($10,736,334)	($8,366,503)	($9,150,295)	($9,240,987)	($9,117,021)	($9,520,618)	($11,129,985)	($11,269,862)	($10,727,505)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property Taxes	$4,482,892	$4,891,706	$5,254,558	$5,626,157	$5,424,213	$5,501,785	$6,200,651	$6,216,770	$6,400,677	$6,742,089
Sales Taxes	5,026,128	6,052,952	4,442,416	3,961,931	5,401,018	7,875,346	5,409,389	6,622,880	6,167,640	5,404,024
Other Taxes & Fees	1,761,358	2,015,097	1,822,054	1,697,810	1,935,302	1,993,321	1,954,504	2,002,165	2,040,775	1,940,453
Investment Income	152,191	134,030	78,460	31,581	32,797	25,372	28,797	11,821	18,749	79,942
Miscellaneous	450,333	364,550	514,287	657,349	1,322,069	476,078	476,078	1,459,148	359,767	966,743
Transfers In (Out)	2,036,612	2,063,455	1,979,229	2,002,451	2,108,944	2,339,314	2,339,314	2,110,857	1,865,324	2,511,059
Total Government Activities	13,909,514	15,521,790	14,091,004	13,977,279	16,224,343	18,211,216	16,408,733	18,423,641	16,852,932	17,644,310
Business-Type Activities:										
Investment Income	36,710	34,741	39,618	11,181	4,462	4,832	6,778	5,795	11,927	52,415
Miscellaneous	347,374	387,975	83,967	8,962	10,000	0	998,514	7,699,845	0	50,217
Transfers In (Out)	(2,036,612)	(2,063,455)	(1,979,229)	(2,002,451)	(2,108,944)	(2,339,314)	(2,339,314)	(2,110,857)	(1,865,324)	(2,511,059)
Total Business-Type Activities	(1,652,528)	(1,640,739)	(1,855,644)	(1,982,308)	(2,094,482)	(2,334,482)	(1,334,022)	5,594,783	(1,853,397)	(2,408,427)
Total Primary Government	$12,256,986	$13,881,051	$12,235,360	$11,994,971	$14,129,861	$15,876,734	$15,074,711	$24,018,424	$14,999,535	$15,235,883
Change in Net Position										
Governmental Activities	$1,838,947	$2,495,301	$2,801,600	$1,289,482	$3,269,786	$5,417,529	$2,766,907	$4,499,620	$2,487,392	$3,032,959
Business-Type Activities	466,064	649,416	1,067,257	1,555,194	1,619,088	1,342,184	2,787,186	8,388,819	1,242,281	1,475,419
Total Primary Government	$2,305,011	$3,144,717	$3,868,857	$2,844,676	$4,888,874	$6,759,713	$5,554,093	$12,888,439	$3,729,673	$4,508,378

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
2007	4,477,453	4,989,105	1,290,673	29,557	441,128	11,227,916
2008	4,907,152	5,929,819	1,389,550	31,542	594,005	12,852,068
2009	5,246,238	4,653,940	1,250,451	31,845	539,758	11,722,232
2010	5,598,223	3,854,804	1,200,729	35,672	461,409	11,150,837
2011	5,424,213	5,401,018	1,321,800	32,358	581,144	12,760,533
2012	5,501,785	7,875,346	1,236,765	26,115	730,441	15,370,452
2013	6,186,065	5,409,389	1,273,521	28,797	652,186	13,549,958
2014	6,216,770	6,622,880	1,314,767	37,416	649,982	14,841,815
2015	6,400,677	6,167,640	1,315,960	42,079	682,736	14,609,092
2016	$ 6,742,089	$ 5,404,024	$ 1,240,790	$ 34,207	$ 665,456	$ 14,086,566


Governmental Activities Tax and Franchise Fee Revenues by Source
9,000,000
8,000,000
7,000,000
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
0
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
Property Taxes
Sales Taxes
Franchise Fees
Alcoholic Beverage
Occupancy Tax

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	$19,235	$40,530	$428	$628	$0	$0	$0	$0	$0	$0
Unreserved	1,938,783	3,385,907	4,224,247	5,051,487	0	0	0	0	0	0
Nonspendable	0	0	0	0	459	0	770	978	547	6,597
Assigned:										
Stanford House	0	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	2,254,213	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Unassigned	0	0	0	0	6,679,703	6,880,162	7,216,399	7,407,227	7,583,096	7,397,240
Total General Fund	$1,958,018	$3,426,437	$4,224,675	$5,052,115	$6,680,162	$9,134,375	$7,217,169	$7,408,205	$7,583,643	$7,403,837
All Other Governmental Funds										
Reserved	$1,404,099	$2,208,169	$1,875,114	$3,895,572	$0	$0	$0	$0	$0	$0
Unreserved, reported in:										
Special Revenue Funds	(590,815)	(88,470)	0	86,580	0	0	0	0	0	0
Capital Projects Funds	(65,886)	0	328,115	0	0	0	0	0	0	0
Nonspendable	0	0	0	0	0	0	770	0	0	0
Restricted:										
Debt Service	0	0	0	0	844,347	1,022,513	1,024,748	1,063,979	948,521	1,244,098
Construction	0	0	0	0	4,930,607	5,315,306	3,760,040	5,000,089	4,517,997	8,725,955
Tourism and the Arts	0	0	0	0	353,043	601,934	768,661	789,424	446,397	613,710
Other	0	0	0	0	63,139	91,591	106,663	165,888	120,288	155,293
Committed:										
Cemetery	0	0	0	0	1,272,802	1,327,746	1,374,067	1,409,953	1,427,979	1,467,761
Assigned:										
Stanford House	0	0	0	0	162,312	211,859	206,429	239,828	0	0
Construction	0	0	0	0	114,862	2,035,103	2,564,024	2,477,635	334,032	3,899,903
Other	0	0	0	0	18,189	27,528	48,354	4,137,962	5,678,426	2,887,585
Unassigned	0	0	0	0	0	0	0	0	0	0
Total All Other Governmental Funds	$747,398	$2,119,699	$2,203,229	$3,982,152	$7,759,301	$10,633,580	$9,853,756	$15,284,758	$13,473,640	$26,398,142

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Ad Valorem Taxes	$ 4,477,453	$ 4,907,152	$ 5,246,238	$ 5,598,223	$ 5,470,155	$ 5,508,886	$ 6,200,651	$ 6,227,465	$ 6,417,559	$ 6,694,561
Sales Taxes	4,989,105	5,929,819	4,653,940	3,854,804	5,401,018	7,875,346	5,409,389	6,622,880	6,167,640	5,404,024
Other Local Taxes/Fees	1,761,358	2,015,097	1,822,054	1,697,810	1,935,302	1,993,321	1,954,504	2,002,165	2,040,775	1,940,453
Service Charges	569,915	673,298	672,489	686,216	796,144	835,854	896,422	1,091,780	846,746	1,059,423
License & Permits	181,020	202,790	173,148	140,046	204,745	285,195	269,957	275,221	265,032	300,804
Fines & Forfeitures	486,678	476,939	489,252	464,628	367,930	371,319	301,256	394,361	382,478	530,929
Interest from Investments	152,191	134,030	78,460	31,582	32,797	25,370	26,220	11,821	18,753	65,078
Intergovernmental Revenues	883,906	385,352	209,656	309,615	268,736	259,748	409,629	260,794	50,600	325,203
Other Income	450,333	364,548	1,711,537	657,348	1,322,070	485,357	1,441,807	1,315,154	389,004	981,607
Total Revenues	$ 13,951,959	$ 15,089,025	$ 15,056,774	$ 13,440,272	$ 15,798,897	$ 17,640,396	$ 16,909,835	$ 18,201,641	$ 16,578,587	$ 17,302,082
Expenditures										
General Government	$ 1,822,669	$ 1,551,903	$ 1,548,379	$ 1,596,675	$ 1,516,231	$ 1,684,168	$ 1,691,503	$ 1,976,208	$ 1,807,994	$ 1,838,049
Community Development	270,842	351,506	376,869	366,368	313,163	333,267	439,962	440,433	417,969	442,832
Finance	434,032	432,879	375,468	402,465	399,691	401,010	445,875	418,602	428,260	443,431
Public Safety	6,699,091	6,958,067	6,932,074	7,144,821	7,373,057	7,267,715	7,621,916	7,848,716	8,089,744	8,305,934
Public Works	3,483,003	3,532,328	3,098,509	2,945,265	2,872,241	2,868,685	2,981,317	3,105,835	3,133,526	3,440,987
Non-Departmental	0	0	20,163	0	202,193	0	0	0	0	0
Capital Outlay	1,508,562	827,154	2,200,960	917,862	4,533,090	3,308,994	6,824,053	3,982,712	3,996,564	2,914,482
Debt Service:										
Principal	982,345	1,077,595	1,165,913	978,483	1,039,008	1,189,641	1,375,923	1,371,400	1,429,204	1,355,894
Interest	493,067	542,350	528,907	463,946	774,173	656,586	741,728	561,934	603,212	531,118
Bond Issuance Cost	0	0	0	0	0	70,812	0	79,487	0	0
Total Expenditures	$ 15,693,611	$ 15,273,782	$ 16,247,242	$ 14,815,885	$ 19,022,847	$ 17,780,878	$ 22,122,277	$ 19,785,327	$ 19,906,473	$ 19,272,727
Excess of revenues over(under) expenditures	(1,741,652)	(184,757)	(1,190,468)	(1,375,613)	(3,223,950)	(140,482)	(5,212,442)	(1,583,686)	(3,327,886)	(1,970,645)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Other financing Sources (Uses):										
Proceeds from Bond Issues	412,220	962,020	0	1,979,525	0	3,129,660	0	5,095,637	0	7,715,806
Payment to Bond Escrow Agent	0	0	0	0	0	0	0	0	0	(3,210,454)
Premium on Debt Issuance	0	0	0	0	0	0	0	0	0	519,819
Funds transferred In	3,247,876	3,626,811	3,480,751	3,338,694	3,816,647	5,543,233	6,493,478	5,846,196	5,105,940	8,959,511
Funds transferred out	(1,211,264)	(1,563,354)	(1,501,522)	(1,336,243)	(1,709,703)	(3,203,919)	(3,978,836)	(3,735,339)	(3,240,616)	(6,448,452)
Total Other Financing Sources(Uses)	2,448,832	3,025,477	1,979,229	3,981,976	2,106,944	5,468,974	2,514,642	7,206,494	1,865,324	7,536,230
Net Change in Fund Balances	$707,180	$2,840,720	$788,761	$2,606,363	($1,117,006)	$5,328,492	($2,697,800)	$5,622,808	($1,462,562)	$5,565,585
Debt Service as a percentage of										
Noncapital Expenditures	10.40%	11.21%	12.07%	10.38%	12.51%	12.76%	13.84%	12.23%	12.77%	11.54%

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

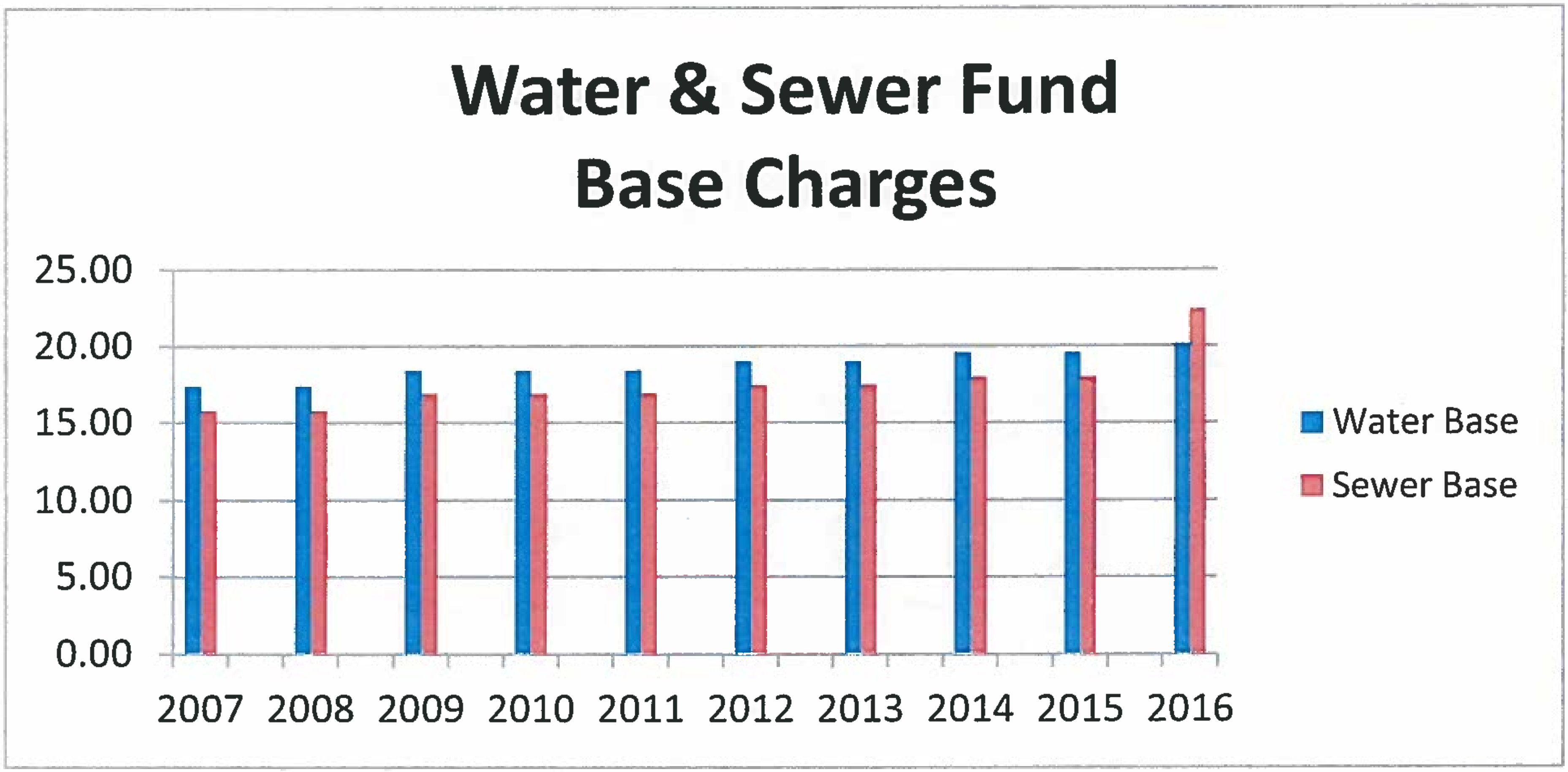
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	$19,235	$40,530	$428	$628	$0	$0	$0	$0	$0	$0
Unreserved	1,938,783	3,385,907	4,224,247	5,051,487	0	0	0	0	0	0
Nonspendable	0	0	0	0	459	0	770	978	547	6,597
Assigned:										
Stanford House	0	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	2,254,213	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Unassigned	0	0	0	0	6,679,703	6,880,162	7,216,399	7,407,227	7,583,096	7,397,240
Total General Fund	$1,958,018	$3,426,437	$4,224,675	$5,052,115	$6,680,162	$9,134,375	$7,217,169	$7,408,205	$7,583,643	$7,403,837
All Other Governmental Funds										
Reserved	$1,404,099	$2,208,169	$1,875,114	$3,895,572	$0	$0	$0	$0	$0	$0
Unreserved, reported in:										
Special Revenue Funds	(590,815)	(88,470)	0	86,580	0	0	0	0	0	0
Capital Projects Funds	(65,886)	0	328,115	0	0	0	0	0	0	0
Nonspendable	0	0	0	0	0	0	770	0	0	0
Restricted:										
Debt Service	0	0	0	0	844,347	1,022,513	1,024,748	1,063,979	948,521	1,244,098
Construction	0	0	0	0	4,930,607	5,315,306	3,760,040	5,000,089	4,517,997	8,725,955
Tourism and the Arts	0	0	0	0	353,043	601,934	768,661	789,424	446,397	613,710
Other	0	0	0	0	63,139	91,591	106,663	165,888	120,288	155,293
Committed:										
Cemetery	0	0	0	0	1,272,802	1,327,746	1,374,067	1,409,953	1,427,979	1,467,761
Assigned:										
Stanford House	0	0	0	0	162,312	211,859	206,429	239,828	0	
Construction	0	0	0	0	114,862	2,035,103	2,564,024	2,477,635	334,032	3,899,903
Other	0	0	0	0	18,189	27,528	48,354	4,137,962	5,678,426	2,887,585
Unassigned	0	0	0	0	0	0	0	0	0	0
Total All Other Governmental Funds	$747,398	$2,119,699	$2,203,229	$3,982,152	$7,759,301	$10,633,580	$9,853,756	$15,284,758	$13,473,640	$26,398,142

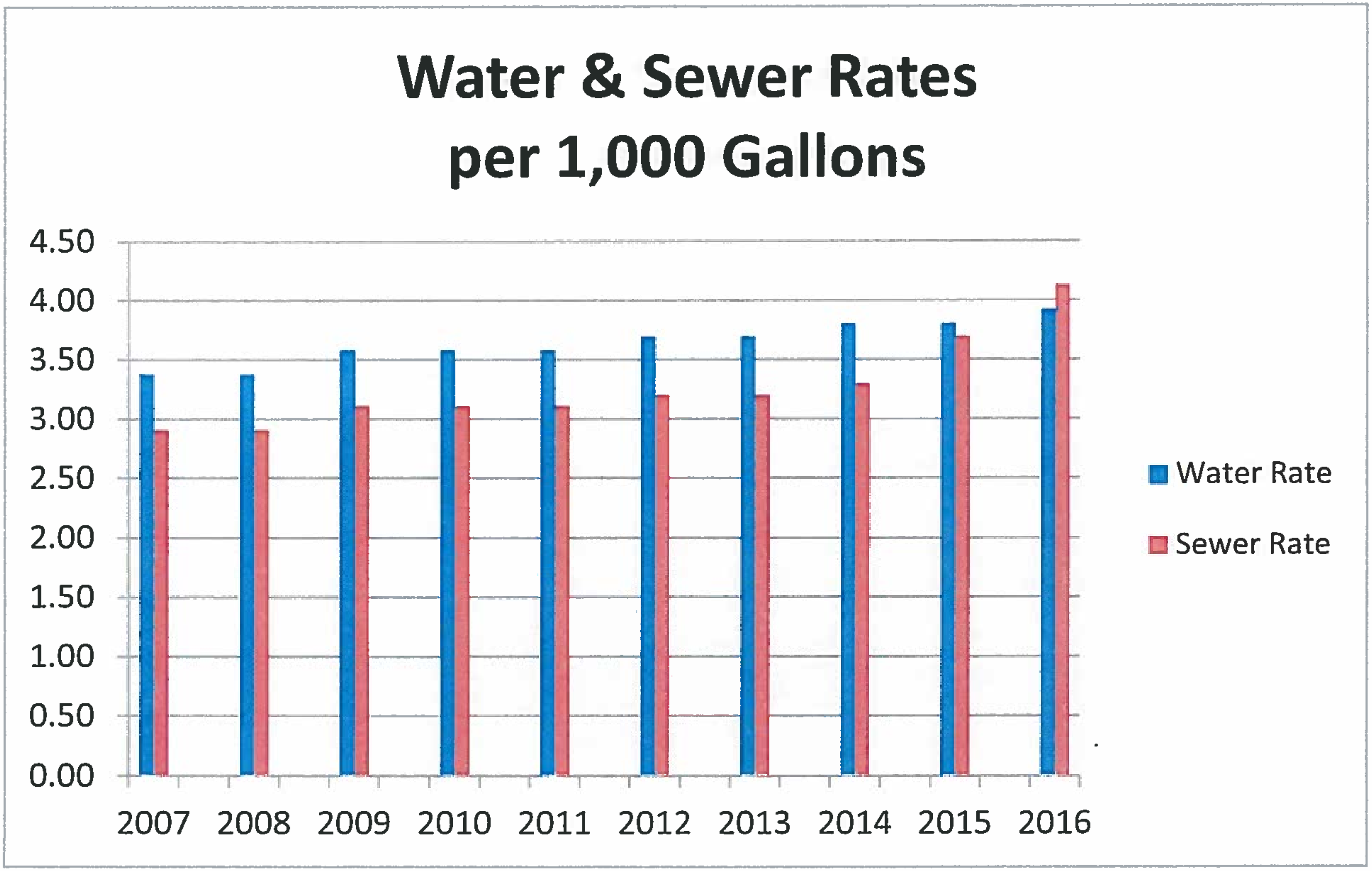
In FY 2011, the City adopted GASB 54 which redefines how fund balances of the governmental funds are presented in the financial statements.

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Ad Valorem Taxes	$ 4,477,453	$ 4,907,152	$ 5,246,238	$ 5,598,223	$ 5,470,155	$ 5,508,886	$ 6,200,651	$ 6,227,465	$ 6,417,559	$ 6,694,561
Sales Taxes	4,989,105	5,929,819	4,653,940	3,854,804	5,401,018	7,875,346	5,409,389	6,622,880	6,167,640	5,404,024
Other Local Taxes/Fees	1,761,358	2,015,097	1,822,054	1,697,810	1,935,302	1,993,321	1,954,504	2,002,165	2,040,775	1,940,453
Service Charges	569,915	673,298	672,489	686,216	796,144	835,854	896,422	1,091,780	846,746	1,059,423
License & Permits	181,020	202,790	173,148	140,046	204,745	285,195	269,957	275,221	265,032	300,804
Fines & Forfeitures	486,678	476,939	489,252	464,628	367,930	371,319	301,256	394,361	382,478	530,929
Interest from Investments	152,191	134,030	78,460	31,582	32,797	25,370	26,220	11,821	18,753	65,078
Intergovernmental Revenues	883,906	385,352	209,656	309,615	268,736	259,748	409,629	260,794	50,600	325,203
Other Income	450,333	364,548	1,711,537	657,348	1,322,070	485,357	1,441,807	1,315,154	389,004	981,607
Total Revenues	$ 13,951,959	$ 15,089,025	$ 15,056,774	$ 13,440,272	$ 15,798,897	$ 17,640,396	$ 16,909,835	$ 18,201,641	$ 16,578,587	$ 17,302,082
Expenditures										
General Government	$ 1,822,669	$ 1,551,903	$ 1,548,379	$ 1,596,675	$ 1,516,231	$ 1,684,168	$ 1,691,503	$ 1,976,208	$ 1,807,994	$ 1,838,049
Community Development	270,842	351,506	376,869	366,368	313,163	333,267	439,962	440,433	417,969	442,832
Finance	434,032	432,879	375,468	402,465	399,691	401,010	445,875	418,602	428,260	443,431
Public Safety	6,699,091	6,958,067	6,932,074	7,144,821	7,373,057	7,267,715	7,621,916	7,848,716	8,089,744	8,305,934
Public Works	3,483,003	3,532,328	3,098,509	2,945,265	2,872,241	2,868,685	2,981,317	3,105,835	3,133,526	3,440,987
Non-Departmental	0	0	20,163	0	202,193	0	0	0	0	0
Capital Outlay	1,508,562	827,154	2,200,960	917,862	4,533,090	3,308,994	6,824,053	3,982,712	3,996,564	2,914,482
Debt Service:										
Principal	982,345	1,077,595	1,165,913	978,483	1,039,008	1,189,641	1,375,923	1,371,400	1,429,204	1,355,894
Interest	493,067	542,350	528,907	463,946	774,173	656,586	741,728	561,934	603,212	531,118
Bond Issuance Cost	0	0	0	0	0	70,812	0	79,487		
Total Expenditures	$ 15,693,611	$ 15,273,782	$ 16,247,242	$ 14,815,885	$ 19,022,847	$ 17,780,878	$ 22,122,277	$ 19,785,327	$ 19,906,473	$ 19,272,727
Excess of revenues over(under) expenditures	(1,741,652)	(184,757)	(1,190,468)	(1,375,613)	(3,223,950)	(140,482)	(5,212,442)	(1,583,686)	(3,327,886)	(1,970,645)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Other financing Sources (Uses):										
Proceeds from Bond Issues	412,220	962,020	0	1,979,525	0	3,129,660	0	5,095,637	0	7,715,806
Payment to Bond Escrow Agent	0	0	0	0	0	0	0	0	0	(3,210,454)
Premium on Debt Issuance	0	0	0	0	0	0	0	0	0	519,819
Funds transferred In	3,247,876	3,626,811	3,480,751	3,338,694	3,816,647	5,543,233	6,493,478	5,846,196	5,105,940	8,959,511
Funds transferred out	(1,211,264)	(1,563,354)	(1,501,522)	(1,336,243)	(1,709,703)	(3,203,919)	(3,978,836)	(3,735,339)	(3,240,616)	(6,448,452)
Total Other Financing Sources(Uses)	2,448,832	3,025,477	1,979,229	3,981,976	2,106,944	5,468,974	2,514,642	7,206,494	1,865,324	7,536,230
Net Change in Fund Balances	$707,180	$2,840,720	$788,761	$2,606,363	($1,117,006)	$5,328,492	($2,697,800)	$5,622,808	($1,462,562)	$5,565,585
Debt Service as a percentage of										
Noncapital Expenditures	10.40%	11.21%	12.07%	10.38%	12.51%	12.76%	13.84%	12.23%	12.77%	11.54%


Water & Sewer Fund
Base Charges
25.00
20.00
15.00
10.00
5.00
0.00
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
Water Base
Sewer Base


Water & Sewer Rates
per 1,000 Gallons
4.50
4.00
3.50
3.00
2.50
2.00
1.50
1.00
0.50
0.00
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
Water Rate
Sewer Rate

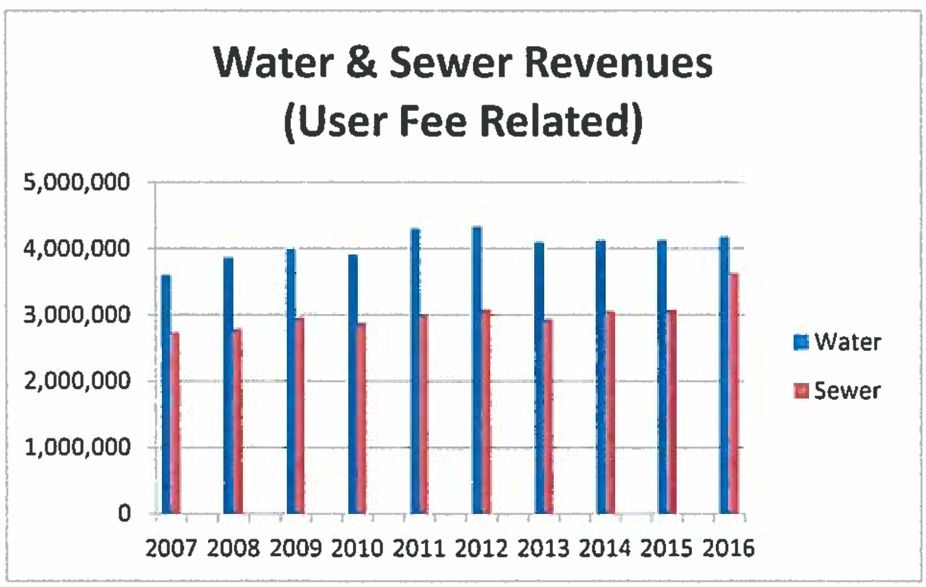
City of Gainesville, Texas
Water and Sewer Rates-Residential
Last Ten Years

Fiscal Year	Water Base (per month)	Water Rate (per 1000 gals)	Sewer Base (per month)	Sewer Rate (per 1000 gals)
2007	17.37	3.38	15.80	2.91
2008	17.37	3.38	15.80	2.91
2009	18.41	3.58	16.91	3.11
2010	18.41	3.58	16.91	3.11
2011	18.41	3.58	16.91	3.11
2012	18.96	3.69	17.42	3.20
2013	18.96	3.69	17.42	3.20
2014	19.53	3.80	17.94	3.30
2015	$19.53	$3.80	$17.94	$3.69
2016	$20.12	$3.92	$22.43	$4.13

Source: City of Gainesville Customer Service

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

Fiscal Year	Water Related Revenues	Sewer Related Revenues	Total
2007	3,599,687	2,734,583	6,334,270
2008	3,861,338	2,781,184	6,642,522
2009	3,978,644	2,951,698	6,930,342
2010	3,905,808	2,875,628	6,781,436
2011	4,300,165	2,983,965	7,284,130
2012	4,324,687	3,067,266	7,391,953
2013	4,090,186	2,927,470	7,017,656
2014	4,113,495	3,049,053	7,162,548
2015	4,125,146	3,068,783	7,193,929
2016	$4,171,501	$3,633,470	$7,804,971



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

Customer	2016 Total Consumption For Customer (in gallons)	2016 Rank	2007 Total Consumption For Customer (in gallons)	2007 Rank
Gainesville State School	11,529,999	1	12,464,000	2
Frank Buck Zoo	9,927,500	2	8,250,000	
Polypipe Inc. (formerly Duraline)	9,741,600	3	3,865,500	7
Zodiac (formerly Weber Aircraft)	9,565,440	4	23,169,810	1
North Texas Medical Center	7,725,630	5	8,235,700	3
North Central Texas College	4,609,730	6	7,100,600	6
Hunter's Car Wash	4,344,000	7	2,152,000	
Pecan Tree Manor	4,340,500	8	3,179,600	
Woodglen Apts	4,017,400	9	3,831,200	8
Cooke County Justice Center	3,988,670	10	3,309,770	
Glen Springs Holdings			8,227,100	4
Gainesville Ind. School District	2,994,730		7,739,340	5
Grayhill Apts	2,350,100		3,371,700	9
Super 8 Motel			3,350,300	10
Total Water Consumption	43,936,200		73,667,120	

Source: City of Gainesville Customer Service

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

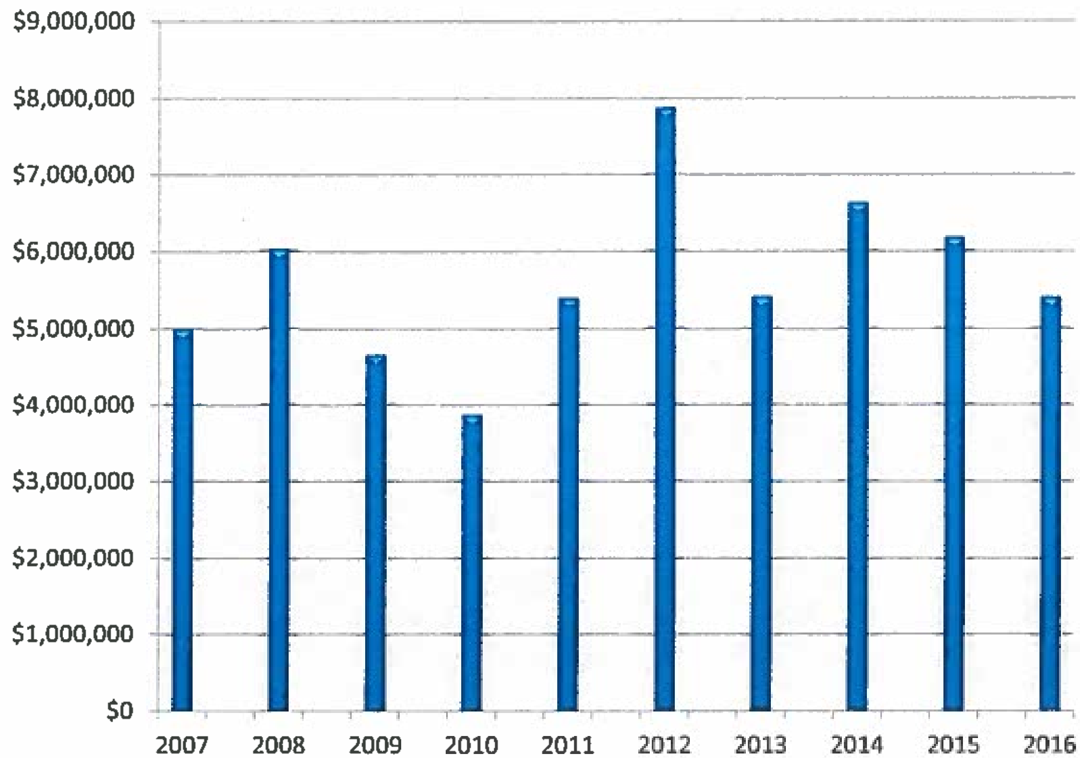
Fiscal Year	State of Texas	Cooke County	City of Gainesville	Gainesville Economic Development	Totals
2007	6.25%	0.50%	1.25%	0.25%	8.25%
2008	6.25%	0.50%	1.25%	0.25%	8.25%
2009	6.25%	0.50%	1.25%	0.25%	8.25%
2010	6.25%	0.50%	1.25%	0.25%	8.25%
2011	6.25%	0.50%	1.25%	0.25%	8.25%
2012	6.25%	0.50%	1.25%	0.25%	8.25%
2013	6.25%	0.50%	1.25%	0.25%	8.25%
2014	6.25%	0.50%	1.25%	0.25%	8.25%
2015	6.25%	0.50%	1.25%	0.25%	8.25%
2016	6.25%	0.50%	1.25%	0.25%	8.25%

Source: Texas State Comptroller's Office

City of Gainesville, Texas
Sales Tax Revenue
Last Ten Years

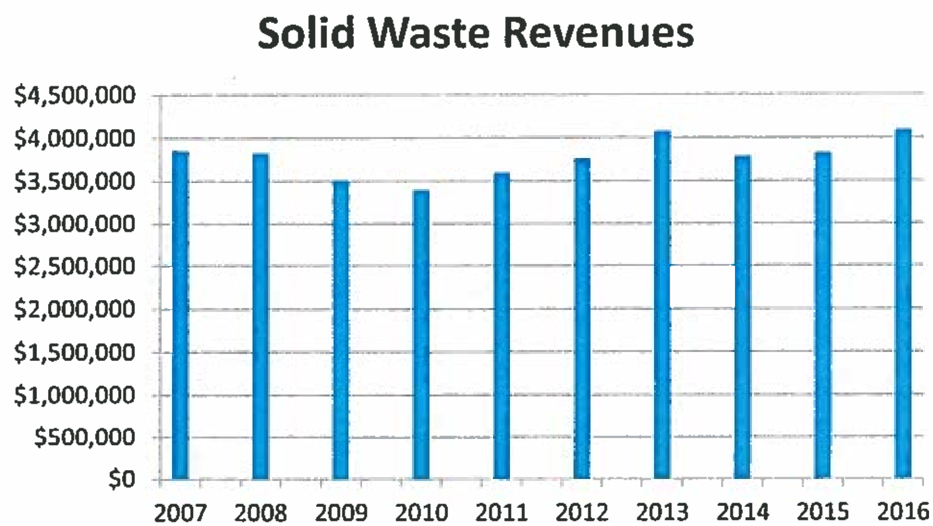
Fiscal Year	Sales Tax Revenue
2007	4,989,105
2008	6,022,826
2009	4,653,940
2010	3,854,804
2011	5,401,018
2012	7,875,346
2013	5,409,389
2014	6,622,880
2015	6,167,640
2016	$5,404,024

Sales Tax Revenue
Ten Year History



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

Fiscal Year	Charges for Service Revenues
2007	3,843,877
2008	3,817,914
2009	3,490,902
2010	3,386,152
2011	3,579,640
2012	3,743,090
2013	4,061,060
2014	3,776,396
2015	3,812,793
2016	$4,078,898

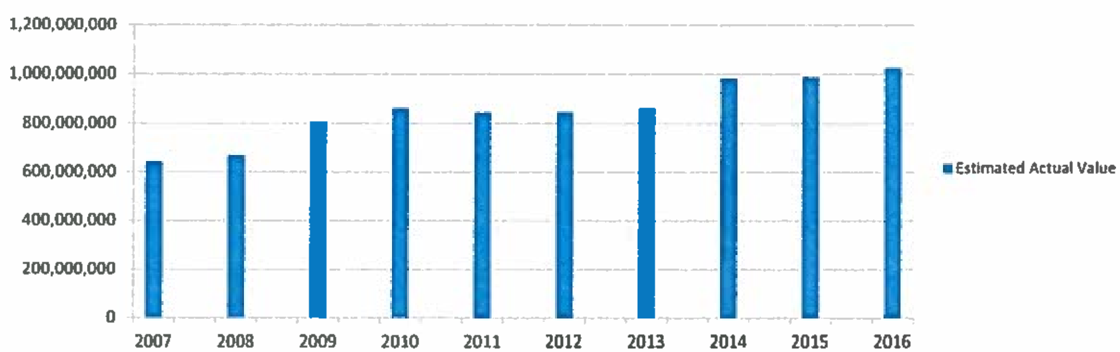


Assessed and Estimated Actual Value of Property (1)
Last Ten Fiscal Years

	Real Property		Personal Property			Total			
Fiscal Year	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Exemptions	Assessed Value	Estimated Actual Value	Total Direct Tax Rate	Ratio of Total Assessed Value To Total Estimated Actual Value
2007	559,762,307	559,762,307	170,445,045	170,445,045	88,316,143	641,891,209	641,891,209	0.700000	100.0%
2008	611,842,551	611,842,551	154,205,466	154,205,466	98,372,454	667,675,563	667,675,563	0.670000	100.0%
2009	687,450,674	687,450,674	239,500,016	239,500,016	118,510,775	808,439,915	808,439,915	0.647000	100.0%
2010	710,898,777	710,898,777	263,735,991	263,735,991	112,937,346	861,697,422	861,697,422	0.647000	100.0%
2011	691,998,166	691,998,166	249,495,937	249,495,937	96,853,793	844,640,310	844,640,310	0.647000	100.0%
2012	668,596,357	668,596,357	273,542,638	273,542,638	96,087,259	846,051,736	846,051,736	0.647000	100.0%
2013	757,402,957	757,402,957	374,357,017	374,357,017	(2) 269,937,257	861,822,717	861,822,717	0.646000	100.0%
2014	806,604,990	806,604,990	485,569,221	485,569,221	309,805,953	982,368,258	982,368,258	0.687822	100.0%
2015	805,382,183	805,382,183	451,099,647	451,099,647	266,968,268	989,513,562	989,513,562	0.697822	100.0%
2016	$ 837,693,898	$ 837,693,898	$ 543,466,902	$ 543,466,902	$ 354,963,587	$ 1,026,197,213	$ 1,026,197,213	0.705030	100.0%

(1) Source - Cooke County Appraisal District and Tax Assessor/Collector.
(2) Productivity loss, Homestead Cap. Exemptions, Frozen Values

Property Tax Assessed Value
Ten Year History



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

	City of Gainesville			Cooke County			Gainesville School District			Other (2)			
Fiscal Year	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	Total
2007	0.36301	0.28609	0.64910	0.33990	0.04180	0.38170	1.37000	0.33830	1.70830	1.37930	0.15790	1.53720	4.27630
2008	0.39280	0.25420	0.64700	0.33270	0.03900	0.37170	1.04000	0.24542	1.28542	1.07100	0.13949	1.21049	3.51461
2009	0.38220	0.26480	0.64700	0.30990	0.03500	0.34490	1.04000	0.23532	1.27532	1.14430	0.12797	1.27227	3.53949
2010	0.42567	0.22133	0.64700	0.31370	0.03120	0.34490	1.04000	0.23532	1.27532	1.14680	1.11260	2.25940	4.52662
2011	0.43236	0.21464	0.64700	0.32460	0.03270	0.35730	1.04000	0.23532	1.27532	1.14980	0.10030	1.25010	3.52972
2012	0.43426	0.21274	0.64700	0.34130	0.02060	0.36190	1.04000	0.29432	1.33432	1.15050	0.09940	1.24990	3.59312
2013	0.45850	0.18850	0.64700	0.34940	0.02050	0.36990	1.04000	0.26780	1.30780	0.99180	0.06930	1.06110	3.38580
2014	0.44508	0.20092	0.64600	0.34940	0.02050	0.36990	1.04000	0.25000	1.29000	1.14440	0.09830	1.24270	3.54860
2015	0.44560	0.25223	0.69782	0.36520	0.01950	0.38470	1.04000	0.24000	1.28000	1.16660	0.14323	1.30983	3.67235
2016	$0.44560	$0.25223	$0.69782	$0.36580	$0.01890	$0.38470	$1.17000	$0.11000	$1.28000	$0.42222	$0.24780	$0.00000	$2.36252

(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 Gainesvile, Texas
Principal Taxpayers
Current Year and Nine Years Ago

Taxpayer		2016 Taxable Assessed Valuation	2016 Rank	2016 Percentage of Total Assessed Valuation		2007 Taxable Assessed Valuation	2007 Rank	2007 Percentage of Total Assessed Valuation
Well Services Division	$	176,226,817	1	21.04%	$			0.00%
Zodiac (formerly Weber Aircraft)		117,226,817	2	13.99%		43,547,927	1	7.78%
Wal-Mart #185		17,034,455	10	2.03%		17,330,720	2	3.10%
BNSF		22,911,898	9	2.74%				0.00%
Wolf Ridge Wind LLC		71,243,070	3	8.50%				0.00%
Oncor Electric		33,240,840	6	3.97%		8,757,640	5	1.56%
Pump Co Energy Services, LP		47,121,750	4	5.63%		9,046,110	4	1.66%
Building Materials of America		39,317,503	5	4.69%				0.00%
EOG Resources		33,040,983	7	3.94%				0.00%
Basic Energy Sources		25,308,061	8	3.02%				0.00%
Duraline Polypipe						16,395,202	3	2.93%
Home Depot						8,114,283	6	1.45%
Gainesville Properties						5,750,000	10	1.03%
PPG Industries						11,325,011	7	2.02%
AEP Industries, Inc.						7,810,100	5	1.40%
Midwest Hotel Lodging						6,852,243	8	
B29 Investiments P & Etal						7,187,193	9	1.28%
Total Assessed Valuation	$	837,693,898		69.56%	$	559,762,307		24.21%

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
2007	4,268,873	4,348,545	101.9%	61,637	4,410,182	103.3%	169,873	4.0%
2008	4,872,931	4,779,714	98.1%	76,166	4,855,880	99.7%	237,736	4.9%
2009	5,206,244	5,102,026	98.0%	85,490	5,187,516	99.6%	281,826	5.4%
2010	5,575,182	5,462,636	98.0%	106,122	5,568,758	99.9%	291,174	5.2%
2011	5,501,321	5,324,885	96.8%	106,905	5,431,790	98.7%	238,549	4.3%
2012	5,438,721	5,383,582	99.0%	127,998	5,511,580	101.3%	233,459	4.3%
2013	6,146,923	5,796,740	94.3%	80,646	5,877,386	95.6%	160,433	2.6%
2014	6,446,676	6,101,697	94.6%	63,978	6,165,675	95.6%	160,852	2.5%
2015	6,288,962	6,354,979	101.0%	111,440	6,466,419	102.8%	100,576	1.6%
2016	$ 6,646,443	$ 6,616,811	99.6%	$ 86,892	$ 6,699,817	100.8%	$ 83,005	1.2%

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

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

	Governmental Activities				Business-Type Activities						
Fiscal Year	General Obligation Bonds	Certificates of Obligation Bonds	Notes Payable	Prem/Disc Capital Leases	General Obligation Bonds	Certificates of Obligation Bonds	Notes Payable	Prem/Disc Capital Leases	Total Primary Government	Percent of Personal Income	Official Per Capita
2007	8,828,370	2,915,495	277,109	292,731	9,215,038	1,234,503	0	349,161	23,112,407	7.94%	1,487
2008	8,397,156	3,528,036	171,093	153,237	14,365,160	2,101,360	0	252,821	28,968,863	9.81%	1,864
2009	7,884,844	3,153,956	58,065	19,334	13,609,974	1,833,388	0	133,758	26,693,319	9.04%	1,718
2010	7,426,912	4,753,901	0	13,231	12,716,873	4,361,674	395,000	61,086	29,728,677	9.07%	1,858
2011	11,786,754	7,320,852	0	6,793	6,846,997	1,301,401	300,000	13,586	27,576,383	8.41%	1,723
2012	12,369,324	8,608,621	0	62,841	6,153,523	1,006,199	205,000	204,086	28,609,594	8.73%	1,788
2013	9,520,375	8,031,096	0	31,918	8,886,567	6,473,904	105,000	265,692	33,314,552	10.16%	2,082
2014	13,975,198	4,718,750	0	460,143	9,469,550	6,701,750	0	551,887	35,877,278	10.95%	2,242
2015	12,765,493	4,499,250	0	342,757	7,189,508	16,815,750	0	1,076,394	42,689,152	13.02%	2,668
2016	$ 16,054,484	$ 2,494,500	$ 0	$ 849,850	$ 6,030,519	$ 18,130,500	$ 0	$ 121,516	$ 43,681,369	13.20%	2,681

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

Fiscal Year	Official Population (1)	Total Assessed Value (2)	Net General Obligation Debt (3)	Less Debt Service Fund (4)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2007	15,538	667,675,563	8,828,370	227,401	8,600,969	1.29%	553.54
2008	15,538	753,157,882	8,397,156	367,712	8,029,444	1.07%	516.76
2009	15,538	808,439,915	7,884,844	495,975	7,388,869	0.91%	475.54
2010	16,002	861,697,422	7,426,912	682,392	6,744,520	0.78%	421.48
2011	16,002	844,640,310	11,786,754	844,347	10,942,407	1.30%	683.81
2012	16,002	846,051,736	12,369,324	1,022,513	11,346,811	1.34%	709.09
2013	16,002	861,822,717	14,166,000	1,024,748	13,141,252	1.52%	821.23
2014	16,002	863,604,312	22,204,998	1,063,979	21,141,019	2.45%	1,321.15
2015	16,002	853,775,206	23,444,748	948,521	22,496,227	2.63%	1,405.84
2016	16,502	$ 921,141,930	$ 22,085,003	$ 1,244,098	$ 20,840,905	2.26%	$ 1,262.93

(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, 2016

Jurisdiction	Total GO Debt Outstanding	Estimated Percent Applicable	Direct and Overlapping Funded Debt As of 9/30/15
Direct Debt:			
City of Gainesville	$21,251,608	100.00%	$21,251,608
Subtotal Direct Debt	$21,251,608		$21,251,608
Overlapping Debt:			
Cooke County	5,510,000	33.32%	1,835,932
Gainesville ISD	31,321,979	80.16%	25,107,698
Lindsey ISD	360,000	64.19%	231,084
Gainesville Hospital District	19,705,000	39.97%	7,876,089
North Central Texas Community College	13,410,000	33.38%	4,476,258
Subtotal Overlapping Debt	70,306,979		39,527,061
Total Direct and Overlapping Debt	$91,558,587		$60,778,669

Ratio of direct and overlapping bonded debt to taxable assessed valuation	7.06%
Per capita direct and overlapping bonded debt	$3,683.11

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

Source: First Southwest Company

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	$76,605	$75,316	$12,127	$12,925	$12,670	$12,691	$12,927	$14,736	$13,946	$15,393
Total Net Debt Applicable to Limit	22,394	7,389	7,389	6,745	10,942	11,346	8,496	12,911	11,816	14,810
Legal Debt Margin	$54,211	$67,927	$4,738	$6,180	$1,728	$1,345	$4,431	$1,825	$2,130	$583
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	29.23%	9.81%	60.93%	52.18%	86.36%	89.40%	65.72%	87.62%	84.73%	96.22%

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed value	$1,381,161
Add back: exempt real property	354,964
Total assessed value	1,026,197.00
Debt limit ($1.50 to total assessed value)	15,393
Debt applicable to limit:	
General Obligation bonds	16,054
Less: Amount set aside for repayment of GO debt	1,244
Tax Certificates of Obligations w/Revenue Pledge	14,810
Total net debt applicable to limit	
Legal Debt Margin	$583

Note: As a home rule city governed by State law and the city charter, the City is authorized to levy an ad valorem tax up to $2.50 per $100 of taxable assessed value.
However, Gainesville uses the administrative "test" as a limit set by the Attorney General's public finance division in order to be conservative, and not the legal limit.

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

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
2007	6,751,226	4,567,308	2,183,918	$ 0	$ 0	$ 0	N/A
2008	7,356,384	4,689,945	2,666,439	0	0	0	N/A
2009	7,275,853	4,695,861	2,579,992	0	0	0	N/A
2010	7,111,950	4,700,147	2,411,803	0	0	0	N/A
2011	7,692,707	5,001,544	2,691,163	0	0	0	N/A
2012	7,805,004	4,839,005	2,965,999	0	0	0	N/A
2013	7,499,164	$ 4,744,612	$ 2,754,552	0	0	0	N/A
2014	7,966,390	$ 6,174,754	$ 1,791,636	0	0	0	N/A
2015	$ 7,541,024	$ 5,565,217	$ 1,975,807	0	0	0	N/A
2016	$ 8,111,187	$ 5,928,017	$ 2,183,170	$ 0	$ 0	$ 0	N/A

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

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

Fiscal Year	Official Population (1)	Personal Income (4)	Per Capita Personal Income	Median Age (4)	School Enrollment (3)	Education Percent High School & Up (4)	Unemployment Rate (2)
2007	15,538	291,057,816	18,732	34	2951	---	3.90%
2008	15,538	295,190,924	18,998	34	2851	57.32%	3.80%
2009	15,538	295,190,924	18,998	34	2,648	57.32%	6.80%
2010	16,002	327,752,964	20,482	34	2,771	77.90%	6.20%
2011	16,002	321,632,537	20,100	36	2,764	72.20%	5.10%
2012	16,002	297,365,166	18,583	33	2,787	72.85%	4.00%
2013	16,002	$ 316,599,570	$ 19,785	33	2,809	74.82%	4.00%
2014	16,002	$ 384,272,028	$ 24,014	34	2,854	82.29%	2.60%
2015	16,002	$ 330,009,246	$ 20,623	33	2,825	81.90%	3.90%
2016	16,002	$ 330,969,366	$ 20,683	33	2,862	79.50%	3.60%

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

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

City of Gainesville, Texas
Ten Largest Employers
Fiscal Year 2016 and 2007

Employer	2016 Number of Employees FTE	2016 Rank	2016 Percent of Total County Employment	2007 Number of Employees FTE	2007 Rank	2007 Percent of Total County Employment
WinStar Casino	3200	1	26.45%	2000	1	18.35%
Zodiac (formerly Weber Aircraft)	2000	2	16.53%	1300	3	11.93%
WalMart	396	6	3.27%	420	6	3.85%
Gainesville State School	600	3	4.96%	323	9	2.96%
Gainesville ISD	442	5	3.65%	442	5	4.06%
North Central Texas College	595	4	4.92%	352	7	3.23%
North Texas Medical Center	350	7	2.89%	350	8	3.21%
Cooke County	265	9	2.19%			0.00%
SPN Well Services (was Complete Energy)	300	8	2.48%	600	4	5.50%
Molded Fibergls	179	10	1.48%			0.00%
Gainesville Factory Shops	-	-	-	287	10	2.63%
Alan Ritchie				2000	2	18.35%
Totals	8327		68.82%	8074		74.07%
Total in Gainesville	12100		100.00%	10900		100.00%

Source: Gainesville Economic Development Corporation

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

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government	13	14	12	12	12	13	13	13	13	13
Economic Development	2	4	4	4	5	5	5	5	5	5
Community Services	5	6	5	5	3	5	5	5	5	5
Finance	5	5	4	4	4	4	4	4	4	4
Police	55	55	53	53	53	55	55	55	55	56
Fire	41	42	42	42	42	42	42	42	42	42
Public Works	37	---	---	---	---	---	---	---	---	---
Streets	---	11	7	8	7	7	7	7	7	7
Garage	---	5	4	4	4	4	4	4	4	4
Parks	---	14	13	13	13	18	18	18	18	18
Cemetery	---	5	5	5	5	5	5	5	5	5
Golf Course	9	9	8	8	7	7	7	8	8	7
Frank Buck Zoo	14	14	14	14	14	15	15	15	15	15
Water	24	28	21	21	20	21	21	21	21	21
Wastewater	18	18	18	18	17	17	17	17	17	17
Airport	3	4	3	3	3	3	3	3	3	3
Stormwater Utility	4	4	2	2	2	2	2	2	2	2
Solid Waste - Collection	13	12	12	12	12	13	13	13	13	13
Solid Waste - Disposal	5	5	3	3	2	2	2	2	2	2
Total	248	255	230	231	225	238	238	239	239	239

Source: City of Gainesville Human Resources department.

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

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

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Calls for Service	31,440	30,829	38,941	44,559	44,203	49,378	45,846	49,651	33,536	34,558
Arrests	1,459	1,060	988	916	1,060	811	1,015	979	1,226	1,337
Municipal Court										
Cases Filed	5,480	6,157	6,438	5,264	6,328	5,061	3,472	4,091	5,000	6,612
Cases Disposed	6,095	5,867	6,433	6,434	5,854	5,035	3,506	4,580	5,000	2,442
Class C Warrants Filed	2,191	1,674	1,719	1,656	2,007	1,466	1,413	1,789	1,000	1,854
Juvenile Cases Filed	322	449	321	224	225	316	320	175	175	146
Fire										
Number of calls	791	761	667	711	958	793	780	874	954	2,461
Number of fires	108	137	136	120	195	154	175	174	240	143
Rescue/EMS incidents	146	140	165	173	224	185	175	200	210	1,544
Streets										
Potholes Patched	3,259	4,465	4,146	5,498	6,167	6,509	7,941	5,751	7,529	4,608
Storm drains cleaned	1,192	967	564	153	126	135	318	122	137	126
Miles of streets swept	1,068	1,052	711	527	613	447	860	1,098	864	690
Golf Course										
Rounds of golf	10,654	16,619	15,337	11,340	10,739	5,001	7,583	7,853	9,100	7,435
Community Development										
Building Permits	808	994	775	916	1,069	1,156	1,156	1,156	900	977
Value of Building Projects (in thousands)	8,429	14,625	1,350	3,008	6,170	15,604	15,604	15,604	15,604	20,046
Number of Inspections	2,897	1,742	1,265	1,074	1,590	1,950	1,950	1,950	1,069	1,258
Finance										
Number of invoices paid	6,734	6,760	6,295	6,467	6,723	6,833	8,019	7,284	6,985	7,372
Received CAFR award	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Received Budget Presentation award	N/A	N/A	N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of Payroll checks prepared	6,134	6,215	6,023	6,080	6,154	5,839	5,880	6,214	6,063	6,062
Water System										
Number of water customers	6,015	6,022	6,089	6,079	6,065	6,121	6,166	6,182	6,200	6,074
New Connects	1,247	1,472	1,398	1,420	1,342	1,345	1,412	1,419	1,525	1,344
Daily average water consumption (mil gls)	1.9	2.4	2.2	2.4	2.0	2.4	2.4	2.4	2.1	2.1
Maximum daily pumping capacity (mil gls)	6.9	6.5	4.9	6.8	6.8	6.8	6.8	6.8	6.8	6.8
Maximum storage capacity (mil gls)	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Wastewater System										
Number of wastewater customers	5,724	5,738	5,775	5,918	5,879	5,773	5,822	6,013	5,964	5,775
Daily average treatment(mil gls)	1.5	1.3	1.4	1.5	1.4	1.4	1.4	1.6	2.3	2.2
Maximum daily treatment capacity(mil gls)	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	10.0
Airport										
Gallons of aviation fuel pumped	292,994	287,528	250,472	230,375	248,265	236,813	216,735	260,944	265,306	311,236

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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	15	15	15	15	16	12	12	12	12	12
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Fire Hydrants	850	850	850	850	968	825	825	825	825	825
Fire Vehicles	13	13	13	13	13	13	13	13	13	12
Streets										
Miles of streets	120	120	132	129.71	129.71	129.71	129.71	129.71	129.71	129.71
Miles of streets maintained by City	92	92	86	96	96	96	96	96	96	96
Street Lights	1506	1565	1565	1581	1581	1581	1581	1581	1581	1581
Parks & Recreation										
Number of Community/Civic Centers	2	2	2	2	2	2	2	2	2	2
Number of park areas	24	24	24	24	24	24	24	24	24	24
Park acreage	202	202	202	212	212	212	212	212	212	212
Number of golf courses	1	1	1	1	1	1	1	1	1	1
Number of swimming pools	1	1	1	1	1	1	1	1	1	1
Number of zoos	1	1	1	1	1	1	1	1	1	1
Water System										
Miles of water mains	124	130	137.5	137.5	137.5	137.5	137.5	137.5	137.5	137.5
Number of Water Treatment Plants	1	1	1	1	1	1	1	1	1	1
Wastewater System										
Miles of wastewater mains	132	132	132	132	132	134	134	134	134	134
Miles of storm drainage mains	8	9	10	10	10	10	10	10	10	10
Number of Wastewater Treatment Plants	1	1	1	1	1	1	1	1	1	1

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Sanitation										
Collection Trucks	14	14	13	9	12	12	12	12	12	13
Long Haul Trucks	5	5	5	4	4	4	4	4	4	4
Heavy Equipment Units	7	7	4	6	5	5	5	5	5	5
Vehicles	---	2	2	4	4	4	4	4	4	5
Carts (1)	0	0	400	5743	5891	5891	5857	5857	5857	5563
Airport										
Airport acreage	1336	1312	1308	1308	1317	1317	1317	1317	1317	1297
Number of runways	2	2	2	2	2	2	2	2	2	2
Number of hangars	4	4	6	6	6	6	6	6	6	6

Source: Various City Departments

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

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