



Voted Most Patriotic Small Town in America, 2012

City of Gainesville, Texas Comprehensive Annual Financial Report

Fiscal Year Ending September 30, 2012

Gainesville, Texas voted "The Most Patriotic Small Town in America"

In 2012, Gainesville, Texas was voted "Most Patriotic Small Town in America" by Rand McNally and USA Today's Best of the Road contest. Gainesville was one of six finalists in the contest. Judges visited all six small towns to determine the "Most Patriotic". They were in Gainesville two days. Several activities were planned for the judges that included: a Children's Patriotic Red, White and Blue Bicycle Parade, an ice cream social, a Flash Mob with everyone dressed in red, white and blue, a tour of Gainesville that included visits with Gainesville citizens and a special introduction to two visiting Medal of Honor recipients, Don "Doc" Ballard and Kenneth Stumpf. The judges were impressed and touched as they learned that Gainesville already had an important title: the only Medal of Honor Host City in the nation. They learned that Gainesville has a long connection with the nation's highest award for valor. The judges immediately saw that everything about Gainesville's patriotism is permanent, not something that is made public just on July 4th, Veterans Day and Memorial Day. They saw immediate proof as they pulled off Interstate 35 and drove past the sign that announced the future site of Medal of Honor Park, which will last forever and bear the engraved names of all the American heroes who have chosen to come to Gainesville, Texas, where "patriotism is what we do." In fact, the offhand remark, "Patriotism, It's What We Do" has become our slogan for all Gainesville's efforts when it comes to duty, honor and country.

The picture on the cover of this document is of several Gainesville citizens gathered on one of the Interstate 35 overpasses to greet the judges as they came into Gainesville, Texas.

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, 2011

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



Christopher P. Morrell

President

Jeffrey R. Emer

Executive Director



City of Gainesville, Texas

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT**

Prepared by
Finance Department

Fiscal Year Ended
September 30, 2012

City of Gainesville, Texas
Comprehensive Annual Financial Report
September 30, 2012

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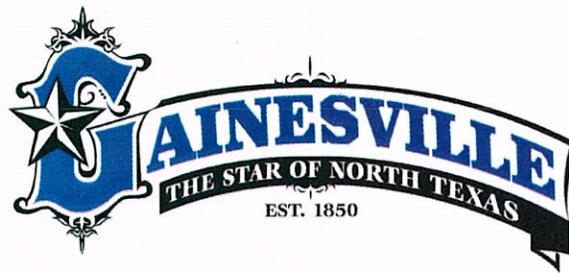
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Introductory Section



February 12, 2013

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, 2012, including the independent auditor’s report, is hereby submitted as mandated by local ordinances and state statutes. These ordinances and statutes require that the City issue an annual report on its financial position and activity, and that an independent firm of certified public accountants audit this report. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation including all disclosures rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of the operations of the City on a Government-wide and Fund basis. All disclosures necessary to enable the reader to gain an understanding of the City’s financial activities have been included.

GENERAL INFORMATION – CITY OF GAINESVILLE

The City is located in North Central Texas and was originally incorporated in 1873, with the first Charter adopted in 1909 and the latest revision made on August 10, 1996. The City currently has a land area of 19.03 square miles and, as of 2010 U.S. Census a population of 16,002. The City is a home rule city and operates under the Council-Manager form of government. The City is comprised of six (6) wards. Each alternating year voters of three wards elect their representatives and in odd numbered year, a citywide election is held for the Mayor’s position. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Attorney and City Secretary.

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

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

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

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

LOCAL ECONOMIC CONDITIONS AND OUTLOOK

Gainesville is located approximately 60 miles north from the centers of both Dallas and Fort Worth and therefore is not considered as a typical suburban community. In fact, due to its location and size, Gainesville is considered as a rural community. While many attributes contribute to this perception, the economic reality for Gainesville is that it has become an economic hub for the North Central Texas and Southern Oklahoma Region. The northern City limits are approximately one (1) mile from the Red River and Oklahoma border. The population service area of forty miles is in excess of 465,000 people. As a result, Gainesville is the largest employment center between Denton, Texas, Ardmore, Oklahoma, Wichita Falls and Sherman, Texas. Gainesville is the business, service and retail center for its region. Fueling this growth is the fact that Gainesville is at the crossroads of Interstate 35, the North American Free Trade 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 (4.0% vs. 6.8% and 7.8% respectively). The rebound from the oil and gas industry along with the diversification of the City's economy is the main reason for this lower unemployment rate. Gainesville's diversified employment center is fueled by the

gaming industry in Oklahoma and by an increasingly trained workforce in various industries, including oil, gas, plastic molding, metal fabricating, metal finishing, and agriculture.

The following are significant program, infrastructure and business developments for fiscal year 2011-2012:

- The City of Gainesville continues to move forward with new construction that includes over 230,000 square feet of industrial expansions.
- With funding from the Corps of Engineers and the issuance of General Obligation bonds, the City is constructing a \$12,000,000 project to improve the Pecan Creek drainage and relocate a major sewer trunk line.
- The City issued \$4.88 million of Certificates of Obligation in 2010 for the implementation of the city's Street and Utility Maintenance Program (SUMP). In 2012 the City issued an additional \$3.02 million of Certificates of Obligation. The bonds are being utilized for streets, water utilities, wastewater utilities and drainage improvements.
- The Texas Department of Transportation continued significant improvements to the Interstate 35 and US Highway 82 interchange. These improvements include the extension of frontage roads through the intersection, the elimination of cloverleaf ramps, installation of signalized intersections at US Highway 82 and State Highway 51 and the construction of continuous U-turns (Texas Turn-Arounds) at Highway 51. These improvements will provide development opportunities for large access parcels at the intersections and are expected to be completed in 2013. Moreover, this project will provide \$2 million worth of upgrades to the City's water and waste water utilities.
- In 2012, the engineering and environmental clearances were completed for the Moss Lake Water Treatment Plant expansion and the Northwest Water Distribution Line. A \$7,235,000 project, the funding is provided through the Texas Water Development Board (WIF Program) and EPA STAG (State and Tribal Assistance Grant).
- A transfer of \$1,600,000 from the General Fund to a new project fund was made in 2012 for the construction of a new outdoor aquatic center.
- The City began a crack seal project in 2012 estimated to cost \$532,000 over two years. This project will improve 168,490 square yards of roadway.
- The City started the engineering for the expansion of the Moss Lake Water Treatment Plant and the Northwest Water Distribution Line. This is estimated to be a \$7,096,000 project.

- Approximately \$1,009,000 was spent for new heavy equipment for Fire, Street, Stormwater Drainage and Solid Waste.
- The City has continued the radio read meter project in fiscal year 2012. Approximately forty seven percent (47%) of the city has the radio read meters at a cost of \$308,941.

FINANCIAL INFORMATION

Accounting Procedures and Budgetary Controls

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

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

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

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

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

Ad Valorem Tax

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

Allocation of Ad Valorem Taxes

The revenue to be received from current tax collections is distributed between the General Fund and Debt Service Fund according to the ratio for allocation that is set when the budget is adopted. Allocation of ad valorem tax revenues by purpose for fiscal year 2011 and the preceding four years is reflected in the following table. The amounts in the table are per one hundred dollars of assessed value.

Purpose	2012	2011	2010	2009	2008
General	0.434260	0.432356	0.4257	0.3822	0.3928
Debt Service	0.212740	0.214644	0.2213	0.2648	0.2542
Total	0.647000	0.647000	0.6470	0.6470	0.6470

For fiscal year 2012, the Total Assessed Taxable Value increased \$6,793,095 or 0.9%.

Long-term Financial Planning

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

The CIP for fiscal years 2013-2017 was approved by the City Council and is included in the fiscal year 2013 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 \$38,287,617 in total capital expenditures. The CIP breaks these expenditures into two separate categories: recurring at \$6,433,617 or 16.8% and non-recurring at \$31,854,000 or 83.2%.

Financial Policies

In fiscal year 2009 the City Council passed a resolution setting goals of sixty (60) operating days reserve by 2012 and ninety (90) operating days reserve by 2014. In December 2010 an ordinance was passed by the City Council setting the reserves at sixty (60) days of budgeted expenditures starting with fiscal year 2012. Despite difficult economic times, the City was able to increase reserves and has budgeted in fiscal year 2012 to continue to increase reserves. At the close of Fiscal year 2012, the City had approximately two hundred sixty-nine (269) operating days cash reserve for the General Fund. Detailed financial policies are included as part of the City's budget document and in city ordinances.

OTHER INFORMATION

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

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Gainesville for Comprehensive Financial Report for the fiscal year ended September 30, 2011. This was the twenty-first (21) year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a municipality must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

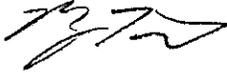
We believe that the City's current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition to the Certificate of Achievement, the City has also received GFOA's Distinguished Budget Presentation Award for its fiscal years 2010, 2011 and 2012 annual budget documents. In order to qualify for the award, the City's budget document was judged to be proficient in all categories including as a policy document, a financial plan, an operations guide and a communications device. The 2013 budget document has been submitted and we believe it meets the requirements to receive another award.

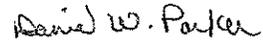
The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated efforts of the entire staff of the City's Finance Department. Each member of the Department is recognized for their tireless effort and contribution to the completion of this report.

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

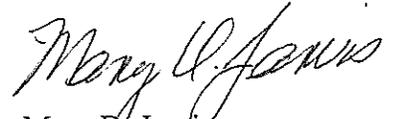
Sincerely,



Barry Sullivan
City Manager

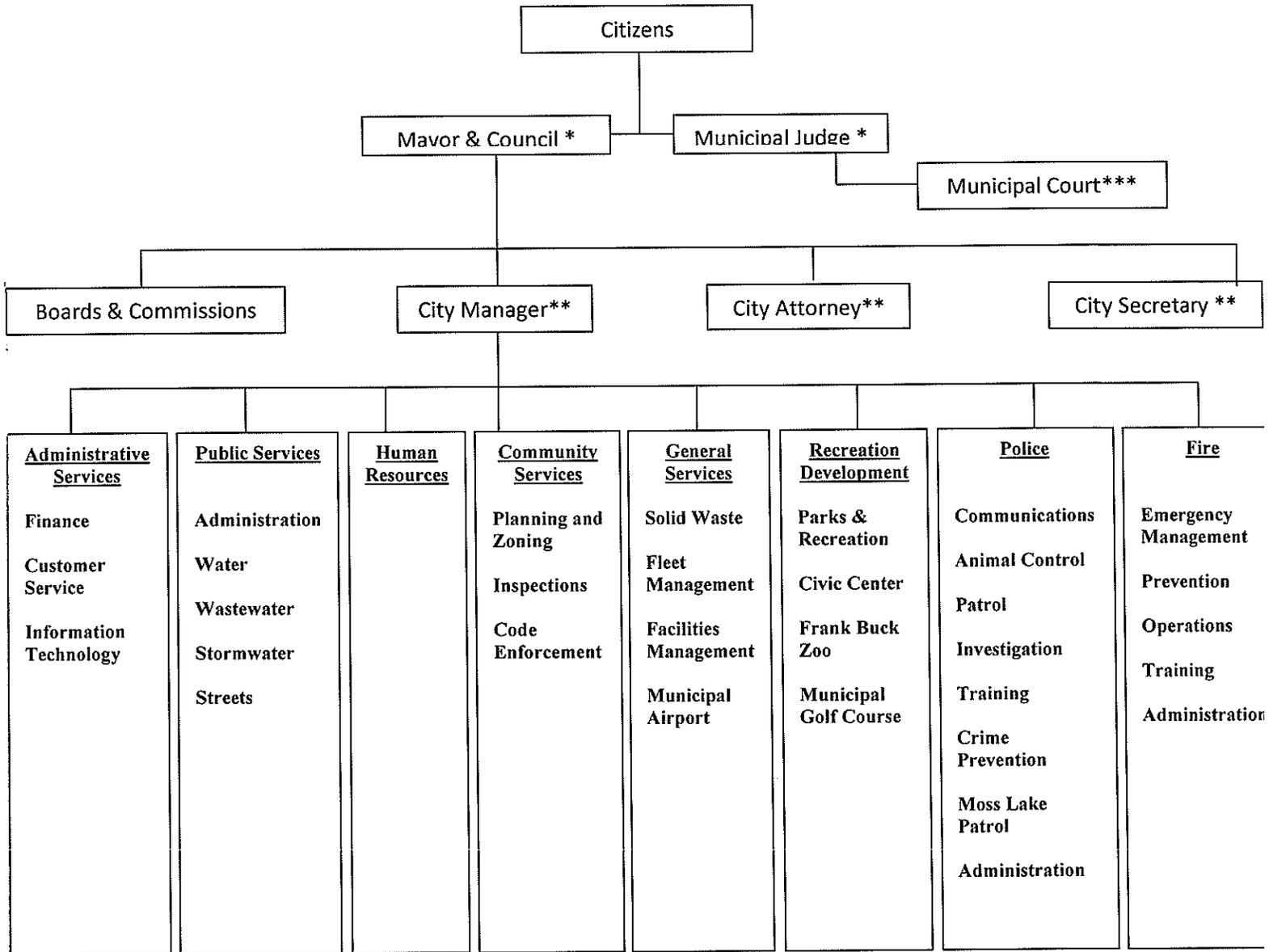


Daniel W. Parker
Finance Director



Mary D. Jarvis
Controller

City of Gainesville, Texas
Organizational Chart



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

CITY OF GAINESVILLE, TEXAS
September 30. 2012

LIST OF PRINCIPAL OFFICIALS

Title	Name
Mayor *	Jim Goldsworthy
Council Member & Mayor Pro Tem*	Ray Nichols
Council Member*	Carolyn Hendricks
Council Member*	Keith Clegg
Council Member*	Ken Keeler
Council Member*	Vince Rippy
Council Member*	Beverly Snuggs
City Manager**	Barry L. Sullivan
City Secretary **	Kay Lunnon
City Attorney**	Belvin Harris
Administrative Services Director	Daniel W. Parker
Police Chief	Stephen Fleming
Municipal Court Judge *	Chris Cypert
Fire Chief	Steve Boone
Director of Utilities	Ron Sellman
Community Services Director	John Noblitt
Director of Human Resources	Leah Gore
Airport Manager	Dave Vinton

* Denotes Elected Official

** Denotes Appointed by City Council



Financial Section



INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Gainesville, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Gainesville (City), Texas as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City as of September 30, 2012, and the respective changes in financial position and cash flows where applicable and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 21 and budgetary comparison information on pages 31 through 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules for nonmajor funds, schedules of capital assets, and

statistical tables are presented for purposes of additional analysis and are not a required part of the financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applies in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

Schalk & Smith, P.C.
January 31, 2013

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2012

Management's Discussion and Analysis provides a narrative overview of the financial activities and changes in the financial position of the City of Gainesville, Texas, for the fiscal year ended September 30, 2012. It should be read in conjunction with the accompanying letter of transmittal and the basic financial statements.

Financial Highlights

- The assets of the City exceeded its liabilities at September 30, 2012 by \$29,634,930 (net assets). Of this amount, \$23,234,879 in unrestricted net assets may be used to meet the City's ongoing obligations to the citizens and creditors.
- The City's total net assets increased by \$6,759,713 or 29.6%. This is mainly due to an increase in current assets, specifically in cash.
- At September 30, 2012, the City's governmental funds reported combined ending fund balances of \$19,767,955, an increase of \$5,328,492 or 36.9% over the 2011 total fund balances. The largest increase was the Assigned Construction; a \$4,174,454 increase for future capital projects in the General Fund. There was a \$248,891 increase in the fund balance for the Hotel/Motel Fund. This increase was mainly due to a \$149,297 increase in Occupancy Tax revenues. The Hotel/Motel funds are restricted and can only be used to promote tourism and the arts. Included in the combined ending fund balances is \$6,880,162, which is available for spending at the government's discretion (unassigned fund balances). This amount reflects a \$200,459 or 3.0% increase over 2011.
- At September 30, 2012, the Unassigned Fund Balance for the General Fund was \$6,880,162 or 55.4% of total General Fund expenditures.
- The City's total debt increased by approximately \$1,033,211 or 3.7% during the current fiscal year reflecting the issuance of the 2012 Certificates of Obligation less the scheduled annual debt payments.

Overview of the Financial Statements

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

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

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

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2012

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

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

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

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

Business-type activities – Activities for which the City charges a fee to customers to pay most or all of the costs of a service it provides are reported here. The City's business-type activities include water 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 of Gainesville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. These statements focus on the most significant funds and may be used to find more detailed information about the City's most significant activities. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

The focus of the governmental funds financial statements is narrower than that of the government-wide financial statements. Therefore, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2012

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

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

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

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

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

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

Other Information. In addition to the basic financial statements and accompanying notes, the City of Gainesville adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund, as well as the other governmental funds, to demonstrate compliance with budget. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to financial statements. Also included is a Statistical Section, which is the chief source of information 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.

City of Gainesville, Texas
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Government-Wide Financial Analysis

Total assets of the City at September 30, 2012, were \$62,739,081, while total liabilities were \$33,104,151 resulting in a net asset balance of \$29,634,930. This is a 29.6% increase from the prior fiscal year and is mainly due to an increase in Current Assets, specifically cash. At the end of fiscal year 2012, net assets for the City of Gainesville had increased not only for the government as a whole, but also for its separate governmental and business-type activities.

The City's total net assets equal \$29,634,930. A portion of the net assets, \$1,327,746 or 4.5%, represents resources that are subject to external restrictions on how they may be used. The restricted net assets have increased over the prior year by 4.3%. Capital assets (land, buildings, machinery, and equipment) net of related debt total \$5,072,305 or 17.1% of total net assets. This represents a increase of \$897,069 or 21.5% compared to the prior year. The largest portion of the City's net assets, \$23,234,879 or 78.4%, reflects unrestricted net assets which may be used to meet the City's ongoing obligations to the citizens and creditors.

Net Assets

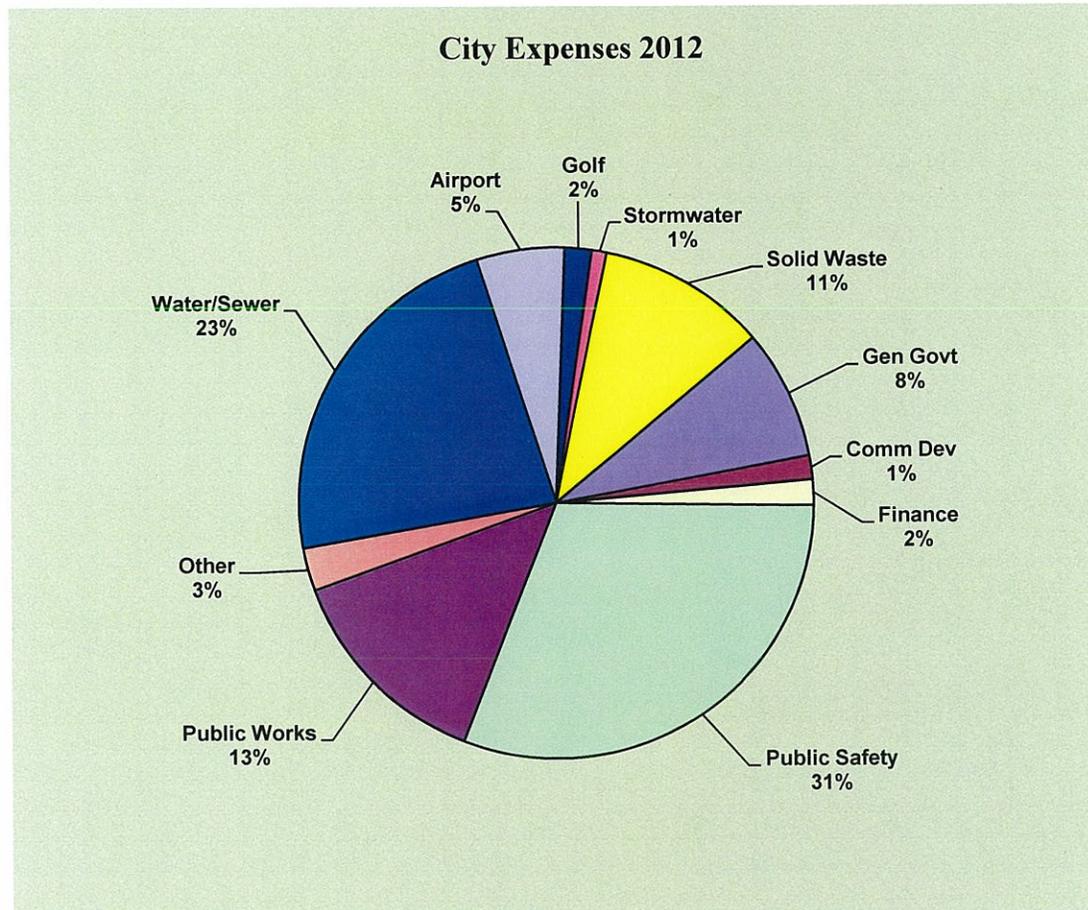
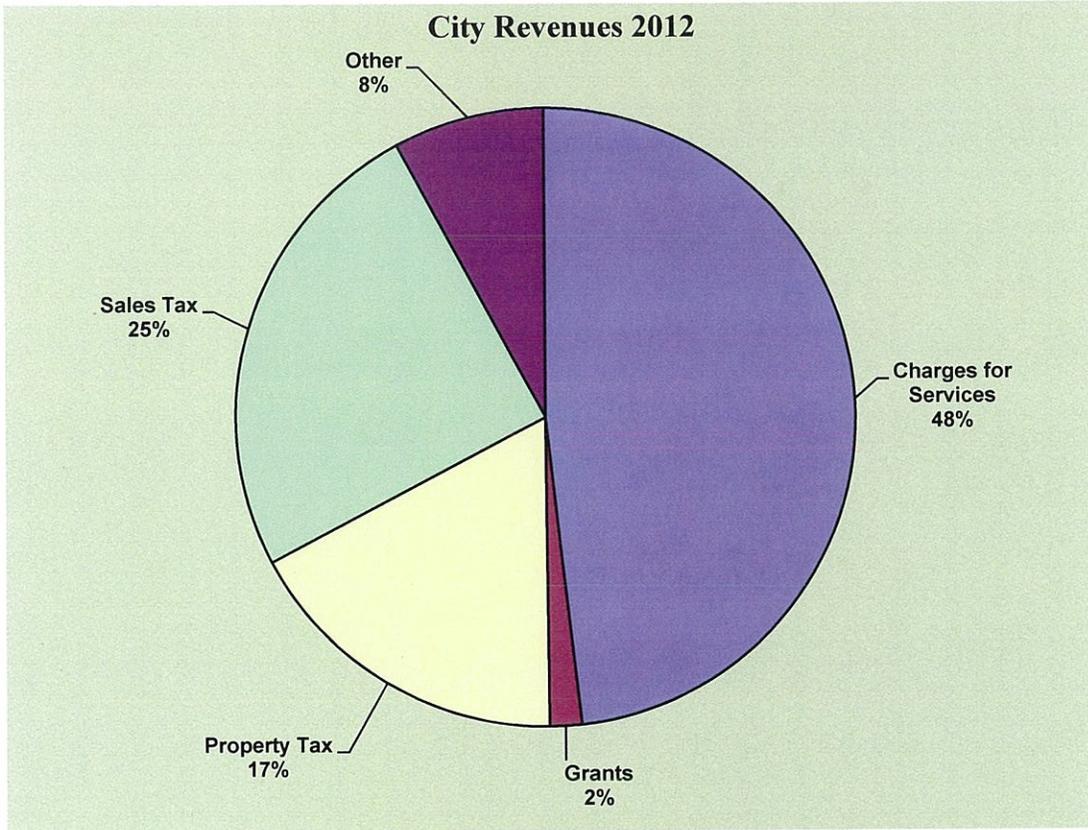
	Governmental Activities		Business Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$23,111,527	\$17,232,056	\$5,989,191	\$5,218,609	\$29,100,718	\$22,450,665
Capital assets	19,830,977	17,754,557	13,807,386	13,878,791	33,638,363	31,633,348
Total assets	42,942,504	34,986,613	19,796,577	19,097,400	62,739,081	54,084,013
Long-term liabilities outstanding	19,956,652	18,193,297	7,117,765	8,017,359	27,074,417	26,210,656
Other liabilities	4,080,861	3,305,854	1,948,873	1,692,286	6,029,734	4,998,140
Total liabilities	24,037,513	21,499,151	9,066,638	9,709,645	33,104,151	31,208,796
Net assets:						
Invested in capital assets, net of related debt	(1,209,809)	(1,359,842)	6,282,114	5,535,078	5,072,305	4,175,236
Restricted	1,327,746	1,272,802	-	-	1,327,746	1,272,802
Unrestricted	18,787,054	13,574,502	4,447,825	3,852,677	23,234,879	17,427,179
Total net assets	\$18,904,991	\$13,487,462	\$10,729,939	\$9,387,755	\$29,634,930	\$22,875,217

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2012

Changes in Net Assets

	Governmental Activities		Business Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Fines, fees, & charges for services	\$1,482,542	\$1,472,818	\$13,794,538	\$13,635,337	15,277,080	\$15,108,155
Operating grants & contributions	259,748	268,736	276,940	377,385	536,688	646,121
General revenues:						
Property taxes	5,501,785	5,424,213	-	-	5,501,785	5,424,213
Sales taxes	7,875,346	5,401,018	-	-	7,875,346	5,401,018
Other taxes & fees	1,993,321	1,935,302	-	-	1,993,321	1,935,302
Other misc.	501,450	1,354,866	4,832	14,462	506,282	1,369,328
Total revenues	17,614,192	15,856,953	14,076,310	14,027,184	31,690,502	29,884,137
Expenses:						
General Government	2,041,635	2,043,290	-	-	2,041,635	2,043,290
Community Development	375,589	347,571	-	-	375,589	347,571
Finance	406,189	400,922	-	-	406,189	400,922
Public safety	7,661,491	7,747,905	-	-	7,661,491	7,747,905
Public works	3,376,631	3,347,486	-	-	3,376,631	3,347,486
Interest on long term debt	674,442	808,937	-	-	674,442	808,937
Water & Sewer	-	-	5,707,742	5,890,140	5,707,742	5,890,140
Municipal Airport	-	-	1,382,664	1,339,425	1,382,664	1,339,425
Golf Course	-	-	424,216	558,961	424,216	558,961
Stormwater	-	-	226,363	194,267	226,363	194,267
Solid Waste	-	-	2,653,827	2,316,359	2,653,827	2,316,359
Total Expenses	14,535,977	14,696,111	10,394,812	10,299,152	24,930,789	24,995,263
Increase(decrease)in net assets before transfers	3,078,215	1,160,842	3,681,498	3,728,032	6,759,713	4,888,874
Transfers in(out)	2,339,314	2,108,944	(2,339,314)	(2,108,944)	-	-
Increase(decrease) in Net Assets	5,417,529	3,269,786	1,342,184	1,619,088	6,759,713	4,888,874
Net Assets 10/01	13,487,462	10,362,020	9,387,755	7,424,263	22,875,217	17,786,283
Prior Period Adjustment	-	(144,344)	-	344,404	-	200,060
Net Assets 09/30	\$18,904,991	\$13,487,462	\$10,729,939	\$9,387,755	\$29,634,930	\$22,875,217

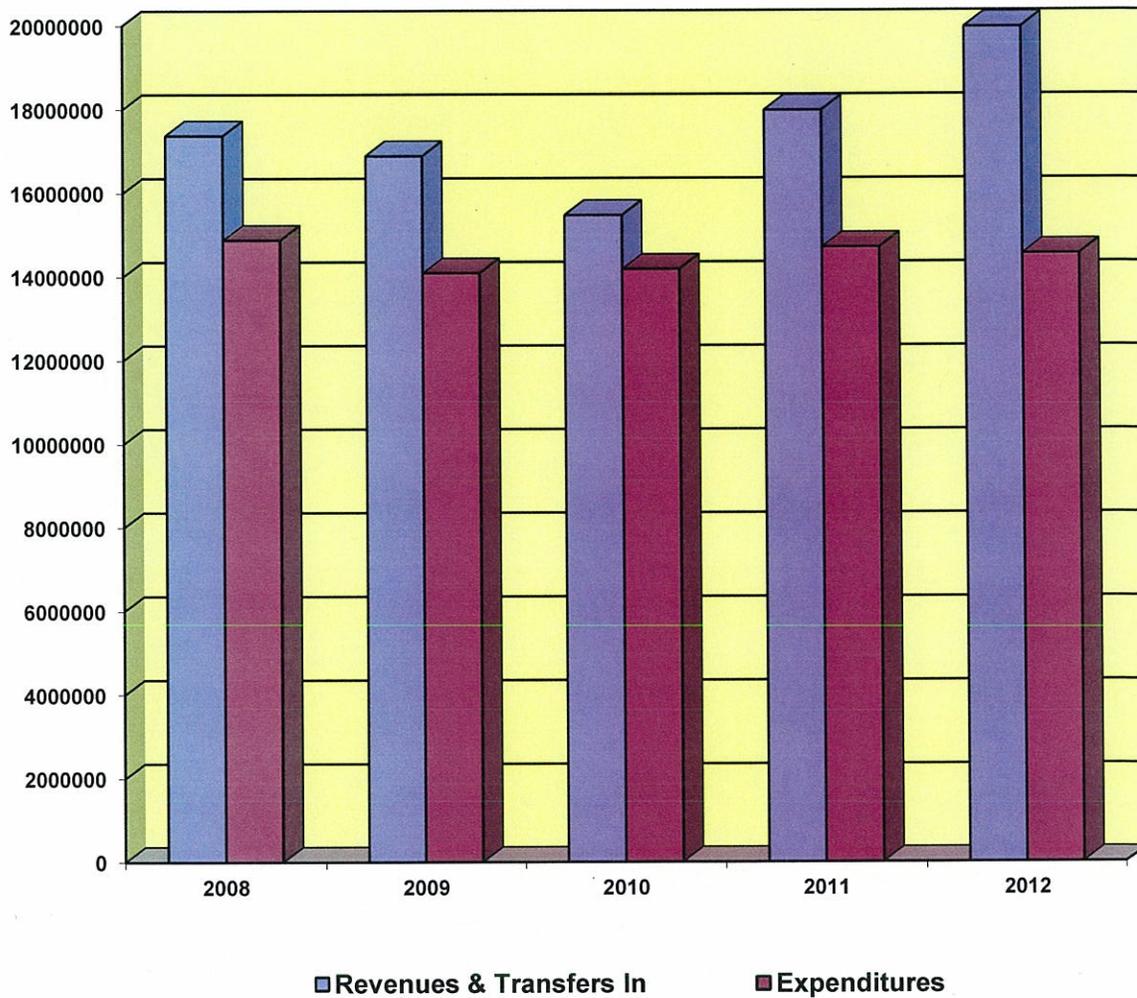
**City of Gainesville, Texas
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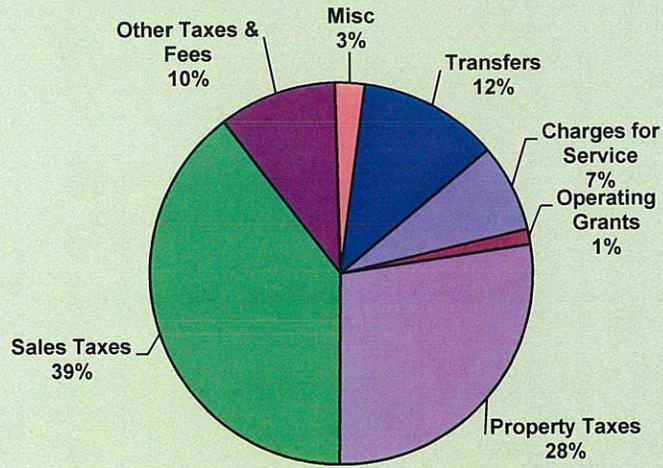
Governmental Activities. Total revenues increased \$1,757,239 or 11.1% compared to the prior year. The greatest increase was in Sales Tax, increasing \$2,474,328 or 45.8%. This increase in Sales Tax is mainly from the oil and natural gas industries, but also the economy in Gainesville continues to show signs of recovery. Property Tax increased slightly in 2012 by \$77,572 or 1.4%. Other Taxes and Fees in 2012 increased \$58,019 or 3.0% over 2011. Total expenses for 2012 decreased \$160,134 or 1.1% compared to the prior year. The Public Safety activity decreased \$86,414 or 1.1%. Interest on Long-Term Debt decreased \$134,495 or 16.6%. Transfers In increased \$230,370 or 10.9% in 2012. The net assets of the Governmental Activities increased from the prior year \$5,417,529, or 40.2%. This increase is mainly due to the improvement in revenues as well as the continued efforts by all departments to reduce their expenses.

Governmental Activity
Five Year History

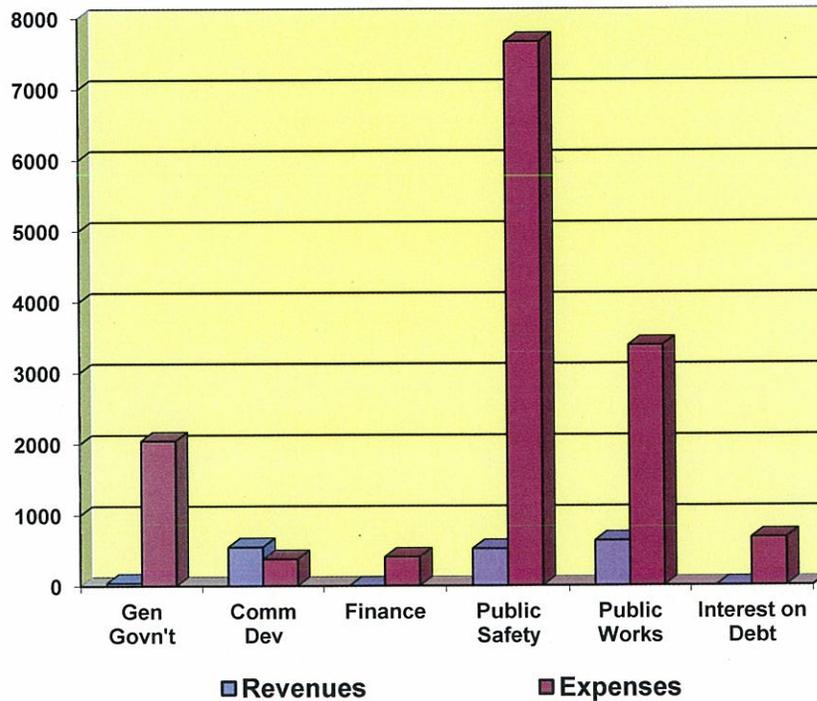


**City of Gainesville, Texas
Management's Discussion and Analysis
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Revenues by Source - Governmental Activities



**Expenses and Program Revenues
Governmental Activities
(In thousands)**

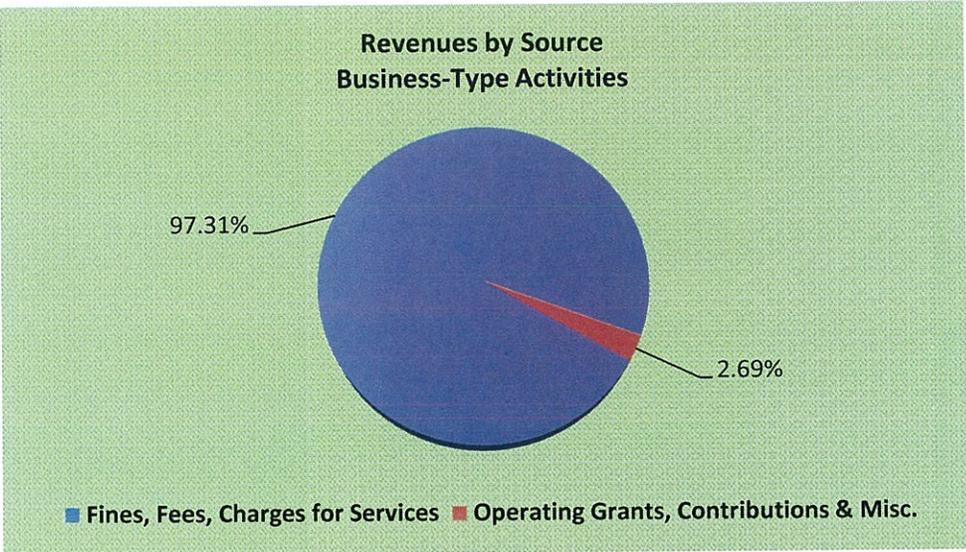


City of Gainesville, Texas
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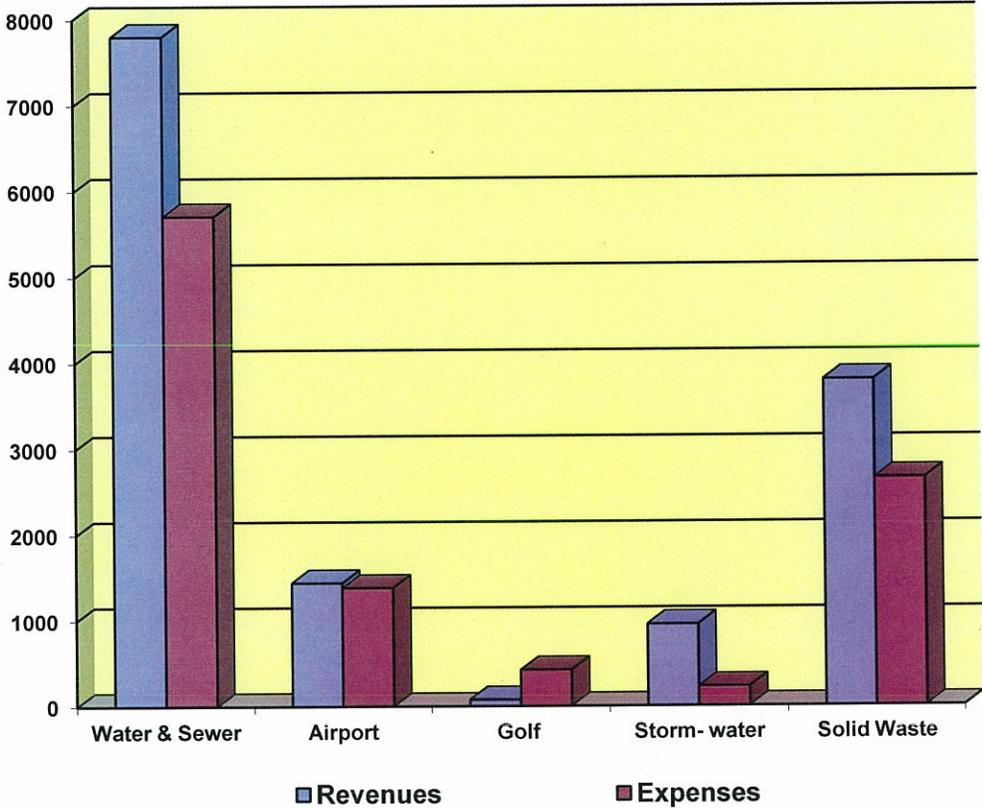
Business-Type Activities. Total business-type revenues increased \$49,126 or 0.4%. The increase was mainly in the Fines, Fees and Charges for Services which increased \$159,201 or 1.2%. The greatest increase in this category was in the Solid Waste Fund revenues with an increase of \$206,957 or 5.8%. The revenues of the Airport and Water and Sewer Funds increased \$32,084 or 2.8% and \$111,482 or 1.4% respectively. Operating Grants & Contributions decreased \$100,445 or 26.6%.

Total expenses increased in fiscal year 2012 by \$95,660 or 0.9%. The Solid Waste Fund expenses increased \$337,468 or 14.6%. This increase was mainly in the Landfill and Tipping Fees. The expenses of the Airport and Stormwater Utility funds also increased \$43,239 or 3.2% and \$32,096 or 16.5% respectively. The Water and Sewer and Golf Course funds decreased expenses \$182,398 or 3.1% and \$134,745 or 24.1% respectively. All departments in the City continue to make every effort to reduce expenses. The total net assets of the business-type activities increased from the prior year \$1,342,184 or 14.3%.

**City of Gainesville, Texas
 Management's Discussion and Analysis
 For the Year Ended September 30, 2012**



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



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

Governmental Funds. The focus of the City of Gainesville's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, 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 \$19,767,955, an increase from the prior year of \$5,328,492 or 36.9%. This increase is mainly in the Assigned Construction section of Fund Balance. Considerable Sales Tax Revenues in the General Fund have been placed in Assigned Construction for future years' projects. The General Fund had a fund balance increase of \$2,454,213 or 36.7%. Also, a Swimming Pool Construction Fund was created with a transfer of \$1,660,000 from the General Fund for the construction of a new outdoor aquatic center in fiscal year 2013.

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

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

Approximately 34.8%, or \$6,880,162 of the combined fund balances, constitutes the unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is classified as follows: Non-spendable \$0.00, Restricted \$7,031,344 or 35.6%, Committed \$1,372,746 or 6.7%, and Assigned \$4,528,703 or 22.9%.

The General Fund is the chief operating fund of the City. At the end of 2012, unassigned fund balance of the General Fund was \$6,880,162, an increase from the prior year's unassigned fund balance of \$200,459 or 3.0%. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. The Unassigned Fund Balance represents 55.4% of total General Fund expenditures, and total fund balance represents 73.6% of total General Fund expenditures. Key factors contributing to the increase of the General Fund fund balance are:

- Sales Taxes increased \$2,018,885 or 34.5%.
- Service Charges, Licenses and Permits, Fines and Forfeitures and other revenues increased 73.4%.
- Total expenditures for the General Fund decreased \$396,220 or 3.1%.

City of Gainesville, Texas
Management's Discussion and Analysis
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The Debt Service Fund has a restricted fund balance of \$1,022,513. This fund balance increased during the year by \$178,166 or 21.1%. The Debt Service fund balance is for the retirement of debt financed through ad valorem taxes. The Hotel/Motel Fund is used to account for hotel occupancy tax revenues and expenditures and shows an ending restricted fund balance of \$601,934. This reflects a \$248,891 or 70.5% increase. Revenues increased \$149,560 or 25.7%. Expenditures and transfers out increased \$60,511 or 14.3%. Included in the governmental funds for 2012 is the Street Utility Maintenance Program Fund. This fund has a restricted fund balance of \$5,315,306. This fund is used to account for the use of the 2010 Certificates of Obligation and the 2012 Certificates of Obligation issued by the City to finance the replacement of water and sewer lines, repairs and replacement of streets and stormwater drainage systems throughout the City.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets for proprietary funds include the Water and Sewer Fund \$2,358,486; the Solid Waste Fund \$1,658,789; Stormwater Utility Fund \$598,377; Golf Course Fund at a negative \$17,454; and the Municipal Airport Fund at a negative \$150,373. Total net assets in the Water and Sewer Fund increased \$698,504 or 17.5%. Operating revenues increased \$111,482 or 1.4% while operating expenses decreased \$160,914 or 2.8%. Total net assets in the Solid Waste Fund increased by \$199,659 or 23.9%. Operating revenues increased \$206,957 or 5.8%. Operating expenses increased \$339,775 or 15.9%. Total net assets in the Stormwater Utility Fund increased by \$240,141 or 23.3%. Operating revenues increased \$2,763 or 0.3%. Operating expenses increased \$30,855 or 20.7%. Total net assets in the Golf Course Fund increased \$145,220 or 125.1%. This increase was mainly due to a transfer from the General Fund of \$499,826. The operating revenues for the Golf Fund decreased \$194,085 or 71.8%. This decrease in revenues is the result of devastating heat and drought during the summers of 2011 and 2012. Several of the greens were destroyed and therefore, the number of rounds played has decreased dramatically. The operating expenses decreased \$134,465 or 24.2%. This decrease was mainly in salaries and benefits as a result of the reduction of staff. The total net assets in the Municipal Airport Fund increased by \$58,660 or 1.6%. Operating revenues decreased \$68,361 or 4.5%. The operating expenses increased \$45,084 or 3.4%.

Business-type activities increased the City's net assets by \$1,342,184. All of the funds (five) categorized as business-type activities experienced an increase in net assets. The following are the key elements of this increase:

- The Solid Waste Fund decreased total liabilities \$359,281, specifically Revenue Bonds Payable with scheduled debt payments.
- The Water and Sewer Fund saw an increase in Current Assets of \$942,195 or 48.4%. Revenue Bonds Payable decreased \$518,465 or 13.4%.
- The Stormwater Fund increased Capital Assets by \$324,886 or 19.5%. Total Liabilities only increased by \$99,386 or 7.9%
- The Municipal Airport increased Total Net Assets \$58,660, mainly in the reduction of Revenue Bonds Payable with scheduled debt payments.
- The Golf Course Total Net Assets increased \$145,220 due to the elimination of Interfund Payables. Over the last few years, funds have been transferred from the General Fund to the Golf Course Fund to bring the Golf Course to a positive level.

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2012

General Fund Budgetary Highlights

At the beginning of the third quarter of fiscal year 2012, the City Council passed a resolution amending the original budget, increasing budgeted sales tax revenues \$1,522,826 and budgeted expenditures \$1,522,826. Revenues, particularly Sales Tax, were projected to exceed budget by \$1,522,826.

The revenues in the original budget for FY 2012 were increased in the final budget by \$2,097,792 or 20.4%. This increase was mainly in Sales Tax in the amount of \$1,966,439. The actual revenue total at year-end was more than the final budget by \$2,192,026 or 17.7% and was \$4,289,818 or 41.8% more than the original budget. The actual revenue ending at more than the final budget is mainly due to \$1,866,393 in Sales Tax. Also, ad valorem tax, Service Charges and License and Permits came in \$71,393, \$167,667 and \$97,787 respectively over the final budget.

The final budget for General Fund total expenditures was increased from the original budget by \$285,941 or 2.3%. The Capital Outlay budget was increased \$281,890. Decreases were made in eight of the nineteen departments of the General Fund. The actual total expenditures for fiscal year 2012 were \$234,161 or 1.9% under the original budget and \$520,102 or 4.1% under the final budget. Capital projects ended under the final budget by \$140,618 because a few capital projects will be completed in fiscal year 2013. All departments finished the year under the original and final budgets except the following: Finance and Inspections finished over the original and final budgets and Human Resources finished over the original budget. It should be pointed out that Building Permits/Inspections revenues finished 141.7% over the original budget and 70.1% over the final budget. Transfers-out ended the year \$510,407 over the final budget.

The \$9,134,375 actual ending fund balance is \$2,277,196 greater than the final budgeted amount and \$2,303,916 greater than the original budgeted amount. Again, Sales Tax is the main reason fund balance ended greater than budgeted.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2012, amounts to \$33,638,363 (net of accumulated depreciation). The investment in capital assets includes land, buildings, machinery and equipment, improvements, and construction-in-progress. Governmental capital assets increased \$2,076,420 or 11.7%. This increase is mainly in the categories of improvements and construction-in-progress in the capital projects funds. Business-type capital assets decreased \$71,405 or 0.5%. While most all categories of capital assets increased, the depreciation increased more. The City's total investment in capital assets increased for the current fiscal year \$2,005,015 or 6.3% compared to the prior fiscal year.

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2012

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

- In 2002, the citizens of Gainesville voted to approve a General Obligation bond issue of \$7,370,000 for improvements to the stormwater drainage system. At that time, \$1,945,000 in General Obligation bonds were issued for the first phase of the drainage improvements project. The project was started in 2003 and continued through fiscal year 2009. General Obligation Bonds Series 2008 in the amount of \$5,425,000 were issued for the second phase of the drainage and sewer trunk line improvements. This second phase of the project started in 2009 and will consist of rebuilding five (5) bridges, widening Pecan Creek, and enlarging the City's main sewer trunk line. Approximately \$634,762 has been spent to purchase land for this project. Two of the bridges were completed in 2010 and the sewer trunk line was completed in 2011. Approximately \$1,224,000 was spent in 2012 on the completion of the third bridge and additional creek work. The entire Pecan Creek Project is expected to be completed in fiscal year 2013 at a cost in excess of \$12,000,000.
- Approximately \$1,690,000 in a state grant was awarded to the City for improvements to the Municipal Airport runway and taxiways. Approximately \$299,276 was spent on these improvements in 2012.
- The Airport also spent \$44,100 on T-Hangar and Airport Terminal improvements.
- The City has continued the radio read meter project in fiscal year 2012. Approximately forty seven percent (47%) of the city has the radio read meters at a cost of \$308,941 as of 2012.
- In March 2010 a study was completed for the implementation of the Street and Utility Maintenance Program (SUMP). Identified in this study were 401 individual street projects. Also included in this study were water, sewer and drainage utilities that might impact the streets. Certificates of Obligation for \$4,880,000 were issued in 2010 to pay for SUMP along with budgeted funds each fiscal year. In 2012 \$3,020,000 in Certificates of Obligation were issued to continue with the SUMP.
- The City began a crack seal project in 2012 estimated to cost \$532,000 over two years. This project will improve 168,490 square yards of roadway.
- The City finished improvements and renovations to the historic Leonard Park Pavilion, costing \$61,700.
- The City started the engineering for the expansion of the Moss Lake Water Treatment Plant and the Northwest Water Distribution Line. This is estimated to be a \$7,096,000 project.
- Work began in 2012 on the new outdoor aquatic center. This project is estimated to cost \$2,296,000 and will be finished in 2013.
- The City spent \$47,698 for the Police communications upgrade.
- The Gainesville Fire Department purchased a new tanker truck at a cost of \$194,000.
- The General Fund Street department and the Stormwater Fund jointly purchased a new street sweeper at a cost of \$187,362.
- The Stormwater Drainage Fund spent \$248,253 for a new track loader.
- The Solid Waste Fund purchased a new Chassis/Packer and a new John Deere Loader for \$205,954 and \$173,266, respectfully.

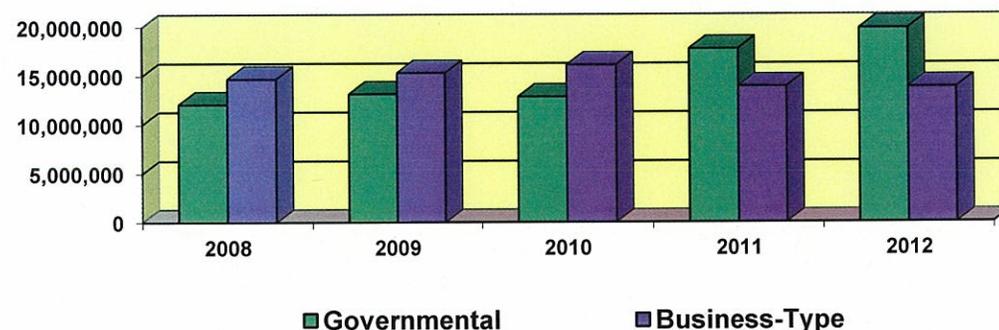
Additional information on the City's capital assets can be found in note III D of this report.

City of Gainesville, Texas
Management's Discussion and Analysis
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City of Gainesville
Capital Assets

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$920,036	\$920,036	\$509,299	\$509,299	\$1,429,335	\$1,429,335
Buildings	9,465,468	9,454,324	2,350,853	2,306,753	11,816,321	11,761,077
Improvements	79,286,074	78,120,021	24,341,054	24,292,653	103,627,128	102,412,674
Machinery & equipment	8,470,976	8,133,963	8,684,990	7,740,456	17,155,966	15,874,419
Construction in progress	6,993,679	5,198,895	3,005,408	2,657,132	9,999,087	7,856,027
Less accumulated depreciation	(85,305,256)	(84,072,682)	(25,084,218)	(23,627,502)	(110,389,474)	(107,700,184)
Total	\$19,830,977	\$17,754,557	\$13,807,386	\$13,878,791	\$33,638,363	\$31,633,348

Capital Assets
Five Year History



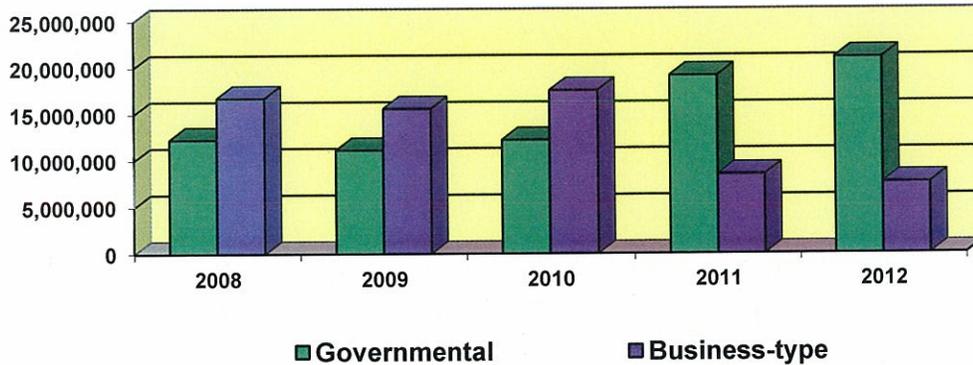
Long-Term Debt. As of September 30, 2012, the City of Gainesville had total debt outstanding of \$28,609,594. Of this amount, \$21,040,786 is in the Governmental Funds and \$7,568,808 is in the Business-Type Funds. The City's debt increased by \$1,033,211 (3.7%) during the 2012 fiscal year. The increase in outstanding debt reflects the \$2,332,615 in scheduled debt payments in February and August 2012, and new debt issued totaling \$3,375,826.

City of Gainesville
Outstanding Debt

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$12,369,324	\$11,786,754	\$6,153,523	\$6,846,997	\$18,522,847	\$18,633,751
Certificates of obligation bonds	8,608,621	7,320,852	1,006,199	1,301,401	9,614,820	8,622,253
Capital leases	62,841	6,793	204,086	13,586	266,927	20,379
Tax Notes payable	-	-	205,000	300,000	205,000	300,000
Total	\$21,040,786	\$19,114,399	\$7,568,808	\$8,461,984	\$28,609,594	\$27,576,383

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Outstanding Debt
Five Year History



As of September 30, 2012, Moody's assigned the City's bond ratings at "A1". At the same time, Standard & Poor's assigned the City's bond ratings at "A+". The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt.

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

Economic Factors and Next Year's Budgets and Rates

The continued focus of the City of Gainesville is to build and maintain 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.

The major revenue source for the General Fund continues to be the City's 1.25-cent sales tax. The current economic situation in Gainesville is good with high levels of industrial sales. Gainesville will collect 35.95% (\$5,619,702) more sales tax revenues in FY 2013 than originally budgeted for fiscal year 2012. The second largest revenue source for the General Fund is ad valorem (property) taxes. Based on the tax rate \$0.6470 per \$100 of property value, the total ad valorem tax revenue (including delinquent penalties) is projected to increase over the 2012 budget by \$486,741 or 8.8%. The City's tax rate has remained unchanged since fiscal year 2008.

In the Water and Sewer Fund, over the last few years there has been a community wide change in water usage. The community as a whole has reduced summer lawn watering. This conservation trend is now considered the normal pattern. The 2012 budget included a 3% rate increase to assure that the base fees cover expenses. The revenues have materialized as planned. The rate for water and sewer revenues remains the same for fiscal year 2013. Expenses are projected to decrease 2.0% from the 2012 budgeted amount.

The 2013 revenues for the Solid Waste Fund are projected to increase 1.6% over the 2012 actual revenues. The revenue increase is mainly due to a slight growth in the number of accounts, growth of refuse from the commercial sector and the increase of rates. The 2013 budget includes a 4.0% rate increase. Expenses for FY 2013 are projected to increase 0.9% over the 2012 actual expenses.

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2012

All other funds are projected to decrease revenues 4.4% over the 2012 budget. Included in other funds is the Golf Course Fund. Revenues in the Golf Course Fund are projected to decrease 42.0% because of the 2011 and 2012 heat and drought that have taken a serious toll on the greens. Expenses in all other funds are projected to increase 2.0% over the 2012 budget. This increase is mainly in the Stormwater Drainage Fund. Funds have been budgeted towards the Pecan Creek Flood Damage Reduction Project which should be completed in 2013.

The 2013 budget includes a personnel "pay-for-performance" program which had been discontinued in fiscal years 2010 and 2011, but re-instated in fiscal year 2012. Moreover, the 2013 budget includes an increase in the step pay scale for the Fire and Police. Additional personnel are included in the 2013 budget. The full time positions added are: two Police officers, two Code Enforcement Officers and a Secretary for the Zoo. Also added are eighteen (18) part time life guards for the new outdoor aquatic center to be completed in 2013. In the 2013 budget the City increased the city match for retirement contributions from 10.43% to 10.60%. Gainesville is paying the full matching rate for 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 2013 total \$20,636,000. These projects for 2013 include the following which are funded with O & M Budgets, General Obligation and Certificates of Obligation bonds, a State and Tribal Assistance Grant (STAG), a Texas Department of Transportation grant, Texas Water Development Board Water Infrastructure funds, Homeland Security Grants, Bullet Proof Vest Grant, and lease purchase agreements:

- Recurring machinery, vehicles and equipment at \$951,050
- Pecan Creek channelization and bridge improvements at \$3,320,000
- Street Utility Maintenance Project (S.U.M.P.) at \$5,399,000
- Expand water treatment plant and northwest water distribution improvements at \$7,096,490
- Upgrades and improvements to existing City structures at \$228,000
- Waste Water Treatment Plant upgrade and improvements at \$1,104,000
- Engineering and construction of new outdoor aquatic center at \$1,545,000
- New Fire department Ladder Truck at \$750,000
- Continuation of Crack Seal program at \$84,000

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

- Implemented a radio read system on water meters (47% completed)
- \$25,000 budgeted each year for the next five years for Technology refresh and upgrade
- Upgrade radio equipment to meet FCC Regulations
- Computer technology upgrades for Police department
- Surveillance security video camera system installed at strategic locations in the City

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2012

The General Fund. In the fiscal year 2013 budget, General Fund revenues and transfers-in are budgeted to decrease by 17.9% from fiscal year 2012 actual amounts. It should be noted that in 2012 the City received some unusually high sales tax payments that were a result of high levels of sales in the oil and gas industry. Because of the possibility of peaks and valleys, the City chose to use a conservative estimate for sales tax in 2013. The City estimates sales tax growth to be stable for 2013. Sales Tax net revenues are 34.1% of the total General Fund revenues for FY 2013. Property Taxes are the second largest source of revenues for the General Fund. Property taxes are budgeted to increase \$522,094 or 14.1% with property tax revenues making up 28.7% of the fiscal year 2013 revenue budget. While the tax rate remains at \$0.647 per \$100 of property value, the certified property tax values for 2013 increased 14.7% from the preceding year. Expenditures and transfers-out in the General Fund for fiscal year 2013 are budgeted at a 1.9% decrease from the actual expenditures and transfers-out for the previous fiscal year 2012. This decrease is mainly due to the continuing efforts of departments to cut expenses and to be more efficient. Also in 2012 additional funds were transferred out to other funds that were not budgeted.

The Water & Sewer Fund. Water and Sewer Fund operating revenues are budgeted to decrease 4.5% in fiscal year 2013 from fiscal year 2012 actual figures. This projected decrease reflects the new use pattern established in FY 2012 for budgeting purposes. The city recognized the community wide water usage decrease over the past few years. This conservation trend has become the normal pattern. Therefore, revenue projections are kept at a conservative level. Fiscal year 2013 expenses and transfers-out are expected to decrease 0.5% from actual expenses and transfers-out for fiscal year 2012.

The Stormwater Utility Fund. The fiscal year 2013 budgeted revenues for the Stormwater Utility Fund are projected to increase slightly by 4.2%. This reflects the 5% rate increase for the purpose of paying for the completion of the Pecan Creek Flood Damage Reduction project and for the increased maintenance required to maintain the Pecan Creek. Expenses are projected to increase 54.7% reflecting the additional cost of maintaining Pecan Creek in 2013.

The Municipal Airport Fund. The Municipal Airport Fund is projecting a decrease in budgeted revenues for fiscal year 2013 from the actual revenues for fiscal year 2012 by 11.2%. This decrease is mainly due to grant revenues received from Texas Department of Transportation in 2012 that were not budgeted. An 11.9% increase in expenses for fiscal year 2013 is budgeted compared to actual expenses for fiscal year 2012. This increase is mainly in Avgas/Jet A Fuel expense.

The Golf Course Fund. The Golf Course Fund revenues for fiscal year 2013 are budgeted to decrease 24.3% from the actual revenues for fiscal year 2012. Over the last few years funds have been transferred into the Golf Fund from the General Fund, Debt Service Fund and the Hotel/Motel Fund to bring the fund balance to a positive level. This was accomplished in 2012. The budgeted expenses for fiscal year 2013 are 1.2% more than the actual fiscal year expenses for 2012.

The Solid Waste Fund. The 2013 budgeted revenues in the Solid Waste Fund are 1.6% less than the 2012 actual revenues. Operating expenses and transfers-out are budgeted in 2013 to increase 5.9% from the 2012 actual expenses and transfers-out.

City of Gainesville, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2012

The previous fiscal years have reflected the state and national economic down turn; however, the City in 2012 started seeing positive indicators such as a 4.0% unemployment rate. This low unemployment rate has been established by the expansion of current businesses as well as new businesses in the community. These new jobs range from airplane seat assembly line workers at Weber Aircraft to corporate executive positions in the new Select Energy Services National Headquarters. This type of diversification has been one of the main reasons for Gainesville's low unemployment rates over the past few years. The City continues to have agriculture, metal fabrication, plastic molding, metal finishing, laser cut home décor product manufacturing, poly-pipe manufacturing, the world's second largest casino five miles north of the City, and the petroleum industry driving its economy.

Request for Information

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



Basic
Financial Statements

CITY OF GAINESVILLE, TEXAS
STATEMENT OF NET ASSETS
September 30, 2012

	PRIMARY GOVERNMENT			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash	\$ 19,964,809	\$ 4,052,556	\$ 24,017,365	\$ 2,046,253
Internal Balances	-	-	-	-
Receivables (Net of Allowances for Uncollectibles)				
Taxes	1,673,185	-	1,673,185	299,620
Service	-	1,454,921	1,454,921	-
Other	1,076,656	326,613	1,403,269	97,710
Inventories	-	-	-	-
Prepaid Expense	-	-	-	-
Total Current Assets	<u>22,714,650</u>	<u>5,834,090</u>	<u>28,548,740</u>	<u>2,443,583</u>
Noncurrent Assets:				
Restricted Assets				
Cash	-	25,300	25,300	-
Capital Assets				
Land	920,036	509,299	1,429,335	486,151
Buildings	9,465,468	2,350,853	11,816,321	1,975,114
Improvements	79,286,074	24,341,054	103,627,128	-
Machinery & Equipment	8,470,976	8,684,990	17,155,966	39,630
Construction in Progress	6,993,679	3,005,408	9,999,087	-
Less Accumulated Depreciation	<u>(85,305,256)</u>	<u>(25,084,218)</u>	<u>(110,389,474)</u>	<u>(611,294)</u>
Total Capital Assets	<u>19,830,977</u>	<u>13,807,386</u>	<u>33,638,363</u>	<u>1,889,601</u>
C.O. Issuance Costs, Net	396,877	129,801	526,678	-
Total Noncurrent Assets	<u>20,227,854</u>	<u>13,962,487</u>	<u>34,190,341</u>	<u>1,889,601</u>
TOTAL ASSETS	<u>\$ 42,942,504</u>	<u>\$ 19,796,577</u>	<u>\$ 62,739,081</u>	<u>\$ 4,333,184</u>
LIABILITIES AND FUND EQUITY				
Current Liabilities:				
Accounts Payable	\$ 2,704,938	\$ 846,447	\$ 3,551,385	\$ 381,096
Current Portion-Long Term Debt	1,375,923	1,102,426	2,478,349	-
Total Current Liabilities	<u>4,080,861</u>	<u>1,948,873</u>	<u>6,029,734</u>	<u>381,096</u>
Noncurrent Liabilities:				
Unearned Revenue	-	-	-	-
Accrued Compensated Absences	291,789	57,695	349,484	16,247
Postclosure Care Costs	-	593,688	593,688	-
Long-Term Debt	19,664,863	6,466,382	26,131,245	-
Total Noncurrent Liabilities	<u>19,956,652</u>	<u>7,117,765</u>	<u>27,074,417</u>	<u>16,247</u>
TOTAL LIABILITIES	<u>24,037,513</u>	<u>9,066,638</u>	<u>33,104,151</u>	<u>397,343</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	(1,209,809)	6,282,114	5,072,305	1,889,601
Nonexpendable				
Restricted for Permanent Endowment	1,327,746	-	1,327,746	-
Unrestricted	18,787,054	4,447,825	23,234,879	2,046,240
TOTAL NET ASSETS	<u>\$ 18,904,991</u>	<u>\$ 10,729,939</u>	<u>\$ 29,634,930</u>	<u>\$ 3,935,841</u>

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

CITY OF GAINESVILLE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

FUNCTIONS/ACTIVITY	PROGRAM REVENUES			NET (EXPENSE) REVENUES AND CHANGES IN NET ASSETS PRIMARY GOVERNMENT			
	EXPENSES	FINES, FEES, AND CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	COMPONENT UNIT
Primary Government:							
Governmental Activities							
General Government	\$ 2,041,635	\$ 40,808	\$ -	\$ (2,000,827)	\$ -	\$ (2,000,827)	\$ -
Community Development	375,589	546,688	-	171,099	-	171,099	-
Finance	406,189	-	-	(406,189)	-	(406,189)	-
Public Safety	7,661,491	361,494	160,973	(7,139,024)	-	(7,139,024)	-
Public Works	3,376,631	533,552	98,775	(2,744,304)	-	(2,744,304)	-
Interest on Long-Term Debt	674,442	-	-	(674,442)	-	(674,442)	-
Total Governmental Activities	<u>14,535,977</u>	<u>1,482,542</u>	<u>259,748</u>	<u>(12,793,687)</u>	<u>-</u>	<u>(12,793,687)</u>	<u>-</u>
Business-Type Activities							
Water and Sewer	5,707,742	7,803,192	-	-	2,095,450	2,095,450	-
Municipal Airport	1,382,664	1,164,363	276,940	-	58,639	58,639	-
Golf Course	424,216	76,110	-	-	(348,106)	(348,106)	-
Stormwater	226,363	952,558	-	-	726,195	726,195	-
Solid Waste	2,653,827	3,798,315	-	-	1,144,488	1,144,488	-
Total Business-Type Activities	<u>10,394,812</u>	<u>13,794,538</u>	<u>276,940</u>	<u>-</u>	<u>3,676,666</u>	<u>3,676,666</u>	<u>-</u>
Total Primary Government	<u>\$ 24,930,789</u>	<u>\$ 15,277,080</u>	<u>\$ 536,688</u>	<u>\$ (12,793,687)</u>	<u>\$ 3,676,666</u>	<u>\$ (9,117,021)</u>	<u>\$ -</u>
Component Unit:							
Gainesville Economic Development Corp.	\$ 1,526,063	\$ 387,885	\$ -	\$ -	\$ -	\$ -	\$ (1,138,178)
General Revenues:							
Taxes							
Property Taxes				\$ 5,501,785	\$ -	\$ 5,501,785	\$ -
Sales Taxes				7,875,346	-	7,875,346	1,491,820
Franchise Fees				1,236,765	-	-	-
Occupancy Taxes				730,441	-	-	-
Mixed Beverage Taxes				26,115	-	26,115	-
Investment Income				25,372	4,832	30,204	5,033
Gain (Loss) on Disposal of Assets				-	-	-	-
Miscellaneous				476,078	-	476,078	-
Transfers In (Out) between Governmental and Business-Type Activities				2,339,314	(2,339,314)	-	-
Total General Revenues and Transfers				<u>\$ 18,211,216</u>	<u>\$ (2,334,482)</u>	<u>13,909,528</u>	<u>\$ 1,496,853</u>
Change in Net Assets				5,417,529	1,342,184	6,759,713	358,675
Net Assets-Beginning of Year				13,487,462	9,387,755	22,875,217	3,577,166
Net Assets-End of Year				<u>\$ 18,904,991</u>	<u>\$ 10,729,939</u>	<u>\$ 29,634,930</u>	<u>\$ 3,935,841</u>

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

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CITY OF GAINESVILLE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	MAJOR FUNDS			OTHER GOVERNMENTAL FUNDS	TOTAL
	GENERAL FUND	DEBT SERVICE FUND	STREET UTILITY MAINTENANCE		
ASSETS:					
Cash	\$ 9,173,252	\$ 1,013,318	\$ 5,351,281	\$ 4,426,958	\$ 19,964,809
Restricted Cash	-	-	-	-	-
Receivables (Net of Allowances for Uncollectibles)					
Taxes	1,614,559	58,626	-	-	1,673,185
Other	869,617	9,195	-	197,844	1,076,656
Inventory	-	-	-	-	-
Due from Component Unit	-	-	-	-	-
Interfund Receivable	-	-	-	-	-
TOTAL ASSETS	<u>\$ 11,657,428</u>	<u>\$ 1,081,139</u>	<u>\$ 5,351,281</u>	<u>\$ 4,624,802</u>	<u>\$ 22,714,650</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts Payable	\$ 1,948,533	\$ -	\$ 35,975	\$ 329,041	\$ 2,313,549
Interfund Payable	-	-	-	-	-
Deferred Revenue	574,520	58,626	-	-	633,146
TOTAL LIABILITIES	<u>2,523,053</u>	<u>58,626</u>	<u>35,975</u>	<u>329,041</u>	<u>2,946,695</u>
FUND BALANCES:					
Nonspendable:					
Inventories	-	-	-	-	-
Restricted:					
Debt Service	-	1,022,513	-	-	1,022,513
Construction	-	-	5,315,306	-	5,315,306
Tourism and the Arts	-	-	-	601,934	601,934
Other	-	-	-	91,591	91,591
Committed:					
Cemetery	-	-	-	1,327,746	1,327,746
Assigned:					
Stanford House	-	-	-	211,859	211,859
Construction	2,254,213	-	-	2,035,103	4,289,316
Other	-	-	-	27,528	27,528
Unassigned	6,880,162	-	-	-	6,880,162
TOTAL FUND BALANCES	<u>9,134,375</u>	<u>1,022,513</u>	<u>5,315,306</u>	<u>4,295,761</u>	<u>19,767,955</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 11,657,428</u>	<u>\$ 1,081,139</u>	<u>\$ 5,351,281</u>	<u>\$ 4,624,802</u>	<u>\$ 22,714,650</u>

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

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CITY OF GAINESVILLE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
September 30, 2012

Total Fund Balance - Total Governmental Funds	\$ 19,767,955
Amounts reported for governmental activities in the statement of net assets are different because of the following:	
Taxes and municipal court fines are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	633,146
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 \$85,305,256.	19,830,977
Interest payable on long-term debt does not require current financial resources therefore, interest payable is not reported as a liability on the governmental funds balance sheet.	(124,389)
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.	(21,579,310)
Costs associated with long term debt are not reported in the governmental funds balance sheets.	
Bond Issuance Costs	396,877
Deferred Loss on Early Extinguishment of Debt	619,577
Premium on Bonds	(81,053)
Compensated absences are not reported as liabilities in the governmental fund balance sheet.	(558,789)
Net Assets of Governmental Activities	<u>\$ 18,904,991</u>

CITY OF GAINESVILLE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	MAJOR FUNDS			OTHER GOVERNMENTAL FUNDS	TOTAL
	GENERAL	DEBT SERVICE FUND	STREET UTILITY MAINTENANCE		
REVENUES:					
Taxes					
Ad Valorem Taxes	\$ 3,692,001	\$ 1,816,885	\$ -	\$ -	\$ 5,508,886
Sales Taxes	7,875,346	-	-	-	7,875,346
Franchise Fees	1,236,765	-	-	-	1,236,765
Occupancy Tax	-	-	-	730,441	730,441
Mixed Beverage Tax	26,115	-	-	-	26,115
Service Charges	819,770	-	-	16,084	835,854
License & Permits	244,387	-	-	40,808	285,195
Fines & Forfeitures	343,203	-	-	28,116	371,319
Investment Income	10,351	1,444	4,440	9,135	25,370
Intergovernmental Revenues	99,178	-	-	160,570	259,748
Other Income	216,535	20,520	-	248,302	485,357
TOTAL REVENUES	<u>14,563,651</u>	<u>1,838,849</u>	<u>4,440</u>	<u>1,233,456</u>	<u>17,640,396</u>
EXPENDITURES:					
Current					
General Government	1,251,535	137,988	75	294,570	1,684,168
Community Development	333,267	-	-	-	333,267
Finance	401,010	-	-	-	401,010
Public Safety	7,250,060	-	-	17,655	7,267,715
Public Works	2,847,389	-	-	21,296	2,868,685
Non Departmental	-	-	-	-	-
Debt Service					
Principal	-	1,158,800	-	30,841	1,189,641
Interest	-	656,586	-	-	656,586
Bond Issuance Costs	-	-	70,812	-	70,812
Capital Outlay	326,634	-	1,380,912	1,601,448	3,308,994
TOTAL EXPENDITURES	<u>12,409,895</u>	<u>1,953,374</u>	<u>1,451,799</u>	<u>1,965,810</u>	<u>17,780,878</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,153,756</u>	<u>(114,525)</u>	<u>(1,447,359)</u>	<u>(732,354)</u>	<u>(140,482)</u>
OTHER FINANCING SOURCES (USES):					
Issuance of Debt	93,682	-	3,020,000	-	3,113,682
Bond Premium (Discount)	-	-	15,978	-	15,978
Funds Transferred In	2,680,573	648,252	10,000	2,204,508	5,543,333
Funds Transferred Out	(2,473,798)	(355,561)	-	(374,660)	(3,204,019)
TOTAL OTHER FINANCING SOURCES (USES):	<u>300,457</u>	<u>292,691</u>	<u>3,045,978</u>	<u>1,829,848</u>	<u>5,468,974</u>
NET CHANGE IN FUND BALANCES	<u>2,454,213</u>	<u>178,166</u>	<u>1,598,619</u>	<u>1,097,494</u>	<u>5,328,492</u>
FUND BALANCE - October 1	6,680,162	844,347	3,716,687	3,198,267	14,439,463
FUND BALANCE - September 30	<u>\$ 9,134,375</u>	<u>\$ 1,022,513</u>	<u>\$ 5,315,306</u>	<u>\$ 4,295,761</u>	<u>\$ 19,767,955</u>

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
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, 2012

Net Change in Fund Balances - Total Governmental Funds \$ 5,328,492

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

Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the government-wide statement of net assets in the current period.	3,308,994
Amortization of costs associated with debt are reported in the government-wide financial statements but not governmental funds as it does not require the use of current financial resources. The current year amortization on these costs are:	
Bond issuance cost	(28,490)
Amortization of Loss on Early Extinguishment of Debt	(48,668)
Amortization of Bond Premium	7,509
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(1,232,574)
Compensated absences are accrued on the government-wide statement of net assets but do not require the use of current financial resources. The current period change in compensated absences is reported in the government-wide statement of activities and changes in net assets. The current period net increase in compensated absences is not reported as expenditures in governmental funds.	(31,088)
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.	(17,856)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This is the amount by which debt proceeds of \$3,032,227 exceeds repayments of principal of \$1,189,642.	(1,842,585)
Taxes & municipal court fines in the statement of activities do not provide current financial resources therefore, these are not reported as revenues in governmental funds.	<u>(26,205)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 5,417,529</u></u>

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

CITY OF GAINESVILLE, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		(NEGATIVE)
REVENUES:				
Ad Valorem Taxes	\$ 3,563,899	\$ 3,620,608	\$ 3,692,001	\$ 71,393
Sales Taxes	4,042,514	6,008,953	7,875,346	1,866,393
Franchise Fees	1,325,490	1,258,100	1,236,765	(21,335)
Mixed Beverage Tax	29,000	29,000	26,115	(2,885)
Service Charges	678,780	652,103	819,770	167,667
License & Permits	104,150	146,600	244,387	97,787
Fines & Forfeitures	413,750	408,550	343,203	(65,347)
Investment Income	10,300	8,000	10,351	2,351
Intergovernmental Revenues	-	54,671	99,178	44,507
Other Income	105,950	185,040	216,535	31,495
TOTAL REVENUES	10,273,833	12,371,625	14,563,651	2,192,026
EXPENDITURES:				
Current				
General Government				
Administration	475,553	477,488	454,935	22,553
Human Resources	142,105	145,166	145,047	119
Main Street Operations	39,916	39,079	37,282	1,797
Building Operations	117,512	118,875	104,135	14,740
Public Assistance Programs	41,575	41,575	41,575	-
Municipal Court	315,026	314,271	310,521	3,750
Civic Center Operations	183,617	175,239	158,040	17,199
Total General Government	<u>1,315,304</u>	<u>1,311,693</u>	<u>1,251,535</u>	<u>60,158</u>
Community Development				
Planning and Zoning	130,668	136,168	113,366	22,802
Inspections	189,988	189,988	219,901	(29,913)
Total Community Development	<u>320,656</u>	<u>326,156</u>	<u>333,267</u>	<u>(7,111)</u>
Finance	<u>400,468</u>	<u>400,414</u>	<u>401,010</u>	<u>(596)</u>
Public Safety				
Police	4,223,090	4,215,447	4,080,256	135,191
Emergency Management	28,139	27,930	23,681	4,249
Fire	3,178,102	3,196,447	3,146,123	50,324
Total Public Safety	<u>7,429,331</u>	<u>7,439,824</u>	<u>7,250,060</u>	<u>189,764</u>
Public Works				
Administration	64,088	64,088	63,341	747
Street Maintenance	869,119	869,119	835,275	33,844
Central Garage	192,083	192,083	154,668	37,415
Parks and Recreation Operations	671,803	661,953	622,820	39,133
Zoo Operations	950,254	951,854	944,760	7,094
Cemetery Operations	245,588	245,561	226,525	19,036
Total Public Works	<u>2,992,935</u>	<u>2,984,658</u>	<u>2,847,389</u>	<u>137,269</u>

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

CITY OF GAINESVILLE, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(Continued)

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
Non Departmental	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital Outlay	185,362	467,252	326,634	140,618
TOTAL EXPENDITURES	<u>12,644,056</u>	<u>12,929,997</u>	<u>12,409,895</u>	<u>520,102</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,370,223)</u>	<u>(558,372)</u>	<u>2,153,756</u>	<u>2,712,128</u>
OTHER FINANCING SOURCES (USES):				
Issuance of Debt	-	-	93,682	93,682
Funds Transferred In	2,696,580	2,698,780	2,680,573	(18,207)
Funds Transferred Out	(176,060)	(1,963,391)	(2,473,798)	(510,407)
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,520,520</u>	<u>735,389</u>	<u>300,457</u>	<u>(434,932)</u>
NET CHANGE IN FUND BALANCES	<u>150,297</u>	<u>177,017</u>	<u>2,454,213</u>	<u>2,277,196</u>
FUND BALANCE - October 1	<u>6,680,162</u>	<u>6,680,162</u>	<u>6,680,162</u>	-
FUND BALANCE - September 30	<u>\$ 6,830,459</u>	<u>\$ 6,857,179</u>	<u>\$ 9,134,375</u>	<u>\$ 2,277,196</u>

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

CITY OF GAINESVILLE, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2012

ASSETS	WATER & SEWER	MUNICIPAL AIRPORT	SOLID WASTE	STORMWATER	OTHER ENTERPRISE FUNDS	TOTAL
					GOLF FUND	
Current Assets:						
Cash	\$ 1,727,986	\$ 388	\$ 1,806,887	\$ 512,493	\$ 4,802	\$ 4,052,556
Receivables (Net of Allowances for Uncollectibles)						
Service	835,376	32,486	480,440	106,619	-	1,454,921
Other	325,072	1,064	-	-	477	326,613
Inventory	-	-	-	-	-	-
Interfund Receivables	-	-	138,000	-	-	138,000
Total Current Assets	<u>2,888,434</u>	<u>33,938</u>	<u>2,425,327</u>	<u>619,112</u>	<u>5,279</u>	<u>5,972,090</u>
Noncurrent Assets:						
Restricted Assets:						
Cash	25,300	-	-	-	-	25,300
Interfund Receivables	-	-	-	-	-	-
Capital Assets:						
Land	77,066	100,000	-	332,233	-	509,299
Buildings	527,933	844,261	916,951	-	61,708	2,350,853
Machinery & Equipment	2,492,033	238,025	5,246,218	569,939	138,775	8,684,990
Construction in Progress	49,000	1,873,168	-	1,083,240	-	3,005,408
Water & Sewer System	19,621,424	-	-	-	-	19,621,424
Golf Course Improvements	-	-	-	-	440,499	440,499
Stormwater Improvements	-	-	-	368,156	-	368,156
Airport Improvements	-	3,910,975	-	-	-	3,910,975
Less: Accumulated Depreciation	(17,108,621)	(2,814,980)	(4,276,326)	(363,806)	(520,485)	(25,084,218)
Total Capital Assets	<u>5,658,835</u>	<u>4,151,449</u>	<u>1,886,843</u>	<u>1,989,762</u>	<u>120,497</u>	<u>13,807,386</u>
Issuance Costs (Net)	<u>46,101</u>	<u>4,405</u>	<u>51,285</u>	<u>26,299</u>	<u>1,711</u>	<u>129,801</u>
Total Noncurrent Assets	<u>5,730,236</u>	<u>4,155,854</u>	<u>1,938,128</u>	<u>2,016,061</u>	<u>122,208</u>	<u>13,962,487</u>
TOTAL ASSETS	<u>\$ 8,618,670</u>	<u>\$ 4,189,792</u>	<u>\$ 4,363,455</u>	<u>\$ 2,635,173</u>	<u>\$ 127,487</u>	<u>\$ 19,934,577</u>
LIABILITIES AND FUND EQUITY						
Current Liabilities:						
Accounts Payable	\$ 542,928	\$ 49,331	\$ 187,663	\$ 43,389	\$ 23,136	\$ 846,447
Interfund Payables	-	138,000	-	-	-	138,000
Capital Leases Payable-Current Portion	-	-	-	100,427	-	100,427
Revenue Bonds Payable-Current Portion	471,670	44,781	390,834	88,573	6,141	1,001,999
Total Current Liabilities	<u>1,014,598</u>	<u>232,112</u>	<u>578,497</u>	<u>232,389</u>	<u>29,277</u>	<u>2,086,873</u>
Noncurrent Liabilities:						
Unearned Revenue	-	-	-	-	-	-
Accrued Compensated Absences	33,121	1,385	18,236	3,645	1,308	57,695
Postclosure Care Costs Payable	-	-	593,688	-	-	593,688
Capital Leases Payable	-	-	-	103,659	-	103,659
Revenue Bonds Payable	2,875,053	256,254	2,139,632	1,024,008	67,776	6,362,723
Total Noncurrent Liabilities	<u>2,908,174</u>	<u>257,639</u>	<u>2,751,556</u>	<u>1,131,312</u>	<u>69,084</u>	<u>7,117,765</u>
TOTAL LIABILITIES	<u>3,922,772</u>	<u>489,751</u>	<u>3,330,053</u>	<u>1,363,701</u>	<u>98,361</u>	<u>9,204,638</u>
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	2,337,412	3,850,414	(625,387)	673,095	46,580	6,282,114
Restricted:						
Debt Service	-	-	-	-	-	-
Unrestricted	2,358,486	(150,373)	1,658,789	598,377	(17,454)	4,447,825
TOTAL NET ASSETS	<u>\$ 4,695,898</u>	<u>\$ 3,700,041</u>	<u>\$ 1,033,402</u>	<u>\$ 1,271,472</u>	<u>\$ 29,126</u>	<u>\$ 10,729,939</u>

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 ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>WATER & SEWER</u>	<u>MUNICIPAL AIRPORT</u>	<u>SOLID WASTE</u>	<u>STORMWATER</u>	<u>OTHER ENTERPRISE FUNDS GOLF FUND</u>	<u>TOTAL</u>
OPERATING REVENUES						
Charges for Services	\$ 7,720,570	\$ 1,145,944	\$ 3,743,090	\$ 952,252	\$ 75,696	\$ 13,637,552
Other Income	82,622	295,359	55,225	306	414	433,926
TOTAL OPERATING REVENUES	<u>7,803,192</u>	<u>1,441,303</u>	<u>3,798,315</u>	<u>952,558</u>	<u>76,110</u>	<u>14,071,478</u>
OPERATING EXPENSES						
Salaries and Benefits	1,599,465	113,155	629,060	74,710	254,619	2,671,009
Supplies, Materials, Repair and Maintenance	749,079	938,919	402,757	40,555	68,371	2,199,681
Heat, Light and Power	497,062	18,675	11,376	-	24,655	551,768
Lease Payments	1,363,662	14,400	-	-	-	1,378,062
Other	455,619	31,105	1,153,428	43,310	41,664	1,725,126
Depreciation	868,737	250,529	285,083	21,505	30,861	1,456,715
TOTAL EXPENSES	<u>5,533,624</u>	<u>1,366,783</u>	<u>2,481,704</u>	<u>180,080</u>	<u>420,170</u>	<u>9,982,361</u>
OPERATING INCOME (LOSS)	<u>2,269,568</u>	<u>74,520</u>	<u>1,316,611</u>	<u>772,478</u>	<u>(344,060)</u>	<u>4,089,117</u>
NONOPERATING REVENUES (EXPENSES)						
Reevaluation of Postclosure Care Costs	-	-	(42,649)	-	-	(42,649)
Amortization of Issuance Costs	(28,440)	(2,101)	(19,039)	(6,354)	(695)	(56,629)
Gain on Disposal of Assets	-	-	-	-	-	-
Investment Income	1,812	21	2,403	596	-	4,832
Interest Expense	(145,678)	(13,780)	(110,435)	(39,929)	(3,351)	(313,173)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(172,306)</u>	<u>(15,860)</u>	<u>(169,720)</u>	<u>(45,687)</u>	<u>(4,046)</u>	<u>(407,619)</u>
INCOME BEFORE TRANSFERS	<u>2,097,262</u>	<u>58,660</u>	<u>1,146,891</u>	<u>726,791</u>	<u>(348,106)</u>	<u>3,681,498</u>
TRANSFERS						
Transfers In	33,173	-	119,076	17,647	499,826	669,722
Transfers Out	(1,431,931)	-	(1,066,308)	(504,297)	(6,500)	(3,009,036)
NET TRANSFERS	<u>(1,398,758)</u>	<u>-</u>	<u>(947,232)</u>	<u>(486,650)</u>	<u>493,326</u>	<u>(2,339,314)</u>
CHANGE IN NET ASSETS	698,504	58,660	199,659	240,141	145,220	1,342,184
NET ASSETS AT BEGINNING OF YEAR	3,997,394	3,641,381	833,743	1,031,331	(116,094)	9,387,755
NET ASSETS AT END OF YEAR	<u>\$ 4,695,898</u>	<u>\$ 3,700,041</u>	<u>\$ 1,033,402</u>	<u>\$ 1,271,472</u>	<u>\$ 29,126</u>	<u>\$ 10,729,939</u>

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

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CITY OF GAINESVILLE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	WATER AND SEWER FUND	MUNICIPAL AIRPORT	SOLID WASTE FUND	STORMWATER	OTHER ENTERPRISE FUND GOLF	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from Customers	\$ 7,627,915	\$ 1,213,801	\$ 3,792,081	\$ 949,150	\$ 76,642	\$ 13,659,589
Payments to Suppliers for Goods and Services	(2,921,436)	(963,811)	(1,536,724)	(61,925)	(140,118)	(5,624,014)
Payments to Employees	(1,592,006)	(113,483)	(631,443)	(84,555)	(257,458)	(2,678,945)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>3,114,473</u>	<u>136,507</u>	<u>1,623,914</u>	<u>802,670</u>	<u>(320,934)</u>	<u>5,356,630</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Transfers In	-	-	104,600	17,647	499,826	622,073
Transfers Out	(1,431,931)	-	(1,066,308)	(504,297)	(6,500)	(3,009,036)
Payments Made on Loans from Other Funds	-	(43,000)	-	-	(159,000)	(202,000)
Receipts From Loans from Other Funds	-	-	-	-	-	-
Loans to Other Funds	-	-	-	-	-	-
Payments Received on Loans to Other Funds	-	-	202,000	-	-	202,000
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	<u>(1,431,931)</u>	<u>(43,000)</u>	<u>(759,708)</u>	<u>(486,650)</u>	<u>334,326</u>	<u>(2,386,963)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of Capital Assets	(301,904)	(71,307)	(393,640)	(4,457)	-	(771,308)
Proceeds from Sale of Assets	-	-	-	-	-	-
Payment of Bond Issuance Costs	-	-	-	(16,016)	-	(16,016)
Transfer of Unspent Bond Proceeds to Capital Projects Fund	-	-	-	-	-	-
Payment of Postclosure Care Costs	-	-	(30,100)	-	-	(30,100)
Principal Paid on Bonds and Certificates of Obligation	(521,733)	(41,636)	(391,658)	(261,289)	(6,111)	(1,222,427)
Interest and Paying Agent Fees Paid on Bonds, Notes, and Certificates of Obligation	(149,095)	(14,004)	(112,411)	(34,267)	(3,383)	(313,160)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(972,732)</u>	<u>(126,947)</u>	<u>(927,809)</u>	<u>(316,029)</u>	<u>(9,494)</u>	<u>(2,353,011)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on Investments	1,812	21	2,406	596	-	4,835
Proceeds from Maturities of Investments	-	-	-	-	-	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>1,812</u>	<u>21</u>	<u>2,406</u>	<u>596</u>	<u>-</u>	<u>4,835</u>
INCREASE (DECREASE) IN CASH DURING YEAR	<u>711,622</u>	<u>(33,419)</u>	<u>(61,197)</u>	<u>587</u>	<u>3,898</u>	<u>621,491</u>
CASH - October 1	<u>1,041,664</u>	<u>33,807</u>	<u>1,868,084</u>	<u>511,906</u>	<u>904</u>	<u>3,456,365</u>
CASH - September 30	<u>\$ 1,753,286</u>	<u>\$ 388</u>	<u>\$ 1,806,887</u>	<u>\$ 512,493</u>	<u>\$ 4,802</u>	<u>\$ 4,077,856</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating Income (Loss)	\$ 2,269,568	\$ 74,520	\$ 1,316,611	\$ 772,478	\$ (344,060)	\$ 4,089,117
Adjustments:						
Depreciation Expense	868,737	250,529	285,083	21,505	30,861	1,456,715
Non-Cash Grant Proceeds	-	(272,070)	-	-	-	(272,070)
Change in Assets and Liabilities:						
Receivables, Net	(191,179)	44,568	(5,109)	(3,483)	464	(154,739)
Inventories	-	-	-	-	-	-
Accounts Payable	167,347	38,960	27,329	12,170	(8,199)	237,607
Unearned Revenue	-	-	-	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 3,114,473</u>	<u>\$ 136,507</u>	<u>\$ 1,623,914</u>	<u>\$ 802,670</u>	<u>\$ (320,934)</u>	<u>\$ 5,356,630</u>
NON CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Grants paid directly to vendor	\$ -	272,070	\$ -	\$ -	\$ -	\$ 272,070
Airport improvements paid directly by grant	-	(272,070)	-	-	-	(272,070)
Lease purchase proceeds	-	-	-	341,935	-	-

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
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

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

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

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

B. Financial Statement Presentation

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

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

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

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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

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

C. Reporting Entity

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

Component Units

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

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

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

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

Gainesville Economic Development Corporation, Inc. – The purpose of the Gainesville Economic Development Corporation, Inc. (GEDC) is to promote economic development within the City by encouraging, developing, and providing financing for manufacturing, industrial, and retail or commercial operations. The primary source of revenue is a sales and use tax specified in the Texas Development Corporation Act of 1979, which is remitted to the City by the State of Texas and which is then allocated to the GEDC fund. The City provides administrative support to the

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

D. Government-Wide and Fund Financial Statements

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

Governmental activities are normally supported by property taxes, sales taxes, franchise 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 the change in the City's net assets from October 1, 2011 to September 30, 2012. This statement demonstrates the degree to which the direct expenses of a given function of government are offset by program revenues. Specifically, the City has identified the following functions of government: support services, public safety services, recreation and leisure services, development services, water and wastewater services, solid waste operations, stormwater services, municipal airport operations, and golf course operations. *Direct expenses* are those that are clearly identifiable with a specific function of City government. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included with program revenues are reported instead as *general revenues* in the statement of activities.

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

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

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The City reports the following major governmental funds at September 30, 2012:

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

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

Street Utility Maintenance - This fund accounts for the street utility maintenance project.

The City reports the following major proprietary funds at September 30, 2012:

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

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

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

Solid Waste Utility Fund – This fund accounts for the operations of the City's refuse collection and disposal services. Revenues are generated through user charges. The City accrues for landfill closure and postclosure care costs (Note III.F.4.).

E. Measurement Focus and Basis of Accounting

1. Governmental Funds

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

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

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

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

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

2. Proprietary Funds

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

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

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

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

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

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

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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.

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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 basis as meters are read, or services are performed, with revenue recorded when customers are billed. The estimated unbilled revenue at September 30, 2012, was derived by taking the cycle billings that the City billed customers in October and prorating the amount of days applicable to the current year and recording the prorated amount as current year revenue. The total prorated amount is also recorded as accounts receivable at year-end.

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

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

3. Inventories

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

4. Capital Assets

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

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

5. Encumbrances

Encumbrance accounting is used for the governmental funds. Encumbrances are recorded when a purchase order is issued, and encumbrances are not considered expenditures until a liability for payment

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is incurred. Encumbrances outstanding at year-end are reported as a reservation of fund balance on the governmental funds' balance sheet for subsequent year expenditures and are generally reappropriated in the subsequent year budgetary accounts.

6. Compensated Absences

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

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

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

Fire Department employees earn vacation time at the following rates:

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

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

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

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

7. Net Assets

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

8. Fund Balance Classification

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, omitted, assigned and unassigned.

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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 or ordinances 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. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

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.

The City’s Fund Balance policy is to spend the funds with the most constraints first, as appropriate.

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: Municipal Court Security, Municipal Court Technology, Hotel/Motel, G.I.V.E, City Athletic Fields, Federal Seizure, State Seizure, Law Officers Education, Juvenile Case Manager, Medal of Honor, Cable Peg Fee, Debt Service, Cemetery Permanent and Cohen Scholarship.

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

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

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2012, expenditures exceeded appropriations in the following funds:

	Excess Amount
General Fund:	
Inspections	\$ 29,913
Finance	596
Debt Service:	
General Government	128,407
Nonmajor Governmental Funds:	
Law Officers Education	541
Hotel/Motel	3,741
Medal of Honor	483

C. Deficit Fund Equity

None

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

At September 30, 2012, cash and cash equivalents consisted of the following:

Cash on Hand	\$ 4,275
Cash Equivalents - Investments	25,144,841
Cash in Banks	939,802
Total Cash and Cash Equivalents	\$26,088,918

	Governmental Activities	Business Activities	Component Unit	Total
Cash and Cash Equivalents	\$ 19,964,809	\$ 4,052,556	\$ 2,046,253	\$26,063,618
Restricted Cash and Cash Equivalent	-	25,300	-	25,300
Totals	\$ 19,964,809	\$ 4,077,856	\$ 2,046,253	\$26,088,918

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

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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, 2012, the City had \$4,275 of cash on hand. The carrying amount of the City's cash in bank totaled \$939,802 and bank balance was \$959,879. The City's deposits at September 30, 2012, 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 \$3,373,625. The carrying amount of the Gainesville Economic Development Corporation's cash as of September 30, 2012, as reflected in the statement of net assets was \$238,008 and the bank balance was \$272,890. Deposits of the GEDC component unit were fully covered by Federal Depository Insurance amounting to \$250,000.

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

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

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

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

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

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

Both public fund investment pool agencies operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940 and is rated AAAM by Standard and Poors. All investments are stated at amortized cost, and accordingly, the fair value of the position of the pool funds are the same as the value of shares. As a requirement to maintain the rating, weekly portfolio information must be submitted

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to Standard & Poors, as well as the Office of the Comptroller of Public Accounts for review. Deposits held in these public funds investment pools are not subject to custodial credit risk. The City had \$9,577,804 on deposit with TexPool and \$12,637,515 on deposit with TexStar at September 30, 2012. The GEDC had \$833,805 on deposit with TexStar at September 30, 2012.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. It is the policy of the City that their deposits are to be covered by federal depository insurance or by collateral held by the City's agent or pledging financial institution's trust department or agent in the name of the City. At September 30, 2012, the City had no cash deposits that were exposed to custodial credit risk.

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

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

Investment Type	Total	AAA	Unrated
TexSTAR	\$ 13,471,320	\$ 13,471,320	\$ -
TexPool	9,577,804	9,577,804	-
Money Market Funds & Certificates of Deposit	2,033,605	2,033,605	-
U.S. Government Backed Bonds	62,114	62,114	-
	<u>\$ 25,144,844</u>	<u>\$ 25,144,844</u>	<u>\$ -</u>

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

B. Receivables

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

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

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

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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, 2012, the rates were \$.43426 and \$.21274, respectively, per \$100 of assessed value. At September 30, 2012, the City had a tax margin of \$1.853 for every \$100 valuation based upon a maximum *ad valorem* tax of \$2.50 for every \$100 valuation imposed by Texas Constitutional Law.

Receivables as of September 30, 2012, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Proprietary Funds					Total
	Water and Sewer	Municipal Airport	Solid Waste	Stormwater Utility	Nonmajor- Golf Fund	
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales Tax	-	-	-	-	-	-
Service Receivables	850,382	32,486	489,277	108,929	-	1,481,074
Court Warrants	-	-	-	-	-	-
Grant	22,435	1,064	-	-	-	23,499
Other	302,637	-	-	-	477	303,114
	<u>1,175,454</u>	<u>33,550</u>	<u>489,277</u>	<u>108,929</u>	<u>477</u>	<u>1,807,687</u>
Allowance for Uncollectibles	<u>(15,006)</u>	<u>-</u>	<u>(8,837)</u>	<u>(2,310)</u>	<u>-</u>	<u>(26,153)</u>
Net Receivables	<u>\$ 1,160,448</u>	<u>\$ 33,550</u>	<u>\$ 480,440</u>	<u>\$ 106,619</u>	<u>\$ 477</u>	<u>\$ 1,781,534</u>

	Governmental Funds				Total
	General Fund	Debt Service	Street Utility Maintenance	Nonmajor Funds	
Property Taxes	\$ 147,184	\$ 74,975	-	\$ -	\$ 222,159
Sales Tax	1,501,572	-	-	-	1,501,572
Other Local Fees	-	-	-	69,144	69,144
Service Receivables	-	-	-	-	-
Franchise Fees	299,931	-	-	-	299,931
Court Warrants	964,202	-	-	-	964,202
Grants	51,447	-	-	120,000	171,447
Other	79,178	9,195	-	8,700	97,073
	<u>3,043,514</u>	<u>84,170</u>	<u>-</u>	<u>197,844</u>	<u>3,325,528</u>
Allowance for Uncollectibles	<u>(559,338)</u>	<u>(16,349)</u>	<u>-</u>	<u>-</u>	<u>(575,687)</u>
Net Receivables	<u>\$ 2,484,176</u>	<u>\$ 67,821</u>	<u>-</u>	<u>\$ 197,844</u>	<u>\$ 2,749,841</u>

C. Interfund Receivables, Payables, and Transfers

1. Interfund Receivables and Payables

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

Interfund receivable and payable balances at September 30, 2012 are as follows:

Receivable Fund	Payable Fund	Amount
Enterprise Funds:		
Solid Waste Utility Fund	Municipal Airport	138,000

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

2. Interfund Transfers

The following is a summary of interfund operating transfers:

Transfers In	Transfers Out	Amount
Governmental Funds:		
General Fund	Nonmajor Governmental Funds	\$ 360,770
	Water & Sewer Utility	1,176,135
	Stormwater Utility	189,569
	Solid Waste Utility	954,099
Debt Service Fund	Water & Sewer Utility	255,796
	Stormwater Utility	280,247
	Solid Waste Utility	112,209
Street Utility Maintenance	Nonmajor Governmental Funds	10,000
Nonmajor Governmental Funds	General Fund	2,138,317
	Debt Service Fund	23,821
	Nonmajor Governmental Funds	1,389
	Stormwater Utility	34,481
	Nonmajor Proprietary Funds	6,500
Enterprise Funds:		
Water & Sewer Utility	General Fund	33,173
Solid Waste Utility	General Fund	14,476
	Debt Service Fund	104,600
Stormwater Utility	Debt Service Fund	17,647
Nonmajor Proprietary Fund	Debt Service Fund	209,493
	Nonmajor Governmental Funds	2,500
	General Fund	287,833
		\$ 6,213,055

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, 2012 was as follows:

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	Balance 10/1/2011	Additions/ Completions	Transfer (to) From Proprietary	Balance 9/30/2012
Governmental Activities:				
<u>Non-Depreciable Capital Assets:</u>				
Construction				
in Progress	\$ 5,198,895	\$ 1,794,784	\$ -	\$ 6,993,679
Land & Land Rights	920,036	-	-	920,036
	<u>6,118,931</u>	<u>1,794,784</u>	<u>-</u>	<u>7,913,715</u>
<u>Depreciable Capital Assets:</u>				
Machinery & Equip.	5,966,413	319,749	-	6,286,162
Furniture & Fixtures	196,026	-	-	196,026
Office Mach. & Equip.	1,971,524	17,264	-	1,988,788
Buildings	9,454,324	11,144	-	9,465,468
Improvements	78,120,021	1,166,053	-	79,286,074
	<u>95,708,308</u>	<u>1,514,210</u>	<u>-</u>	<u>97,222,518</u>
Less Accumulated Depreciation:				
Machinery & Equip.	(4,326,123)	(354,281)	-	(4,680,404)
Furniture & Fixtures	(169,272)	(3,338)	-	(172,610)
Office Mach. & Equip.	(1,750,176)	(74,899)	-	(1,825,075)
Buildings	(5,672,629)	(264,753)	-	(5,937,382)
Improvements	(72,154,482)	(535,303)	-	(72,689,785)
	<u>(84,072,682)</u>	<u>(1,232,574)</u>	<u>-</u>	<u>(85,305,256)</u>
Net Depreciable Capital Assets	<u>11,635,626</u>	<u>281,636</u>	<u>-</u>	<u>11,917,262</u>
Net Capital Assets	<u>\$ 17,754,557</u>	<u>\$ 2,076,420</u>	<u>\$ -</u>	<u>\$ 19,830,977</u>

	Balance 10/1/2011	Additions/ Completions	Disposals	Balance 9/30/2012
Discretely Presented Component Unit:				
<u>Non-Depreciable Capital Assets:</u>				
Land & Land Rights	\$ 397,371	\$ 88,780	\$ -	\$ 486,151
<u>Depreciable Capital Assets:</u>				
Office Mach. & Equip.	39,630	-	-	39,630
Buildings	1,975,114	-	-	1,975,114
	<u>2,014,744</u>	<u>-</u>	<u>-</u>	<u>2,014,744</u>
Less Accumulated Depreciation:				
Office Mach. & Equip.	(11,923)	(4,300)	-	(16,223)
Buildings	(529,234)	(65,837)	-	(595,071)
	<u>(541,157)</u>	<u>(70,137)</u>	<u>-</u>	<u>(611,294)</u>
Net Depreciable Capital Assets	<u>\$ 1,870,958</u>	<u>\$ 18,643</u>	<u>\$ -</u>	<u>\$ 1,889,601</u>

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	Balance 10/1/2011	Additions/ Completions	Transfers/ Disposals	Balance 9/30/2012
Proprietary Funds (in Aggregate):				
<u>Non-Depreciable Capital Assets:</u>				
Construction				
in Progress	\$ 2,657,132	\$ 348,276	\$ -	\$ 3,005,408
Land & Land Rights	509,299	-	-	509,299
	<u>3,166,431</u>	<u>348,276</u>	<u>-</u>	<u>3,514,707</u>
<u>Depreciable Capital Assets:</u>				
Machinery & Equip.	7,518,076	946,141	-	8,464,217
Furniture & Fixtures	1,080	-	-	1,080
Office Mach. & Equip.	221,300	(1,606)	-	219,694
Buildings	2,306,753	44,100	-	2,350,853
Improvements	11,337,198	(3,524)	-	11,333,674
Plant In Svc-Water	10,960,407	22,127	-	10,982,534
Plant In Svc-Sewer	1,995,048	29,797	-	2,024,845
	<u>34,339,862</u>	<u>1,037,035</u>	<u>-</u>	<u>35,376,897</u>
Less Accumulated Depreciation:				
Machinery & Equip.	(5,403,818)	(449,464)	-	(5,853,282)
Furniture & Fixtures	(1,080)	-	-	(1,080)
Office Mach. & Equip.	(154,999)	(21,361)	-	(176,360)
Buildings	(1,527,328)	(142,798)	-	(1,670,126)
Improvements	(7,770,358)	(528,765)	-	(8,299,123)
Plant In Svc-Water	(7,593,943)	(276,038)	-	(7,869,981)
Plant In Svc-Sewer	(1,175,976)	(38,290)	-	(1,214,266)
	<u>(23,627,502)</u>	<u>(1,456,716)</u>	<u>-</u>	<u>(25,084,218)</u>
Net Depreciable Capital Assets	<u>10,712,360</u>	<u>(419,681)</u>	<u>-</u>	<u>10,292,679</u>
Net Capital Assets	<u>\$ 13,878,791</u>	<u>\$ (71,405)</u>	<u>\$ -</u>	<u>\$ 13,807,386</u>

CITY OF GAINESVILLE, TEXAS
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SEPTEMBER 30, 2012

Capital asset balances of individual proprietary funds as of September 30, 2012 were as follows:

	Water and Sewer	Municipal Airport	Solid Waste	Stormwater Utility	Nonmajor- Golf Fund	Totals
<u>Non-Depreciable Capital Assets:</u>						
Construction						
in Progress	\$ 49,000	\$ 1,873,168	\$ -	\$ 1,083,240	\$ -	\$ 3,005,408
Land & Land Rights	77,066	100,000	-	332,233	-	509,299
	126,066	1,973,168	-	1,415,473	-	3,514,707
<u>Depreciable Capital Assets:</u>						
Machinery & Equip.	2,307,110	238,025	5,210,368	569,939	138,775	8,464,217
Furniture & Fixtures	1,080	-	-	-	-	1,080
Office Mach. & Equip.	183,844	-	35,850	-	-	219,694
Buildings	527,933	844,261	916,951	-	61,708	2,350,853
Improvements	6,614,044	3,910,975	-	368,156	440,499	11,333,674
Plant In Service-Water	10,982,534	-	-	-	-	10,982,534
Plant In Service-Sewer	2,024,845	-	-	-	-	2,024,845
	22,641,390	4,993,261	6,163,169	938,095	640,982	35,376,897
<u>Less Accumulated Depreciation:</u>						
Machinery & Equip.	(1,652,801)	(190,928)	(3,630,584)	(254,685)	(124,284)	(5,853,282)
Furniture & Fixtures	(1,080)	-	-	-	-	(1,080)
Office Mach. & Equip.	(150,776)	-	(25,584)	-	-	(176,360)
Buildings	(527,933)	(464,242)	(616,243)	-	(61,708)	(1,670,126)
Improvements	(5,691,784)	(2,159,810)	(3,915)	(109,121)	(334,493)	(8,299,123)
Plant In Service-Water	(7,869,981)	-	-	-	-	(7,869,981)
Plant In Service-Sewer	(1,214,266)	-	-	-	-	(1,214,266)
	(17,108,621)	(2,814,980)	(4,276,326)	(363,806)	(520,485)	(25,084,218)
Net Depreciable Capital Assets	5,532,769	2,178,281	1,886,843	574,289	120,497	10,292,679
Net Capital Assets	\$ 5,658,835	\$ 4,151,449	\$ 1,886,843	\$ 1,989,762	\$ 120,497	\$ 13,807,386

CITY OF GAINESVILLE, TEXAS
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Depreciation expense was charged as a direct expense to programs as follows:

Governmental Activities:	
General Government	\$ 306,215
Finance	3,338
Community Development	41,938
Public Safety	368,157
Public Works	512,926
	<u>\$ 1,232,574</u>
Discretely Presented Component Unit:	
Gainesville Economic Development Corp	<u>\$ 70,137</u>
Proprietary Funds:	
Water & Sewer	\$ 868,737
Airport	250,529
Solid Waste	285,083
Stormwater	21,505
Golf Course	30,861
	<u>\$ 1,456,715</u>

E. Accounts Payable

Accounts payable as of September 30, 2012, for the City's major funds and nonmajor funds in the aggregate are as follows:

	Governmental Funds				Total	
	General Fund	Debt Service	Street Utility Maintenance	Nonmajor Funds		
Vendor Payables	\$ 1,703,692	\$ -	\$ 35,975	\$ 329,041	\$ 2,068,708	
Court Costs Payable	35,451	-	-	-	35,451	
Due to Departments	54,917	-	-	-	54,917	
Accrued Payroll Payable	154,473	-	-	-	154,473	
	<u>\$ 1,948,533</u>	<u>\$ -</u>	<u>\$ 35,975</u>	<u>\$ 329,041</u>	<u>\$ 2,313,549</u>	
	Proprietary Funds					
	Water and Sewer	Municipal Airport	Solid Waste	Stormwater Utility	Nonmajor-Golf Fund	Total
Vendor Payables	\$ 289,349	\$ 43,009	\$ 42,724	\$ 26,384	\$ 16,836	\$ 418,302
Accrued Comp. Absences	33,121	2,770	30,680	3,645	1,308	71,524
Postclosure Care Costs	-	-	10,889	-	-	10,889
Accrued Payroll Payable	25,953	1,894	10,444	804	4,220	43,315
Deposits Payable	177,178	-	9,245	-	-	186,423
Interest Payable	17,327	1,658	12,989	12,556	411	44,941
Sales Tax Payable	-	-	70,692	-	361	71,053
Totals	<u>\$ 542,928</u>	<u>\$ 49,331</u>	<u>\$ 187,663</u>	<u>\$ 43,389</u>	<u>\$ 23,136</u>	<u>\$ 846,447</u>

CITY OF GAINESVILLE, TEXAS
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SEPTEMBER 30, 2012

F. Long-Term Debt

1. Governmental Activities Long-Term Debt

As of September 30, 2012, 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 2005	3.80%	2005	2020	534,906	\$ 298,040	\$ 43,503
Series 2007	4.0-4.125%	2007	2026	6,639,539	5,508,555	246,155
Series 2008	4.00%	2008	2030	5,425,000	4,675,000	215,000
Series 2012	2.0-3.0%	2012	2025	2,422,557	2,422,557	259,119
Total General Obligation Bonds					<u>12,904,152</u>	<u>763,777</u>
Certificates of Obligation Bonds:						
Series 2001	4.65-5.65%	2001	2026	1,140,000	39,310	39,310
Series 2002	4.15-5.1%	2002	2022	1,110,000	105,000	50,000
Series 2003	2.5-4.625%	2003	2024	2,050,000	90,000	90,000
Series 2008	4.00%	2008	2018	962,020	678,009	101,913
Series 2010	1.25-4.4%	2010	2029	2,036,000	4,680,000	200,000
Series 2012	2.0-3.5%	2012	2032	3,020,000	3,020,000	100,000
Total Certificates of Obligation Bonds					<u>8,612,319</u>	<u>581,223</u>
Capital Leases						
Leasing 2	3.37%	2012	2014	93,682	62,841	30,923
Total Long-Term Debt - Governmental Activities					<u>\$ 21,579,312</u>	<u>\$ 1,375,923</u>

CITY OF GAINESVILLE, TEXAS
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The changes in long-term debt for governmental activities are summarized as follows:

	Balance 10/1/2011	New Debt or Increases	Transfers/ Refunded	Payments or Decreases	Balance 9/30/2012
General Obligation Bonds:					
Series 2002	\$ 1,297,412	\$ -	\$ (1,104,325)	\$ (193,087)	\$ -
Series 2005	345,834	-	-	(47,794)	298,040
2005 Deferred Refunding Credit	(11,848)	-	-	1,412	(10,436)
Series 2007	5,744,731	-	-	(236,176)	5,508,555
2007 Deferred Refunding Credit	(506,905)	-	-	35,200	(471,705)
2007 Reoffering Premium	13,971	-	-	(907)	13,064
Series 2008	4,880,000	-	-	(205,000)	4,675,000
2008 Reoffering Premium	23,559	-	-	(1,353)	22,206
Series 2012	-	-	2,422,557	-	2,422,557
2012 Deferred Refunding Credit	-	(149,492)	-	12,053	(137,439)
2012 Reoffering Premium	-	53,823	-	(4,341)	49,482
Total GO Bonds	11,786,754	(95,669)	1,318,232	(639,993)	12,369,324
Certificates of Obligation Bonds:					
Series 2001	78,621	-	-	(39,311)	39,310
Series 2002	155,000	-	-	(50,000)	105,000
Series 2003	1,505,000	-	(1,325,000)	(90,000)	90,000
Series 2008	721,000	-	47,649	(90,640)	678,009
2008 Reoffering Premium	11,227	-	-	(1,754)	9,473
Series 2010	4,880,000	-	-	(200,000)	4,680,000
2010 Discount	(29,996)	-	-	1,630	(28,366)
Series 2012	-	3,020,000	-	-	3,020,000
2012 Reoffering Premium	-	15,978	-	(783)	15,195
Total CO Bonds	7,320,852	3,035,978	(1,277,351)	(470,858)	8,608,621
Capital Leases					
Leasing 2	-	93,681	-	(30,840)	62,841
First Security	6,793	-	-	(6,793)	-
Total Capital Leases	6,793	93,681	-	(37,633)	62,841
Total Long Term Debt - Governmental Activities	\$ 19,114,399	\$ 3,033,990	\$ 40,881	\$ (1,148,484)	\$ 21,040,786

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

Fiscal Year Sep. 30,	General Obligation Bonds			Certificates of Obligation			Capital Leases			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2013	763,777	457,430	1,221,207	581,223	311,247	892,472	30,923	2,071	32,994	1,375,923	770,748	2,146,671
2014	967,115	428,940	1,396,055	491,344	244,239	735,586	31,918	1,076	32,994	1,490,377	674,255	2,164,632
2015	1,056,572	395,578	1,452,150	445,775	232,007	677,786	-	-	-	1,502,347	627,585	2,129,932
2016	1,079,836	360,211	1,440,047	460,206	220,687	680,898	-	-	-	1,540,042	580,898	2,120,940
2017	1,114,833	323,843	1,438,676	469,637	207,940	677,583	-	-	-	1,584,470	531,783	2,116,253
2018	1,113,143	284,099	1,397,242	484,134	193,741	677,882	-	-	-	1,597,277	477,840	2,075,117
2019	952,794	244,822	1,197,616	370,000	181,660	551,668	-	-	-	1,322,794	426,482	1,749,276
2020	983,510	208,120	1,191,630	380,000	171,435	551,444	-	-	-	1,363,510	379,555	1,743,065
2021	900,115	172,490	1,072,605	390,000	160,935	550,945	-	-	-	1,290,115	333,425	1,623,540
2022	930,073	137,942	1,068,015	400,000	150,510	550,521	-	-	-	1,330,073	288,452	1,618,525
2023	587,473	109,049	696,522	415,000	138,635	553,647	-	-	-	1,002,473	247,684	1,250,157
2024	614,025	85,917	699,942	430,000	123,822	553,835	-	-	-	1,044,025	209,739	1,253,764
2025	527,953	63,432	591,385	445,000	107,910	552,924	-	-	-	972,953	171,342	1,144,295
2026	552,933	41,579	594,512	460,000	92,248	552,263	-	-	-	1,012,933	133,827	1,146,760
2027	370,000	23,000	393,000	475,000	75,847	550,863	-	-	-	845,000	98,847	943,847
2028	390,000	7,800	397,800	490,000	58,673	548,690	-	-	-	880,000	66,473	946,473
2029	-	-	-	510,000	40,610	550,628	-	-	-	510,000	40,610	550,610
2030	-	-	-	530,000	21,610	551,610	-	-	-	530,000	21,610	551,610
2031	-	-	-	190,000	8,990	198,990	-	-	-	190,000	8,990	198,990
2032	-	-	-	195,000	3,022	198,022	-	-	-	195,000	3,022	198,022
	<u>\$12,904,152</u>	<u>\$ 3,344,252</u>	<u>\$16,248,404</u>	<u>\$ 8,612,319</u>	<u>\$ 2,745,768</u>	<u>\$11,358,257</u>	<u>\$ 62,841</u>	<u>\$ 3,147</u>	<u>\$ 65,988</u>	<u>\$ 21,579,312</u>	<u>\$ 6,093,167</u>	<u>\$27,672,479</u>

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

As of September 30, 2012, the City had the following business-type activities long-term debt:

	Interest Rate	Year of Issue	Year of Maturity	Original Amount	Amount Outstanding	Due Within One Year
<u>Water and Sewer Utility</u>						
Certificates of Obligation Bonds:						
Series 2001	4.65-5.65%	2001	2026	\$ 1,190,000	\$ 41,034	\$ 41,034
Series 2008	4.00%	2008	2018	464,665	271,297	40,779
General Obligation Bonds:						
Series 2005	3.80%	2005	2020	4,353,584	2,425,735	354,067
Series 2007	4.0-4.125%	2007	2026	965,362	800,922	35,790
					<u>3,538,988</u>	<u>471,670</u>
<u>Municipal Airport</u>						
Certificates of Obligation Bonds:						
Series 1995	4.1-6.35%	1995	2015	115,000	30,000	10,000
Series 2001	4.65-5.65%	2001	2026	220,000	7,586	7,586
General Obligation Bonds:						
Series 2005	3.80%	2005	2020	261,244	145,561	21,246
Series 2007	4.0-4.125%	2007	2026	160,450	133,119	5,949
					<u>316,266</u>	<u>44,781</u>
<u>Solid Waste Utility</u>						
Certificates of Obligation Bonds:						
Series 2001	4.65-5.65%	2001	2026	1,630,000	56,207	56,207
Series 2008	4.00%	2008	2018	908,315	580,694	87,308
General Obligation Bonds:						
Series 2005	3.80%	2005	2020	1,194,790	665,714	97,169
Series 2007	4.0-4.125%	2007	2026	1,352,678	1,122,263	50,150
Tax Notes						
Series 2009	3.20%	2009	2014	395,000	205,000	100,000
					<u>2,629,878</u>	<u>390,834</u>
<u>Stormwater Utility</u>						
General Obligation Bonds:						
Series 2007	4.0-4.125%	2007	2026	774,843	642,856	28,728
Series 2012	2.0-3.0%	2012	2025	522,443	522,443	55,881
Certificates of Obligation Bonds:						
Series 2001	4.65-5.65%	2001	2026	115,000	3,965	3,965
Capital Lease:						
Leasing 2	3.37%	2012	2014	341,935	204,086	100,426
					<u>1,373,350</u>	<u>189,000</u>
<u>Municipal Golf Course</u>						
Certificates of Obligation Bonds:						
Series 2001	4.65-5.65%	2001	2026	55,000	1,897	1,897
General Obligation Bonds:						
Series 2005	3.80%	2005	2020	12,476	6,951	1,014
Series 2007	4.0-4.125%	2007	2026	87,127	72,286	3,230
					<u>81,134</u>	<u>6,141</u>
Total Bonds - Proprietary Funds Activities					<u>\$ 7,939,616</u>	<u>\$ 1,102,426</u>

CITY OF GAINESVILLE, TEXAS
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SEPTEMBER 30, 2012

	Balance 10/1/2011	New Debt or Increases	Transfers/ Refunded	Payments or Decreases	Balance 9/30/2012
<u>Water and Sewer Utility</u>					
Certificates of Obligation Bonds:					
Series 2001	\$ 82,068	\$ -	\$ -	\$ (41,034)	\$ 41,034
Series 2008	348,250	-	(33,173)	(43,780)	271,297
2008 Reoffering Premium	5,422	-	-	(847)	4,575
General Obligation Bonds:					
Series 2005	2,814,729	-	-	(388,994)	2,425,735
2005 Deferred Refunding Cred	(168,912)	-	-	20,108	(148,804)
Series 2007	835,261	-	-	(34,339)	800,922
2007 Deferred Refunding Cred	(53,663)	-	-	3,728	(49,935)
2007 Reoffering Premium	2,031	-	-	(132)	1,899
Capital Lease					
First Security	13,586	-	-	(13,586)	-
	<u>3,878,772</u>	<u>-</u>	<u>(33,173)</u>	<u>(498,876)</u>	<u>3,346,723</u>
<u>Municipal Airport</u>					
Certificates of Obligation Bonds:					
Series 1995	35,000	-	-	(5,000)	30,000
Series 2001	15,172	-	-	(7,586)	7,586
General Obligation Bonds:					
Series 2005	168,903	-	-	(23,342)	145,561
2005 Deferred Refunding Cred	(10,331)	-	-	1,229	(9,102)
Series 2007	138,826	-	-	(5,707)	133,119
2007 Deferred Refunding Cred	(6,925)	-	-	481	(6,444)
2007 Reoffering Premium	338	-	-	(23)	315
	<u>340,983</u>	<u>-</u>	<u>-</u>	<u>(39,948)</u>	<u>301,035</u>
<u>Solid Waste Utility</u>					
Certificates of Obligation Bonds:					
Series 2001	112,414	-	-	(56,207)	56,207
Series 2008	680,750	-	(14,476)	(85,580)	580,694
2008 Reoffering Premium	10,600	-	-	(1,656)	8,944
General Obligation Bonds:					
Series 2005	772,469	-	-	(106,755)	665,714
2005 Deferred Refunding Cred	(46,985)	-	-	5,593	(41,392)
Series 2007	1,170,379	-	-	(48,116)	1,122,263
2007 Deferred Refunding Cred	(74,823)	-	-	5,198	(69,625)
2007 Reoffering Premium	2,846	-	-	(185)	2,661
Tax Note					
Series 2009	300,000	-	-	(95,000)	205,000
	<u>2,927,650</u>	<u>-</u>	<u>(14,476)</u>	<u>(382,708)</u>	<u>2,530,466</u>

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

Stormwater Utility

Certificates of Obligation Bonds:

Series 2001	7,931	-	-	(3,966)	3,965
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General Obligation Bonds:

Series 2002	617,588	-	(525,675)	(91,913)	-
Series 2007	670,417	-	-	(27,561)	642,856
2007 Deferred Refunding Cred	(62,453)	-	-	4,337	(58,116)
2007 Reoffering Premium	1,631	-	-	(106)	1,525
Series 2012	-	-	522,443	-	522,443
2012 Deferred Refunding Credit	-	(11,706)	-	943	(10,763)
2012 Reoffering Premium	-	11,607	-	(936)	10,671

Capital Leases

Leasing 2	-	341,935	-	(137,849)	204,086
	1,235,114	341,836	(3,232)	(257,051)	1,316,667

Municipal Golf Course

Certificates of Obligation Bonds:

Series 2001	3,794	-	-	(1,897)	1,897
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General Obligation Bonds:

Series 2005	8,066	-	-	(1,115)	6,951
2005 Deferred Refunding Cred	(451)	-	-	53	(398)
Series 2007	75,385	-	-	(3,099)	72,286
2007 Deferred Refunding Cred	(7,512)	-	-	522	(6,990)
2007 Reoffering Premium	183	-	-	(12)	171

	79,465	-	-	(5,548)	73,917
Totals	\$ 8,461,984	\$ 341,836	\$ (50,881)	\$ (1,184,131)	\$ 7,568,808

City of Gainesville, Texas
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Water and Sewer Utility

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

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

Fiscal Year Sep. 30,	Certificates of Obligation		General Obligation Bonds		Capital Lease		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	81,813	10,999	389,857	116,890	-	-	471,670	127,889
2014	42,552	8,369	370,488	102,355	-	-	413,040	110,724
2015	44,325	6,631	384,955	87,886	-	-	429,280	94,517
2016	46,098	4,822	392,488	72,990	-	-	438,586	77,812
2017	47,871	2,943	402,922	57,751	-	-	450,793	60,694
2018	49,672	993	450,034	41,375	-	-	499,706	42,368
2019	-	-	286,708	27,192	-	-	286,708	27,192
2020	-	-	295,774	15,960	-	-	295,774	15,960
2021	-	-	73,031	8,795	-	-	73,031	8,795
2022	-	-	75,933	5,816	-	-	75,933	5,816
2023	-	-	24,666	3,791	-	-	24,666	3,791
2024	-	-	25,150	2,769	-	-	25,150	2,769
2025	-	-	26,600	1,705	-	-	26,600	1,705
2026	-	-	28,051	578	-	-	28,051	578
2027	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-
	<u>\$ 312,331</u>	<u>\$ 34,757</u>	<u>\$ 3,226,657</u>	<u>\$ 545,853</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,538,988</u>	<u>\$ 580,610</u>
								<u>\$ 4,119,598</u>

CITY OF GAINESVILLE, TEXAS
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Solid Waste Utility

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

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

Fiscal Year Sep. 30,	Certificates of Obligation			General Obligation Bonds			Tax Notes			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2013	143,515	22,807	166,322	147,319	67,504	214,823	100,000	6,560	106,560	390,834	96,871	487,705
2014	91,104	17,917	109,021	161,076	61,520	222,596	105,000	3,360	108,360	357,180	82,797	439,977
2015	94,900	14,197	109,097	175,947	54,955	230,902	-	-	-	270,847	69,152	339,999
2016	98,696	10,326	109,022	178,015	48,055	226,070	-	-	-	276,711	58,381	335,092
2017	102,492	6,301	108,793	184,148	40,996	225,144	-	-	-	286,640	47,297	333,937
2018	106,194	2,125	108,319	240,129	32,698	272,827	-	-	-	346,323	34,823	381,146
2019	-	-	-	170,237	24,642	194,879	-	-	-	170,237	24,642	194,879
2020	-	-	-	175,995	17,832	193,827	-	-	-	175,995	17,832	193,827
2021	-	-	-	102,332	12,323	114,655	-	-	-	102,332	12,323	114,655
2022	-	-	-	106,398	8,149	114,547	-	-	-	106,398	8,149	114,547
2023	-	-	-	34,562	5,312	39,874	-	-	-	34,562	5,312	39,874
2024	-	-	-	35,240	3,881	39,121	-	-	-	35,240	3,881	39,121
2025	-	-	-	37,273	2,390	39,663	-	-	-	37,273	2,390	39,663
2026	-	-	-	39,306	811	40,117	-	-	-	39,306	811	40,117
2027	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 636,901</u>	<u>\$ 73,673</u>	<u>\$ 710,574</u>	<u>\$ 1,787,977</u>	<u>\$ 381,068</u>	<u>\$ 2,169,045</u>	<u>\$ 205,000</u>	<u>\$ 9,920</u>	<u>\$ 214,920</u>	<u>\$ 2,629,878</u>	<u>\$ 464,661</u>	<u>\$ 3,094,539</u>

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

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

Fiscal Year Sep. 30,	General Obligation Bonds			Certificates of Obligation			Capital Lease			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2013	84,609	35,587	120,196	-	-	4,058	100,426	6,726	107,152	189,000	42,406	231,406
2014	116,822	32,862	149,684	-	-	-	103,660	3,494	107,154	220,482	36,356	256,838
2015	127,247	29,497	156,744	-	-	-	-	-	-	127,247	29,497	156,744
2016	129,908	25,923	155,831	-	-	-	-	-	-	129,908	25,923	155,831
2017	133,124	22,268	155,392	-	-	-	-	-	-	133,124	22,268	155,392
2018	104,362	18,538	122,900	-	-	-	-	-	-	104,362	18,538	122,900
2019	86,505	15,147	101,652	-	-	-	-	-	-	86,505	15,147	101,652
2020	88,834	12,066	100,900	-	-	-	-	-	-	88,834	12,066	100,900
2021	80,793	9,108	89,901	-	-	-	-	-	-	80,793	9,108	89,901
2022	83,123	6,273	89,396	-	-	-	-	-	-	83,123	6,273	89,396
2023	41,973	4,094	46,067	-	-	-	-	-	-	41,973	4,094	46,067
2024	44,135	2,583	46,718	-	-	-	-	-	-	44,135	2,583	46,718
2025	21,351	1,369	22,720	-	-	-	-	-	-	21,351	1,369	22,720
2026	22,513	463	22,976	-	-	-	-	-	-	22,513	463	22,976
2027	-	-	-	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-	-	-	-
	\$ 1,165,299	\$ 215,778	\$ 1,381,077	\$ 3,965	\$ 93	\$ 4,058	\$ 204,086	\$ 10,220	\$ 214,306	\$ 1,373,350	\$ 226,091	\$ 1,599,441

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

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

Fiscal Year Sep. 30,	General Obligation Bonds		Certificates of Obligation		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	4,244	3,081	1,897	45	6,141	3,126
2014	5,670	2,886	-	-	5,670	2,886
2015	6,555	2,642	-	-	6,555	2,642
2016	6,577	2,383	-	-	6,577	2,383
2017	6,860	2,116	-	-	6,860	2,116
2018	10,334	1,775	-	-	10,334	1,775
2019	7,922	1,411	-	-	7,922	1,411
2020	8,201	1,089	-	-	8,201	1,089
2021	6,591	794	-	-	6,591	794
2022	6,853	525	-	-	6,853	525
2023	2,226	342	-	-	2,226	342
2024	2,270	250	-	-	2,270	250
2025	2,401	154	-	-	2,401	154
2026	2,533	52	-	-	2,533	52
	\$ 79,237	\$ 19,500	\$ 1,897	\$ 45	\$ 81,134	\$ 19,545
					\$ 1,942	\$ 100,679

CITY OF GAINESVILLE, TEXAS
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3. Defeased Debt

On February 15, 2005, the City issued 2005 General Obligation Refunding Bonds in the amount of \$6,357,000, with interest rates of 3.8% to refund the Combination Tax & Solid Waste System Revenue Certificates of Obligation, Series 1994 in the amount of \$675,000, Certificates of Obligation Bonds Series 1998 in the amount of \$4,935,000, and Combination Tax & Solid Waste Surplus Revenue Certificates of Obligation Series 1999 in the amount of \$425,000. The reacquisition price exceeds the net carrying amount of the old debt by \$322,000. This amount will be amortized over the remaining life of the new debt issued. The refunding was undertaken to reduce total debt service payments by \$2,152,627 and resulted in a net present value savings of \$1,606,416. On September 30, 2012, the outstanding balance of bonds considered defeased is \$4,120,000.

On December 15, 2006, the City issued 2007 General Obligation Refunding Bonds in the amount of \$9,865,000, with interest rates of 4% to 4.125% to refund the Combination Tax & Revenue Certificates of Obligation, Series 1996 in the amount of \$758,142.86 and the partially refund General Obligation Bonds Series 1998 in the amount of \$2,065,000, Combination Tax & Limited Pledge Revenue Certificates of Obligation Series 2000 in the amount of \$1,165,000, Combination Tax & Revenue Certificates of Obligation Series 2001 in the amount of \$3,005,000, Combination Tax & Revenue Certificates of Obligation Series 2002 in the amount of \$590,000 and General Obligation Bonds Series 2002 in the amount of \$2,080,000. The reacquisition price exceed the net carrying amount of the old debt by \$316,857. This amount will be amortized over the remaining life of the new debt issued. The refunding was undertaken to reduce total debt service payments by \$589,914 and resulted in a net present value savings of \$383,483. On September 30, 2012, the outstanding balance of bonds considered defeased is \$8,220,000.

On February 7, 2012 the City issued 2012 General Obligation Refunding Bonds in the amount of \$2,945,000, with interest rates of 2.0%-3.0% to refund the 2002 General Obligation Bonds in the amount of \$1,630,000 and the 2003 Tax & Zoo Revenue Certificates of Obligation in the amount of \$1,325,000. The reacquisition price exceeds the net carrying amount of the old debt by \$161,197. This amount will be amortized over the remaining life of the new debt issued. The refunding was undertaken to reduce total debt service payments by \$327,909 and resulted in a net present value savings of \$290,730. On September 30, 2012, the outstanding balance of bonds considered defeased is \$5,565,000

4. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require that the City place a final cover on its municipal landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The City's landfill was considered full September 30, 1994. The estimated total cost of the landfill closure and postclosure care costs of \$1,075,000 recognized at September 30, 1993, was based on an amount that would be paid if all services required to close, monitor, and maintain the landfill were incurred as of September 30, 1993. However, the actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. In recent years, the postclosure liability has been increased to adjust for inflation. The balance of the liability at September 30, 2012 was \$604,577 of which \$10,889 is considered as a current liability. The change in the postclosure care costs liability for the fiscal year ended September 30, 2012 was an increase of \$12,549.

G. Compensated Absences

The activity related to compensated absences is as follows:

CITY OF GAINESVILLE, TEXAS
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	Compensated Absences 10/1/2011	Earned	Used	Compensated Absences 9/30/2012	Current Portion
Governmental Funds	\$ 527,699	\$ 320,737	\$ 289,647	\$ 558,789	\$ 267,000
Proprietary Funds:			-		
Water & Sewer	61,974	34,746	30,478	66,242	33,121
Airport Fund	2,771	2,712	2,712	2,771	1,385
Stormwater Utility	7,582	3,184	3,476	7,290	3,645
Solid Waste	38,737	13,265	15,531	36,471	18,236
Golf Course	6,202	(1,407)	2,179	2,616	1,308
	<u>\$ 644,965</u>	<u>\$ 373,237</u>	<u>\$ 344,023</u>	<u>\$ 674,179</u>	<u>\$ 324,695</u>

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

H. Fund Equity and Net Assets

1. Fund Balance

As discussed in Note I.F.8, the City adopted GASB Statement No. 5, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as Nonspendable, Restricted Committed, Assigned and Unassigned.

General Fund

The General Fund has Unassigned Fund Balance of \$6,880,162 at September 30, 2012. The General Fund has \$2,254,213 considered Assigned.

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 Street Utility Maintenance fund balance is classified as restricted for construction. A portion of this fund balance is unspent bond proceeds.

Other Funds

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

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

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

3. Net Assets: Restricted for Debt Service

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

4. Net Assets: Unrestricted

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

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

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. During fiscal 2012, 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

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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, 2012, the City paid \$1,363,682 to GTUA in accordance with these contracts.

The audited financial statements of the year ended September 30, 2012, for GTUA, issued by the GTUA's independent auditors, reflected total assets for the City projects as \$11,845,506, liabilities of \$10,363,181 and total net assets of \$1,482,325. Additionally, total revenues and expenses for the City's projects were \$1,097,730 and \$568,638, respectively. Revenues, as reported, included investment income of \$9,125.

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

In fiscal year 2003, GTUA issued \$1,035,000 in Gainesville Contract Revenue Bonds having an interest rate of .75 to 4.4%. The City has agreed and is obligated to GTUA to make payments from pledged revenues of the Water and Sewer enterprise fund in amounts sufficient to provide for the payment and redemption of the principal and interest of these revenue bonds as they become due. The balance outstanding at September 30, 2012 was \$705,000.

In fiscal year 2003, the GTUA issued \$1,030,000 in Gainesville Contract Revenue Bonds having an interest rate of 2.9 to 5.95%. The City has agreed and is obligated to GTUA to make payments from pledged revenues of the Water and Sewer enterprise fund in amounts sufficient to provide for the payment and redemption of the principal and interest of these revenue bonds as they become due. The balance outstanding at September 30, 2012, was \$930,000.

In fiscal year 2010, GTUA issued \$2,830,000 in Gainesville Contract Revenue Refunding Bonds having an interest rate of 2.0% to 3.25%. These bonds were issued to refund the 1995, 1997 and 2002 Contract Revenue Bonds. The City has agreed and is obligated to GTUA to make payments from pledged revenues of the Water and Sewer enterprise fund in amounts sufficient to provide for the payment and redemption of the principal and interest of these revenue bonds as they become due. The balance outstanding at September 30, 2012, was \$1,490,000.

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, 2012 was \$4,100,000.

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, 2012 was \$2,000,000.

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, 2012 was \$1,135,000.

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

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Fiscal Years Ending September 30,	Principal	Interest	Amount
2013	775,000	231,311	1,006,311
2014	490,000	218,445	708,445
2015	500,000	209,476	709,476
2016	520,000	199,500	719,500
2017	520,000	188,726	708,726
2018-2022	2,780,000	754,137	3,534,137
2023-2027	2,320,000	425,770	2,745,770
2028-2032	2,385,000	160,301	2,545,301
2033	70,000	651	70,651
	<u>\$10,360,000</u>	<u>\$ 2,388,317</u>	<u>\$12,748,317</u>

The debt obligation for GTUA's revenue bonds is not reflected in the City's financial statements and is presented for disclosure purposes only. The liability for the debt obligation, however, is separately presented in the publicly available September 30, 2012, 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, 2012, 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
2013	190,080	67,126	257,206
2014	194,400	67,126	261,526
2015	199,800	67,126	266,926
2016	205,200	66,976	272,176
2017	209,520	65,982	275,502
2018-2022	1,130,760	294,848	1,425,608
2023-2027	1,279,800	188,146	1,467,946
2028-2030	813,240	39,776	853,016
	<u>\$ 4,222,800</u>	<u>\$ 857,106</u>	<u>\$ 5,079,906</u>

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

D. Construction Commitments

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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

	Contract	Expended to Date	Balance of Commitment
Kimley Horn	\$ 241,000	\$ 199,151	\$ 41,849
HDR Engineering Inc	298,000	62,020	235,980
Ashlar Contracting Company	1,767,007	1,118,797	648,210

E. Related Organizations

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

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

F. Jointly Governed Organizations

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

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

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

G. Joint Ventures

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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, 2012, was \$19,570,000. Financial statements and other information may be obtained by contacting TASWA's business office, P.O. Box 249, Whitesboro, Texas 76273.

H. Pension Plan

1. Texas Municipal Retirement System

Pension Trust Fund

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

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

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

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

	Plan Year 2010	Plan Year 2011	Plan Year 2012
Employee Deposit Rate	5%	5%	5%
Matching ration (city to employee)	1.5 to 1	1.5 to 1	1.5 to 1
Years required for vesting	5	5	5
Service retirement eligibilty (expressed as age/year of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating	100% Repeating	100% Repeating
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating	70% of CPI Repeating

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

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

	9/30/2010	9/30/2011	9/30/2012
Annual Required Contribution (ARC)	\$ 985,648	\$ 1,033,281	\$ 989,348
Contributions Made	\$ 985,648	\$ 1,033,281	\$ 989,348

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010 also follows:

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

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

Includes Inflation At	3.00%	3.00%	3.00%	3.00%
Cost-of-Living				
Adjustments	2.10%	2.10%	2.10%	2.10%

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

Schedule of Funding Information

The funded status as of December 31, 2010, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	<u>12/31/2010 (2)</u>	<u>12/31/2010(1)</u>
Actuarial Value of assets	\$23,691,433	\$15,201,344
Actuarial accrued liability	30,656,653	24,355,603
Percent funded	77.3%	62.4%
Unfunded actuarial accrued liability (UAAL)	6,965,220	9,154,259
Annual covered payroll	9,578,022	9,578,022
UAAL as a percentage of covered payroll	72.7%	95.6%

- (1) Actuarial valuation performed under the original fund structure.
- (1) Actuarial valuation performed under the original fund structure.

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

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Supplemental Death Benefits Fund

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit" or OPEB.

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

Schedule of Contribution Rates:

Calendar Year	Annual Required Contribution	Actual Contribution Made	Percentage of ARC Contributed
2008	0.07%	0.07%	100%
2009	0.06%	0.06%	100%
2010	0.06%	0.06%	100%
2011	0.06%	0.06%	100%
2012	0.05%	0.05%	100%

2. Texas Emergency Services Retirement System (TESRS)

Plan Description – The Fire Fighter’s Pension Commissioner is the administrator of the Texas Emergency Services Retirement System (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2010, there were 199 member fire or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

At August 31, 2010, TESRS membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	2,167
Terminated Participants Entitled to Benefits but Not Yet Receiving Them	2,106
Active Participants (Vested and Nonvested)	4,371
Total	8,644

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

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

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

CITY OF GAINESVILLE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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

Annual Required Contributions – The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2010, total contributions (dues and prior service) of \$2,875,103 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state did not appropriate any maximum state contribution for the fiscal years ending August 31, 2010 and 2011. Total contributions made were equal to the contributions required by the state statute and were equal to the contributions required based on the revised August 31, 2008 actuarial valuation.

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

The City’s contribution for 2012, 2011 and 2010 was \$681, \$1,252 and \$1,208 respectively.

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

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Total Members Covered	UAAL Per Member Covered
8/31/2006	\$ 42,268,305	\$58,082,828	\$15,814,523	72.8%	8,061	\$ 1,962
8/31/2008	60,987,157	64,227,341	3,240,184	95.0%	8,254	393
8/31/2010	64,113,803	81,264,230	17,150,427	78.9%	8,644	1,984

I. Subsequent Events

The City’s management has evaluated subsequent events through February 8, 2013, the date which the financial statements were available for issue.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF GAINESVILLE, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2012

Texas Municipal Retirement System

Schedule of Funding Progress:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2008	12,398,695	21,209,597	8,810,902	58.5%	9,661,222	91.2%
12/31/2009	13,399,998	22,442,481	9,042,483	59.7%	9,720,776	93.0%
12/31/2010- Original Fund Structure	15,201,344	24,355,603	9,154,259	62.4%	9,578,022	95.6%
12/31/2010- New Fund Structure	23,691,433	30,656,653	6,965,220	77.3%	9,578,022	72.7%

Texas Emergency Services Retirement System

Schedule of Funding Progress:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Total Members</u>	<u>UAAL Per Member Covered</u>
8/31/2006	42,268,305	58,082,828	15,814,523	72.8%	8,061	1,962
8/31/2008	60,987,157	64,227,341	3,240,184	95.0%	8,254	393
8/31/2010	64,113,803	81,264,230	17,150,427	78.9%	8,644	1,984

Three-Year Trend Information:

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



Combining Fund Financial Statements

CITY OF GAINESVILLE, TEXAS
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	SPECIAL REVENUE FUNDS		CAPITAL	
	FEDERAL SEIZURE FUND	STATE SEIZURE FUND	2008 GENERAL OBLIG BONDS	FINANCED CAPITAL PROJECTS
ASSETS:				
Cash	\$ 2,949	\$ 12,759	\$ 90,699	\$ -
Restricted Cash	-	-	-	-
Receivables (Net of Allowances for Uncollectibles)	-	-	-	-
Taxes	-	-	-	-
Other	-	603	120,000	-
Inventory	-	-	-	-
Interfund Receivables	-	-	-	-
TOTAL ASSETS	\$ 2,949	\$ 13,362	\$ 210,699	\$ -
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts Payable	\$ -	\$ 171	\$ 210,699	\$ -
Deferred Revenues	-	-	-	-
Interfund Payable	-	-	-	-
TOTAL LIABILITIES	-	171	210,699	-
FUND BALANCES:				
Nonspendable	-	-	-	-
Restricted:				
Construction	-	-	-	-
Tourism and the Arts	-	-	-	-
Other	2,949	13,191	-	-
Committed:				
Cemetery	-	-	-	-
Assigned:				
Stanford House	-	-	-	-
Construction	-	-	-	-
Other	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	2,949	13,191	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,949	\$ 13,362	\$ 210,699	\$ -

PROJECTS FUNDS		PERMANENT FUNDS		
SWIMMING POOL CONSTRUCTION	CONSTRUCTION PROJECTS FUND	CEMETERY PERMANENT	COHEN SCHOLARSHIP	TOTAL
\$ 1,646,114	\$ 433,413	\$ 1,327,746	\$ 11,671	\$ 4,426,958
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
\$ 1,646,114	\$ 433,413	\$ 1,327,746	\$ 11,671	\$ 4,624,802
\$ 42,500	\$ 1,924	\$ -	\$ -	\$ 329,041
-	-	-	-	-
-	-	-	-	-
42,500	1,924	-	-	329,041
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	11,671	91,591
-	-	1,327,746	-	1,327,746
-	-	-	-	-
1,603,614	431,489	-	-	2,035,103
-	-	-	-	27,528
-	-	-	-	-
1,603,614	431,489	1,327,746	11,671	4,295,761
\$ 1,646,114	\$ 433,413	\$ 1,327,746	\$ 11,671	\$ 4,624,802

CITY OF GAINESVILLE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	SPECIAL REVENUE FUNDS			
	LAW ENFORCE. OFFICER EDUCATION	MUNICIPAL COURT TECH.	MUNICIPAL COURT SECURITY	HOTEL/ MOTEL
REVENUES				
Taxes:				
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-
Occupancy Tax	-	-	-	730,441
Service Charges	-	-	-	-
License & Permits	-	-	-	-
Fines & Forfeitures	-	9,924	7,396	-
Investment Income	2	12	4	831
Intergovernmental Revenues	-	-	-	-
Other Income	-	-	-	-
TOTAL REVENUES	<u>2</u>	<u>9,936</u>	<u>7,400</u>	<u>731,272</u>
EXPENDITURES				
Current:				
General Government	-	-	-	155,581
Community Development	-	-	-	-
Finance	-	-	-	-
Public Safety	2,359	12,710	-	-
Public Works	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Bond Issuance Costs	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>2,359</u>	<u>12,710</u>	<u>-</u>	<u>155,581</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,357)</u>	<u>(2,774)</u>	<u>7,400</u>	<u>575,691</u>
OTHER FINANCING SOURCES (USES):				
Issuance of Debt	-	-	-	-
Funds Transferred In	539	-	-	-
Funds Transferred Out	-	-	(6,289)	(326,800)
TOTAL OTHER FINANCING SOURCES (USES)	<u>539</u>	<u>-</u>	<u>(6,289)</u>	<u>(326,800)</u>
NET CHANGE IN FUND BALANCES	<u>(1,818)</u>	<u>(2,774)</u>	<u>1,111</u>	<u>248,891</u>
FUND BALANCE - October 1	<u>1,818</u>	<u>4,757</u>	<u>693</u>	<u>353,043</u>
FUND BALANCE - September 30	<u>\$ -</u>	<u>\$ 1,983</u>	<u>\$ 1,804</u>	<u>\$ 601,934</u>

	G.I.V.E	JUVENILE CASE MANAGER	MEDAL OF HONOR	CITY ATHLETIC FIELDS	STANFORD HOUSE	CABLE PEG FEE FUND
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-	-
	-	-	-	11,420	4,664	40,808
	-	10,796	-	-	-	-
	-	34	34	54	5,036	68
	-	-	-	-	-	-
	<u>2,073</u>	<u>-</u>	<u>45,469</u>	<u>-</u>	<u>124,078</u>	<u>-</u>
	<u>2,073</u>	<u>10,830</u>	<u>45,503</u>	<u>11,474</u>	<u>133,778</u>	<u>40,876</u>
	1,676	-	45,503	-	84,231	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	2,250	-	-
	<u>1,676</u>	<u>-</u>	<u>45,503</u>	<u>2,250</u>	<u>84,231</u>	<u>-</u>
	<u>397</u>	<u>10,830</u>	<u>-</u>	<u>9,224</u>	<u>49,547</u>	<u>40,876</u>
	-	-	-	-	-	-
	-	-	-	100	-	-
	<u>(382)</u>	<u>(18,382)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(382)</u>	<u>(18,382)</u>	<u>-</u>	<u>100</u>	<u>-</u>	<u>-</u>
	15	(7,552)	-	9,324	49,547	40,876
	110	7,552	-	18,079	162,312	19,117
	<u>\$ 125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,403</u>	<u>\$ 211,859</u>	<u>\$ 59,993</u>

CITY OF GAINESVILLE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>SPECIAL REVENUE FUNDS</u>			<u>CAPITAL</u>
	<u>FEDERAL SEIZURE FUND</u>	<u>STATE SEIZURE FUND</u>	<u>2008 GENERAL OBLIG BONDS</u>	<u>FINANCED CAPITAL PROJECTS</u>
REVENUES				
Taxes:				
Ad Valorem Taxes	\$ -	\$ -	\$ -	\$ -
Sales Taxes	-	-	-	-
Occupancy Tax	-	-	-	-
Service Charges	-	-	-	-
License & Permits	-	-	-	-
Fines & Forfeitures	-	-	-	-
Investment Income	8	34	850	45
Intergovernmental Revenues	-	-	120,000	-
Other Income	-	-	7,915	-
TOTAL REVENUES	<u>8</u>	<u>34</u>	<u>128,765</u>	<u>45</u>
EXPENDITURES				
Current:				
General Government	-	-	52	-
Community Development	-	-	-	-
Finance	-	-	-	-
Public Safety	-	1,446	-	-
Public Works	-	-	-	-
Debt Service:				
Principal	-	-	-	30,841
Interest	-	-	-	-
Bond Issuance Costs	-	-	-	-
Capital Outlay	-	-	1,377,114	-
TOTAL EXPENDITURES	<u>-</u>	<u>1,446</u>	<u>1,377,166</u>	<u>30,841</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>8</u>	<u>(1,412)</u>	<u>(1,248,401)</u>	<u>(30,796)</u>
OTHER FINANCING SOURCES (USES):				
Issuance of Debt	-	-	-	-
Funds Transferred In	-	-	34,481	23,821
Funds Transferred Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>34,481</u>	<u>23,821</u>
NET CHANGE IN FUND BALANCES	<u>8</u>	<u>(1,412)</u>	<u>(1,213,920)</u>	<u>(6,975)</u>
FUND BALANCE - October 1	2,941	14,603	1,213,920	6,975
FUND BALANCE - September 30	<u>\$ 2,949</u>	<u>\$ 13,191</u>	<u>\$ -</u>	<u>\$ -</u>

<u>PROJECTS</u>	<u>FUNDS</u>	<u>PERMANENT FUNDS</u>		<u>TOTAL</u>
<u>SWIMMING POOL CONSTRUCTION</u>	<u>CONSTRUCTION PROJECTS FUND</u>	<u>CEMETERY PERMANENT</u>	<u>COHEN SCHOLARSHIP</u>	
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	730,441
-	-	-	-	16,084
-	-	-	-	40,808
-	-	-	-	28,116
220	310	1,580	13	9,135
-	40,570	-	-	160,570
-	13,822	54,945	-	248,302
<u>220</u>	<u>54,702</u>	<u>56,525</u>	<u>13</u>	<u>1,233,456</u>
-	-	-	-	-
-	7,527	-	-	294,570
-	-	-	-	-
-	-	-	-	-
-	1,140	-	-	17,655
120	21,176	-	-	21,296
-	-	-	-	30,841
-	-	-	-	-
-	-	-	-	-
56,486	165,598	-	-	1,601,448
<u>56,606</u>	<u>195,441</u>	<u>-</u>	<u>-</u>	<u>1,965,810</u>
(56,386)	(140,739)	56,525	13	(732,354)
-	-	-	-	-
1,660,000	485,567	-	-	2,204,508
-	(21,226)	(1,581)	-	(374,660)
<u>1,660,000</u>	<u>464,341</u>	<u>(1,581)</u>	<u>-</u>	<u>1,829,848</u>
1,603,614	323,602	54,944	13	1,097,494
-	107,887	1,272,802	11,658	3,198,267
<u>\$ 1,603,614</u>	<u>\$ 431,489</u>	<u>\$ 1,327,746</u>	<u>\$ 11,671</u>	<u>\$ 4,295,761</u>



Budgetary Comparison Schedules

Major Governmental Funds

CITY OF GAINESVILLE, TEXAS
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Ad Valorem Taxes	\$ 1,764,358	\$ 1,795,757	\$ 1,816,885	\$ 21,128
Investment Income	2,000	2,000	1,444	(556)
Other Income	8,640	11,160	20,520	9,360
TOTAL REVENUES	<u>1,774,998</u>	<u>1,808,917</u>	<u>1,838,849</u>	<u>29,932</u>
EXPENDITURES				
Current:				
General Government	9,500	9,581	137,988	(128,407)
Debt Service				
Principal Retirement	789,669	1,158,800	1,158,800	-
Interest and Fiscal Charges	1,149,300	661,631	656,586	5,045
TOTAL EXPENDITURES	<u>1,948,469</u>	<u>1,830,012</u>	<u>1,953,374</u>	<u>(123,362)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(173,471)</u>	<u>(21,095)</u>	<u>(114,525)</u>	<u>(93,430)</u>
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	383,217	383,217	648,252	265,035
Funds Transferred Out	(209,493)	(209,493)	(355,561)	(146,068)
TOTAL OTHER FINANCING SOURCES (USES)	<u>173,724</u>	<u>173,724</u>	<u>292,691</u>	<u>118,967</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	253	152,629	178,166	25,537
FUND BALANCE - October 1	<u>844,347</u>	<u>844,347</u>	<u>844,347</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 844,600</u>	<u>\$ 996,976</u>	<u>\$ 1,022,513</u>	<u>\$ 25,537</u>

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



Budgetary Comparison Schedules

Nonmajor Governmental Funds

CITY OF GAINESVILLE, TEXAS
LAW OFFICER EDUCATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental Revenues	\$ -	\$ -	\$ -	\$ -
Investment Income	-	-	2	2
Other Income	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>
EXPENDITURES				
Current:				
Public Safety	<u>4,930</u>	<u>1,818</u>	<u>2,359</u>	<u>(541)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,930)</u>	<u>(1,818)</u>	<u>(2,357)</u>	<u>(539)</u>
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	539	539
Funds Transferred Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>539</u>	<u>539</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(4,930)</u>	<u>(1,818)</u>	<u>(1,818)</u>	<u>-</u>
FUND BALANCE - October 1	<u>1,818</u>	<u>1,818</u>	<u>1,818</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ (3,112)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF GAINESVILLE, TEXAS
MUNICIPAL COURT TECHNOLOGY
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Fines & Forfeitures	\$ 11,000	\$ 11,000	\$ 9,924	\$ (1,076)
Investment Income	100	-	12	12
Other Income	-	-	-	-
TOTAL REVENUES	<u>11,100</u>	<u>11,000</u>	<u>9,936</u>	<u>(1,064)</u>
EXPENDITURES				
Current:				
Public Safety	<u>13,400</u>	<u>15,330</u>	<u>12,710</u>	<u>2,620</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,300)</u>	<u>(4,330)</u>	<u>(2,774)</u>	<u>1,556</u>
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	-	-
Funds Transferred Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(2,300)</u>	<u>(4,330)</u>	<u>(2,774)</u>	<u>1,556</u>
FUND BALANCE - October 1	<u>4,757</u>	<u>4,757</u>	<u>4,757</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 2,457</u>	<u>\$ 427</u>	<u>\$ 1,983</u>	<u>\$ 1,556</u>

CITY OF GAINESVILLE, TEXAS
MUNICIPAL COURT SECURITY
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Fines & Forfeitures	\$ 8,500	\$ 8,500	\$ 7,396	\$ (1,104)
Investment Income	80	-	4	4
Other Income	-	-	-	-
TOTAL REVENUES	<u>8,580</u>	<u>8,500</u>	<u>7,400</u>	<u>(1,100)</u>
EXPENDITURES				
Current:				
Public Safety	2,800	2,332	-	2,332
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>2,800</u>	<u>2,332</u>	<u>-</u>	<u>2,332</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,780</u>	<u>6,168</u>	<u>7,400</u>	<u>1,232</u>
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	-	-
Funds Transferred Out	(5,000)	(6,289)	(6,289)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(5,000)</u>	<u>(6,289)</u>	<u>(6,289)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	780	(121)	1,111	1,232
FUND BALANCE - October 1	<u>693</u>	<u>693</u>	<u>693</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 1,473</u>	<u>\$ 572</u>	<u>\$ 1,804</u>	<u>\$ 1,232</u>

CITY OF GAINESVILLE, TEXAS
HOTEL/MOTEL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Other Local Taxes	\$ 518,200	\$ 515,500	\$ 730,441	\$ 214,941
Investment Income	750	750	831	81
Other Income	-	-	-	-
TOTAL REVENUES	<u>518,950</u>	<u>516,250</u>	<u>731,272</u>	<u>215,022</u>
EXPENDITURES				
Current:				
General Government	139,500	151,840	155,581	(3,741)
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>139,500</u>	<u>151,840</u>	<u>155,581</u>	<u>(3,741)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>379,450</u>	<u>364,410</u>	<u>575,691</u>	<u>211,281</u>
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	-	-
Funds Transferred Out	(326,800)	(326,800)	(326,800)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(326,800)</u>	<u>(326,800)</u>	<u>(326,800)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	52,650	37,610	248,891	211,281
FUND BALANCE - October 1	<u>353,043</u>	<u>353,043</u>	<u>353,043</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 405,693</u>	<u>\$ 390,653</u>	<u>\$ 601,934</u>	<u>\$ 211,281</u>

CITY OF GAINESVILLE, TEXAS
G.I.V.E. FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental Revenues	\$ -	\$ -	\$ -	\$ -
Investment Income	-	-	-	-
Other Income	2,214	2,184	2,073	(111)
TOTAL REVENUES	<u>2,214</u>	<u>2,184</u>	<u>2,073</u>	<u>(111)</u>
EXPENDITURES				
Current:				
General Government	<u>2,214</u>	<u>2,294</u>	<u>1,676</u>	<u>618</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(110)</u>	<u>397</u>	<u>507</u>
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	-	-
Funds Transferred (Out)	-	-	(382)	(382)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(382)</u>	<u>(382)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>-</u>	<u>(110)</u>	<u>15</u>	<u>125</u>
FUND BALANCE - October 1	<u>110</u>	<u>110</u>	<u>110</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 110</u>	<u>\$ -</u>	<u>\$ 125</u>	<u>\$ 125</u>

CITY OF GAINESVILLE, TEXAS
JUVENILE CASE MANAGER
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Fines & Forfeitures	\$ 12,000	\$ 12,000	\$ 10,796	\$ (1,204)
Investment Income	22	20	34	14
Other Income	-	-	-	-
TOTAL REVENUES	<u>12,022</u>	<u>12,020</u>	<u>10,830</u>	<u>(1,190)</u>
EXPENDITURES				
Current:				
Public Safety	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>12,022</u>	<u>12,020</u>	<u>10,830</u>	<u>(1,190)</u>
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	-	-
Funds Transferred Out	<u>(18,277)</u>	<u>(18,277)</u>	<u>(18,382)</u>	<u>(105)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(18,277)</u>	<u>(18,277)</u>	<u>(18,382)</u>	<u>(105)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(6,255)</u>	<u>(6,257)</u>	<u>(7,552)</u>	<u>(1,295)</u>
FUND BALANCE - October 1	<u>7,552</u>	<u>7,552</u>	<u>7,552</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 1,297</u>	<u>\$ 1,295</u>	<u>\$ -</u>	<u>\$ (1,295)</u>

CITY OF GAINESVILLE, TEXAS
MEDAL OF HONOR
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment income	8	20	34	14
Other income	45,000	45,000	45,469	469
TOTAL REVENUES	<u>45,008</u>	<u>45,020</u>	<u>45,503</u>	<u>483</u>
EXPENDITURES				
Current:				
General Government	<u>45,008</u>	<u>45,020</u>	<u>45,503</u>	<u>(483)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Funds transferred in	-	-	-	-
Funds transferred (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE -OCTOBER 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE-SEPTEMBER 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF GAINESVILLE, TEXAS
CITY ATHLETIC FIELDS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Charges for Services	\$ 24,000	\$ 20,000	\$ 11,420	\$ (8,580)
Investment income	35	35	54	19
Other income	-	-	-	-
TOTAL REVENUES	<u>24,035</u>	<u>20,035</u>	<u>11,474</u>	<u>(8,561)</u>
EXPENDITURES				
Current:				
Public Works	12,000	12,000	-	12,000
Capital Outlay	-	2,250	2,250	-
TOTAL EXPENDITURES	<u>12,000</u>	<u>14,250</u>	<u>2,250</u>	<u>12,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>12,035</u>	<u>5,785</u>	<u>9,224</u>	<u>3,439</u>
OTHER FINANCING SOURCES (USES)				
Funds transferred in	-	-	100	100
Funds transferred (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>12,035</u>	<u>5,785</u>	<u>9,324</u>	<u>3,539</u>
FUND BALANCE -OCTOBER 1	<u>18,079</u>	<u>18,079</u>	<u>18,079</u>	<u>-</u>
FUND BALANCE-SEPTEMBER 30	<u>\$ 30,114</u>	<u>\$ 23,864</u>	<u>\$ 27,403</u>	<u>\$ 3,539</u>

CITY OF GAINESVILLE, TEXAS
CABLE PEG FEE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
License & Permits	\$ -	\$ 33,270	\$ 40,808	\$ 7,538
Investment Income	-	50	68	18
Other Income	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>33,320</u>	<u>40,876</u>	<u>7,556</u>
EXPENDITURES				
Current:				
Public Safety	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>33,320</u>	<u>40,876</u>	<u>7,556</u>
OTHER FINANCING SOURCES (USES)				
Funds Transferred In	-	-	-	-
Funds Transferred Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>-</u>	<u>33,320</u>	<u>40,876</u>	<u>7,556</u>
FUND BALANCE - October 1	<u>19,117</u>	<u>19,117</u>	<u>19,117</u>	<u>-</u>
FUND BALANCE - September 30	<u>\$ 19,117</u>	<u>\$ 52,437</u>	<u>\$ 59,993</u>	<u>\$ 7,556</u>

CITY OF GAINESVILLE, TEXAS
FEDERAL SEIZURE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment income	15	8	8	-
Other income	-	-	-	-
TOTAL REVENUES	<u>15</u>	<u>8</u>	<u>8</u>	<u>-</u>
EXPENDITURES				
Current:				
Public Works	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>15</u>	<u>8</u>	<u>8</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Funds transferred in	-	-	-	-
Funds transferred (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>15</u>	<u>8</u>	<u>8</u>	<u>-</u>
FUND BALANCE -OCTOBER 1	<u>2,941</u>	<u>2,941</u>	<u>2,941</u>	<u>-</u>
FUND BALANCE-SEPTEMBER 30	<u>\$ 2,956</u>	<u>\$ 2,949</u>	<u>\$ 2,949</u>	<u>\$ -</u>

CITY OF GAINESVILLE, TEXAS
STATE SEIZURE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment income	75	35	34	(1)
Other income	16,000	-	-	-
TOTAL REVENUES	<u>16,075</u>	<u>35</u>	<u>34</u>	<u>(1)</u>
EXPENDITURES				
Current:				
Public Safety	3,596	3,596	1,446	2,150
Capital Outlay	1,320	1,320	-	1,320
TOTAL EXPENDITURES	<u>4,916</u>	<u>4,916</u>	<u>1,446</u>	<u>3,470</u>
	-			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>11,159</u>	<u>(4,881)</u>	<u>(1,412)</u>	<u>3,469</u>
OTHER FINANCING SOURCES (USES)				
Funds transferred in	-	-	-	-
Funds transferred (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>11,159</u>	<u>(4,881)</u>	<u>(1,412)</u>	<u>3,469</u>
FUND BALANCE -OCTOBER 1	<u>14,603</u>	<u>14,603</u>	<u>14,603</u>	<u>-</u>
FUND BALANCE-SEPTEMBER 30	<u>\$ 25,762</u>	<u>\$ 9,722</u>	<u>\$ 13,191</u>	<u>\$ 3,469</u>

CITY OF GAINESVILLE, TEXAS
CEMETERY PERMANENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>BUDGET</u>		<u>ACTUAL</u> <u>AMOUNTS</u>	<u>VARIANCE WITH</u> <u>FINAL BUDGET</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment income	4,200	6,400	1,580	(4,820)
Other income	30,000	32,000	54,945	22,945
TOTAL REVENUES	<u>34,200</u>	<u>38,400</u>	<u>56,525</u>	<u>18,125</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>34,200</u>	<u>38,400</u>	<u>56,525</u>	<u>18,125</u>
OTHER FINANCING SOURCES (USES)				
Funds transferred in	-	-	-	-
Funds transferred (out)	(4,200)	(6,400)	(1,581)	4,819
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,200)</u>	<u>(6,400)</u>	<u>(1,581)</u>	<u>4,819</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	30,000	32,000	54,944	22,944
FUND BALANCE -OCTOBER 1	<u>1,272,802</u>	<u>1,272,802</u>	<u>1,272,802</u>	<u>-</u>
FUND BALANCE-SEPTEMBER 30	<u>\$ 1,302,802</u>	<u>\$ 1,304,802</u>	<u>\$ 1,327,746</u>	<u>\$ 22,944</u>

CITY OF GAINESVILLE, TEXAS
COHEN SCHOLARSHIP PERMANENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUDGET		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment income	20	10	13	3
Other income	-	-	-	-
TOTAL REVENUES	<u>20</u>	<u>10</u>	<u>13</u>	<u>3</u>
EXPENDITURES				
Current:				
General government	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(480)</u>	<u>(490)</u>	<u>13</u>	<u>503</u>
OTHER FINANCING SOURCES (USES)				
Funds transferred in	-	-	-	-
Funds transferred (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(480)</u>	<u>(490)</u>	<u>13</u>	<u>503</u>
FUND BALANCE -OCTOBER 1	<u>11,658</u>	<u>11,658</u>	<u>11,658</u>	<u>-</u>
FUND BALANCE-SEPTEMBER 30	<u>\$ 11,178</u>	<u>\$ 11,168</u>	<u>\$ 11,671</u>	<u>\$ 503</u>



Capital Assets
Used in the Operation
Of Governmental Funds

CITY OF GAINESVILLE, TEXAS
CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
September 30, 2012

Governmental Funds Capital Assets:	
Land	\$ 920,036
Buildings	9,465,468
Improvements other than Building	79,286,074
Machinery and Equipment	6,286,162
Furniture and Fixtures	196,026
Office Machinery and Equipment	1,988,788
Construction in Progress	<u>6,993,679</u>
Total Governmental Funds Capital Assets	<u>\$ 105,136,233</u>
Investment in Governmental Funds Capital Assets by Source:	
General Fund	\$ 83,129,950
Capital Project Funds	18,617,130
Special Revenue Funds	2,126,347
Permanent Funds	<u>1,262,806</u>
Total Investment in Governmental Capital Assets	<u>\$ 105,136,233</u>

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

CITY OF GAINESVILLE, TEXAS
CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
September 30, 2012

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Furniture and Fixtures	Office Mach. and Equipment	Construction In Progress	Total
General Government:								
Administration	\$ 158,971	\$ 479,528	\$ -	\$ 12,854	\$ -	\$ 43,120	\$ -	\$ 694,473
Main Street Program	-	-	298,168	-	-	-	-	298,168
Building Operations	74,132	6,301,574	761,027	25,522	177,808	-	-	7,340,063
Civic Center Operations	-	1,527,947	156,328	1,674	-	-	-	1,685,949
Community Development	-	-	19,256	30,194	-	17,264	-	66,714
Finance	-	-	-	-	-	292,877	-	292,877
Total General Government	233,103	8,309,049	1,234,779	70,244	177,808	353,261	-	10,378,244
Public Safety:								
Police	-	272,352	88,632	1,354,028	18,218	1,470,584	-	3,203,814
Fire	-	118,788	-	2,219,592	-	97,999	-	2,436,379
Total Public Safety	-	391,140	88,632	3,573,620	18,218	1,568,583	-	5,640,193
Public Works:								
Administration	-	77,011	-	-	-	50,548	-	127,559
Street Maintenance	600,013	173,504	73,447,777	1,717,134	-	16,396	6,993,679	82,948,503
Central Garage	-	-	-	182,919	-	-	-	182,919
Parks and Recreation	20,920	249,330	737,898	357,736	-	-	-	1,365,884
Zoo Operations	-	79,368	2,622,436	73,538	-	-	-	2,775,342
Cemetery Operations	-	-	-	112,325	-	-	-	112,325
Total Public Works	620,933	579,213	76,808,111	2,443,652	-	66,944	6,993,679	87,512,532
Community Services:								
Parks and Recreation	66,000	135,972	262,167	70,349	-	-	-	534,488
Zoo	-	50,094	488,022	-	-	-	-	538,116
Inspections	-	-	-	37,224	-	-	-	37,224
Environmental Health	-	-	-	38,311	-	-	-	38,311
Cemetery	-	-	404,363	52,762	-	-	-	457,125
Total Community Services	66,000	186,066	1,154,552	198,646	-	-	-	1,605,264
Total Governmental Capital Assets	\$ 920,036	\$ 9,465,468	\$ 79,286,074	\$ 6,286,162	\$ 196,026	\$ 1,988,788	\$ 6,993,679	\$ 105,136,233

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

CITY OF GAINESVILLE, TEXAS
CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Function and Activity	Balance 10/1/2011	Additions/ Completions	Disposals/ Reclassifications	Transfers	Balance 9/30/2012
General Government:					
Administration	\$ 694,473	\$ -	\$ -	\$ -	\$ 694,473
Main Street Program	298,168	-	-	-	298,168
Building Operations	7,314,280	25,783	-	-	7,340,063
Civic Center Operations	1,685,949	-	-	-	1,685,949
Community Development	49,450	17,264	-	-	66,714
Finance	292,877	-	-	-	292,877
Total General Government	10,335,197	43,047	-	-	10,378,244
Public Safety:					
Police	3,155,485	48,329	-	-	3,203,814
Fire	2,218,483	217,896	-	-	2,436,379
Total Public Safety	5,373,968	266,225	-	-	5,640,193
Public Works:					
Administration	127,559	-	-	-	127,559
Street Maintenance	80,074,429	2,874,074	-	-	82,948,503
Central Garage	182,919	-	-	-	182,919
Parks and Recreation	1,245,448	120,436	-	-	1,365,884
Zoo Operations	2,770,130	5,212	-	-	2,775,342
Other Operations	112,325	-	-	-	112,325
Total Public Works	84,512,810	2,999,722	-	-	87,512,532
Community Services:					
Parks and Recreation	534,488	-	-	-	534,488
Zoo	538,116	-	-	-	538,116
Inspections	37,224	-	-	-	37,224
Environmental Health	38,311	-	-	-	38,311
Cemetery	457,125	-	-	-	457,125
Total Community Services	1,605,264	-	-	-	1,605,264
Total Governmental Capital Assets	\$ 101,827,239	\$ 3,308,994	\$ -	\$ -	\$ 105,136,233

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



Statistical Section

STATISTICAL SECTION

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

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	107
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources that include charges for services in Water & Sewer Fund and Solid Waste Fund, property tax and sales tax.	114
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	125
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	130
Operating Information These schedules contain personnel, service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	132

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

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets net of related debt	\$ (3,836,724)	\$ 276,793	\$ (127,020)	\$ 57,472	\$ 392,926	\$ 779,029	\$ 2,978,341	\$ 2,633,311	\$ (1,359,842)	\$ (1,209,809)
Restricted	5,332,531	1,131,480	1,050,393	1,109,828	1,153,826	1,173,937	1,208,887	1,241,202	1,272,802	1,327,746
Unrestricted	1,627,227	953,260	418,958	676,384	2,135,879	4,224,966	4,885,310	6,487,507	13,574,502	18,787,054
Total governmental activities net assets	\$ 3,123,034	\$ 2,361,533	\$ 1,342,331	\$ 1,843,684	\$ 3,682,631	\$ 6,177,932	\$ 9,072,538	\$ 10,362,020	\$ 13,487,462	\$ 18,904,991
Business-type activities										
Invested in capital assets net of related debt	\$ (1,414,526)	\$ 5,322,173	\$ 4,370,183	\$ 4,000,256	\$ 3,437,721	\$ 3,440,372	\$ 3,394,196	\$ 1,955,664	\$ 5,535,078	\$ 6,282,114
Restricted	178,754	0	0	0	0	0	0	0	0	0
Unrestricted	3,023,959	(1,091,579)	(789,552)	59,311	714,675	1,361,440	2,474,873	5,468,599	3,852,677	4,447,825
Total business-type activities net assets	\$ 1,788,187	\$ 4,230,594	\$ 3,580,631	\$ 4,059,567	\$ 4,152,396	\$ 4,801,812	\$ 5,869,069	\$ 7,424,263	\$ 9,387,755	\$ 10,729,939
Primary government										
Invested in capital assets net of related debt	\$ (5,251,250)	\$ 5,598,966	\$ 4,243,163	\$ 4,057,728	\$ 3,830,647	\$ 4,219,401	\$ 6,372,537	\$ 4,588,975	\$ 4,175,236	\$ 5,072,305
Restricted	5,511,285	1,131,480	1,050,393	1,109,828	1,153,826	1,173,937	1,208,887	1,241,202	1,272,802	1,327,746
Unrestricted	4,651,186	(138,319)	(370,594)	735,695	2,850,554	5,586,406	7,360,183	11,956,106	17,427,179	23,234,879
Total primary government net assets	\$ 4,911,221	\$ 6,592,127	\$ 4,922,962	\$ 5,903,251	\$ 7,835,027	\$ 10,979,744	\$ 14,941,607	\$ 17,786,283	\$ 22,875,217	\$ 29,634,930

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

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities:										
General Government	\$1,860,324	\$1,794,373	\$1,978,374	\$1,884,436	\$2,075,083	\$2,262,132	\$1,956,841	\$2,029,423	\$2,043,290	\$2,041,635
Community Development	336,198	403,837	346,006	739,496	276,415	349,900	354,000	410,999	347,571	375,589
Community Services	0	0	280,376	0	0	0	0	0	0	0
Finance	430,017	430,252	418,343	448,742	448,207	431,430	399,885	401,758	400,922	406,189
Public Safety	5,841,792	6,390,795	6,618,978	6,663,618	6,891,589	7,164,808	7,191,305	7,462,751	7,747,905	7,661,491
General/Public Services	2,867,064	3,009,567	3,599,025	3,707,325	4,035,694	4,130,729	3,630,306	3,419,627	3,347,486	3,376,631
Non-Departmental	0	0	0	0	0	0	20,163	0	0	0
Interest on Long-Term Debt	677,892	706,156	692,445	716,205	484,224	536,201	530,804	450,764	808,937	674,442
Total Governmental Activities Expenses	12,013,287	12,734,980	13,933,547	14,159,822	14,211,212	14,875,200	14,083,304	14,175,322	14,696,111	14,535,977
Business-Type Activities:										
Water and Sewer	5,938,586	5,215,267	5,434,770	5,537,915	5,518,745	5,473,198	5,525,366	5,539,750	5,890,140	5,707,742
Municipal Airport	805,455	737,528	1,085,905	1,159,891	1,264,900	1,563,695	1,072,340	1,097,044	1,339,425	1,382,664
Golf Course	413,128	404,692	448,445	513,501	543,412	617,356	582,525	550,554	558,961	424,216
Stormwater	235,390	212,002	204,319	322,836	286,029	320,769	442,089	393,324	194,267	226,363
Solid Waste	2,722,251	2,706,811	2,415,911	2,647,006	2,692,962	2,782,776	2,581,076	2,446,737	2,316,359	2,653,827
Total Business-Type Activities Expenses	10,114,810	9,276,300	9,589,350	10,181,149	10,306,048	10,757,794	10,203,396	10,027,419	10,299,152	10,394,812
Total Primary Government Expenses	\$22,128,097	\$22,011,280	\$23,522,897	\$24,340,971	\$24,517,260	\$25,632,994	\$24,286,700	\$24,202,741	\$24,995,263	\$24,930,789
Program Revenues										
Governmental Activities:										
Fines, Fees, Charges for Services										
General Government	\$154,436	\$0	\$0	\$0	\$25,000	\$25,000	\$0	\$0	\$0	\$40,808
Community Development	108,231	335,445	555,136	752,026	725,940	851,088	392,201	372,813	481,946	546,688
Public Safety	263,954	637,607	464,285	497,638	505,799	587,271	467,336	425,670	471,929	361,494
General/Public Services	86,315	0	0	0	0	0	453,436	453,449	518,943	533,552
Operating Grants and Contributions	371,190	295,889	125,861	523,173	883,906	385,352	1,480,927	235,593	268,736	259,748
Total Governmental Activities Program Revenues	984,126	1,268,941	1,145,282	1,772,837	2,140,645	1,848,711	2,793,900	1,487,525	1,741,554	1,742,290

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Program Revenues (continued)										
Business-Type Activities:										
Fines, Fees, Charges for Services										
Water and Sewer	\$5,729,926	\$5,813,674	\$5,696,476	\$6,856,607	\$6,747,113	\$6,958,762	\$7,262,043	\$7,106,996	\$7,691,710	\$7,803,192
Municipal Airport	649,230	652,730	717,675	923,305	961,110	1,263,399	878,792	896,501	1,132,279	1,164,363
Golf Course	227,645	184,063	290,373	322,630	250,432	366,356	345,795	285,532	270,195	76,110
Stormwater	207,345	239,705	407,873	513,261	545,569	551,395	963,149	960,287	949,795	952,558
Solid Waste	2,932,256	3,408,370	3,282,338	3,689,012	3,843,877	3,817,914	3,490,902	3,395,912	3,591,358	3,798,315
Operating Grants and Contributions	774,152	2,633,788	448,851	136,933	76,539	90,123	185,616	919,693	377,385	276,940
Total Business-Type Activities Program Revenue	10,520,554	12,932,330	10,843,586	12,441,748	12,424,640	13,047,949	13,126,297	13,564,921	14,012,722	14,071,478
Total Primary Government Program Revenues	\$11,504,680	\$14,201,271	\$11,988,868	\$14,214,585	\$14,565,285	\$14,896,660	\$15,920,197	\$15,052,446	\$15,754,276	\$15,813,768
Net (Expense)/Revenue										
Governmental Activities	(\$11,029,161)	(\$11,466,039)	(\$12,788,265)	(\$12,386,985)	(\$12,070,567)	(\$13,026,489)	(\$11,289,404)	(\$12,687,797)	(\$12,954,557)	(\$12,793,687)
Business-Type Activities	405,744	3,656,030	1,254,236	2,260,599	2,118,592	2,290,155	2,922,901	3,537,502	3,713,570	3,676,666
Total Primary Government	(\$10,623,417)	(\$7,810,009)	(\$11,534,029)	(\$10,126,386)	(\$9,951,975)	(\$10,736,334)	(\$8,366,503)	(\$9,150,295)	(\$9,240,987)	(\$9,117,021)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes										
Property Taxes	\$3,950,884	\$4,129,125	\$4,358,949	\$4,421,385	\$4,482,892	\$4,891,706	\$5,254,558	\$5,626,157	\$5,424,213	\$5,501,785
Sales Taxes	3,254,879	3,455,752	3,587,092	4,211,791	5,026,128	6,052,952	4,442,416	3,961,931	5,401,018	7,875,346
Other Taxes & Fees	1,391,808	1,454,048	1,577,858	1,840,505	1,761,358	2,015,097	1,822,054	1,697,810	1,935,302	1,993,321
Investment Income	76,421	56,086	43,262	87,331	152,191	134,030	78,460	31,581	32,797	25,372
Miscellaneous	265,832	383,375	267,912	470,074	450,333	364,550	514,287	657,349	1,322,069	476,078
Transfers In (Out)	526,459	1,226,152	1,933,990	1,857,252	2,036,612	2,063,455	1,979,229	2,002,451	2,108,944	2,339,314
Total Government Activities	9,466,283	10,704,538	11,769,063	12,888,338	13,909,514	15,521,790	14,091,004	13,977,279	16,224,343	18,211,216
Business-Type Activities:										
Investment Income	26,305	1,951	29,791	9,151	36,710	34,741	39,618	11,181	4,462	4,832
Miscellaneous	29,774	0	0	0	347,374	387,975	83,967	8,962	10,000	0
Transfers In (Out)	(518,459)	(1,226,152)	(1,933,990)	(1,857,252)	(2,036,612)	(2,063,455)	(1,979,229)	(2,002,451)	(2,108,944)	(2,339,314)
Total Business-Type Activities	(462,380)	(1,224,201)	(1,904,199)	(1,848,101)	(1,652,528)	(1,640,739)	(1,855,644)	(1,982,308)	(2,094,482)	(2,334,482)
Total Primary Government	\$9,003,903	\$9,480,337	\$9,864,864	\$11,040,237	\$12,256,986	\$13,881,051	\$12,235,360	\$11,994,971	\$14,129,861	\$15,876,734
Change in Net Assets										
Governmental Activities	(\$1,562,878)	(\$761,501)	(\$1,019,202)	\$501,353	\$1,838,947	\$2,495,301	\$2,801,600	\$1,289,482	\$3,269,786	\$5,417,529
Business-Type Activities	(56,636)	2,431,829	(649,963)	412,498	466,064	649,416	1,067,257	1,555,194	1,619,088	1,342,184
Total Primary Government	(\$1,619,514)	\$1,670,328	(\$1,669,165)	\$913,851	\$2,305,011	\$3,144,717	\$3,868,857	\$2,844,676	\$4,888,874	\$6,759,713

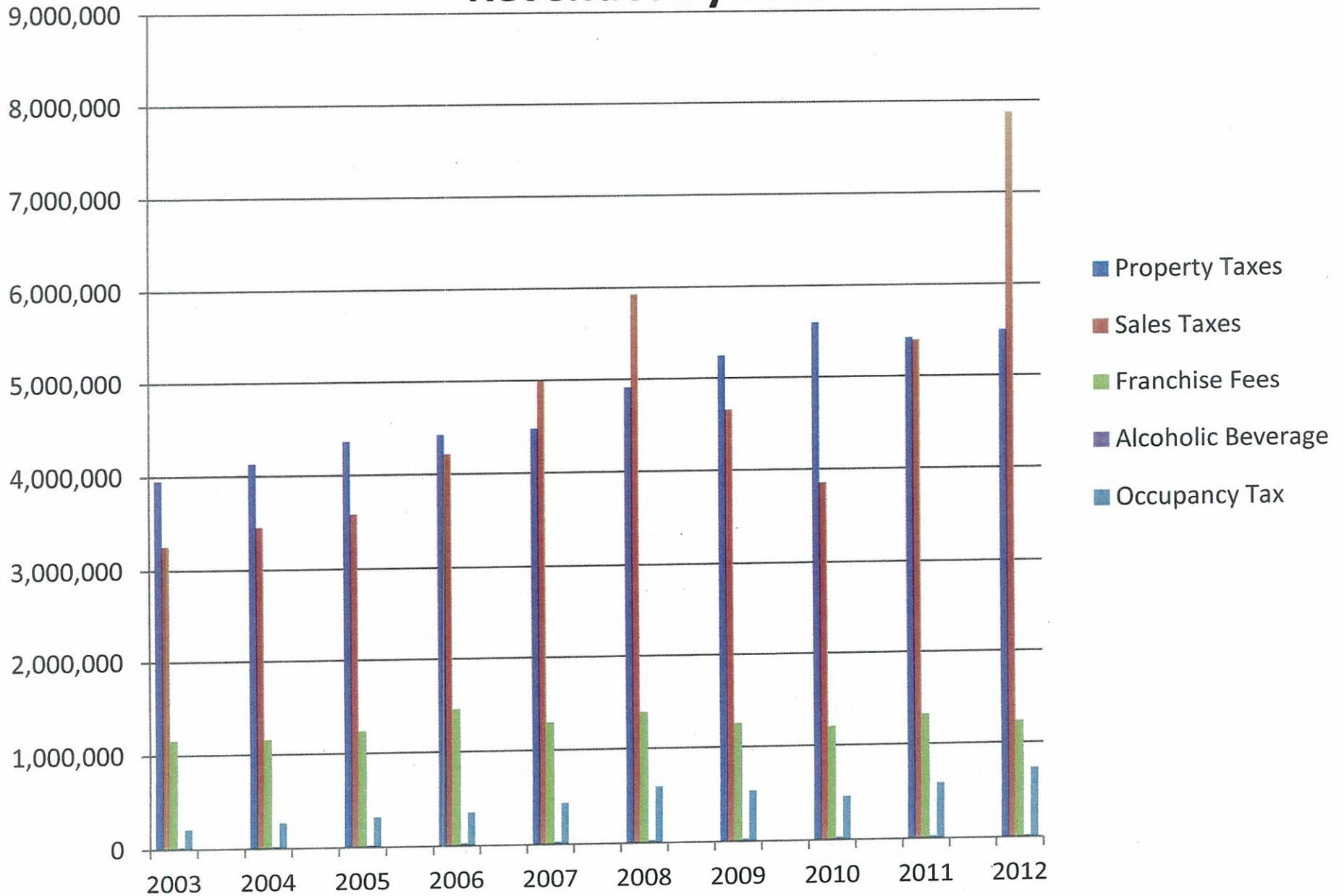
Note: Fiscal Year 2003 was the initial year of implementation of GASB Statement No. 34.

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

Fiscal Year	Property Taxes	Sales Taxes	Franchise Fees	Alcoholic Beverage Taxes	Occupancy Tax	Total
2003	\$ 3,950,884	\$ 3,254,879	\$ 1,154,863	\$ 21,763	\$ 215,182	\$ 8,597,571
2004	4,129,125	3,455,752	1,156,084	21,699	276,265	9,038,925
2005	4,358,949	3,587,092	1,232,607	23,674	321,577	9,523,899
2006	4,421,385	4,211,791	1,452,555	29,906	358,044	10,473,681
2007	4,477,453	4,989,105	1,290,673	29,557	441,128	11,227,916
2008	4,907,152	5,929,819	1,389,550	31,542	594,005	12,852,068
2009	5,246,238	4,653,940	1,250,451	31,845	539,758	11,722,232
2010	5,598,223	3,854,804	1,200,729	35,672	461,409	11,150,837
2011	5,424,213	5,401,018	1,321,800	32,358	581,144	12,760,533
2012	\$ 5,501,785	\$ 7,875,346	\$ 1,236,765	\$ 26,115	\$ 730,441	\$ 15,370,452

Statement of Rev and Exp and changes in Fund Balances

Governmental Activities Tax and Franchise Fee Revenues by Source



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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$18,124	\$30,470	\$38,619	\$43,656	\$19,235	\$40,530	\$428	\$628	\$0	\$0
Unreserved	678,504	333,032	370,806	1,007,234	1,938,783	3,385,907	4,224,247	5,051,487	0	0
Nonspendable	0	0	0	0	0	0	0	0	459	0
Assigned:										
Stanford House	0	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0	0	0	2,254,213
Other	0	0	0	0	0	0	0	0	0	0
Unassigned	0	0	0	0	0	0	0	0	6,679,703	6,880,162
Total General Fund	\$696,628	\$363,502	\$409,425	\$1,050,890	\$1,958,018	\$3,426,437	\$4,224,675	\$5,052,115	\$6,680,162	\$9,134,375
All Other Governmental Funds										
Reserved	\$5,332,531	\$2,385,997	\$2,158,137	\$1,127,641	\$1,404,099	\$2,208,169	\$1,875,114	\$3,895,572	\$0	\$0
Unreserved, reported in:										
Special Revenue Funds	104,679	171,993	265,083	(764,402)	(590,815)	(88,470)	0	86,580	0	0
Capital Projects Funds	793,121	677,514	(22,782)	584,107	(65,886)	0	328,115	0	0	0
Nonspendable	0	0	0	0	0	0	0	0	0	0
Restricted:										
Debt Service	0	0	0	0	0	0	0	0	844,347	1,022,513
Construction	0	0	0	0	0	0	0	0	4,930,607	5,315,306
Tourism and the Arts	0	0	0	0	0	0	0	0	353,043	601,934
Other	0	0	0	0	0	0	0	0	63,139	91,591
Committed:										
Cemetery	0	0	0	0	0	0	0	0	1,272,802	1,327,746
Assigned:										
Stanford House	0	0	0	0	0	0	0	0	162,312	211,859
Construction	0	0	0	0	0	0	0	0	114,862	2,035,103
Other	0	0	0	0	0	0	0	0	18,189	27,528
Unassigned	0	0	0	0	0	0	0	0	0	0
Total All Other Governmental Funds	\$6,230,331	\$3,235,504	\$2,400,438	\$947,346	\$747,398	\$2,119,699	\$2,203,229	\$3,982,152	\$7,759,301	\$10,633,580

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Ad Valorem Taxes	\$ 4,027,441	\$ 4,025,658	\$ 4,370,272	\$ 4,436,631	\$ 4,477,453	\$ 4,907,152	\$ 5,246,238	\$ 5,598,223	\$ 5,470,155	\$ 5,508,886
Sales Taxes	3,221,286	3,441,064	3,576,233	4,153,560	4,989,105	5,929,819	4,653,940	3,854,804	5,401,018	7,875,346
Other Local Taxes/Fees	1,391,808	1,454,048	1,577,858	1,840,505	1,761,358	2,015,097	1,822,054	1,697,810	1,935,302	1,993,321
Service Charges	115,751	156,120	395,404	508,518	569,915	673,298	672,489	686,216	796,144	835,854
License & Permits	108,231	179,325	159,732	243,508	181,020	202,790	173,148	140,046	204,745	285,195
Fines & Forfeitures	263,954	359,096	483,929	457,731	486,678	476,939	489,252	464,628	367,930	371,319
Interest from Investments	76,316	56,087	43,262	87,332	152,191	134,030	78,460	31,582	32,797	25,370
Intergovernmental Revenues	65,890	295,889	125,861	523,173	883,906	385,352	209,656	309,615	268,736	259,748
Other Income	696,132	383,376	268,167	470,072	450,333	364,548	1,711,537	657,348	1,322,070	485,357
Total Revenues	\$ 9,966,809	\$ 10,350,663	\$ 11,000,718	\$ 12,721,030	\$ 13,951,959	\$ 15,089,025	\$ 15,056,774	\$ 13,440,272	\$ 15,798,897	\$ 17,640,396
Expenditures										
General Government	\$ 1,407,802	\$ 1,325,417	\$ 1,507,579	\$ 1,458,781	\$ 1,822,669	\$ 1,551,903	\$ 1,548,379	\$ 1,596,675	\$ 1,516,231	\$ 1,684,168
Community Development	329,327	337,168	341,412	675,742	270,842	351,506	376,869	366,368	313,163	333,267
Finance	420,917	419,019	404,466	435,367	434,032	432,879	375,468	402,465	399,691	401,010
Public Safety	5,448,255	5,987,596	6,359,967	6,510,645	6,699,091	6,958,067	6,932,074	7,144,821	7,373,057	7,267,715
Public Works	2,512,175	2,734,339	3,025,606	3,243,210	3,483,003	3,532,328	3,098,509	2,945,265	2,872,241	2,868,685
Non-Departmental	0	0	0	0	0	0	20,163	0	202,193	0
Capital Outlay	1,205,046	2,706,361	1,640,257	999,920	1,508,562	827,154	2,200,960	917,862	4,533,090	3,308,994
Debt Service:										
Principal	595,074	683,191	851,768	950,260	982,345	1,077,595	1,165,913	978,483	1,039,008	1,189,641
Interest	730,644	711,676	684,057	717,684	493,067	542,350	528,907	463,946	774,173	656,586
Bond Issuance Cost	0	0	0	0	0	0	0	0	0	70,812
Total Expenditures	\$ 12,649,240	\$ 14,904,767	\$ 14,815,112	\$ 14,991,609	\$ 15,693,611	\$ 15,273,782	\$ 16,247,242	\$ 14,815,885	\$ 19,022,847	\$ 17,780,878
Excess of revenues over(under) expenditures	(2,682,431)	(4,554,104)	(3,814,394)	(2,270,579)	(1,741,652)	(184,757)	(1,190,468)	(1,375,613)	(3,223,950)	(140,482)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Other financing Sources (Uses):										
Proceeds from Bond Issues	1,908,565	0	500,000	192,959	412,220	962,020	0	1,979,525	0	3,129,660
Proceeds from Leases	0	0	0	0	0	0	0	0	0	0
Funds transferred in	2,034,854	2,111,759	2,342,345	2,711,170	3,247,876	3,626,811	3,480,751	3,338,694	3,816,647	5,543,233
Funds transferred out	(1,259,180)	(885,608)	(408,355)	(853,915)	(1,211,264)	(1,563,354)	(1,501,522)	(1,336,243)	(1,709,703)	(3,203,919)
Total Other Financing Sources(Uses)	2,684,239	1,226,151	2,433,990	2,050,214	2,448,832	3,025,477	1,979,229	3,981,976	2,106,944	5,468,974
Net Change in Fund Balances	\$1,808	(\$3,327,953)	(\$1,380,404)	(\$220,365)	\$707,180	\$2,840,720	\$788,761	\$2,606,363	(\$1,117,006)	\$5,328,492
Debt Service as a percentage of										
Noncapital Expenditures	11.58%	11.43%	11.66%	11.92%	10.40%	11.21%	12.07%	10.38%	12.51%	12.76%

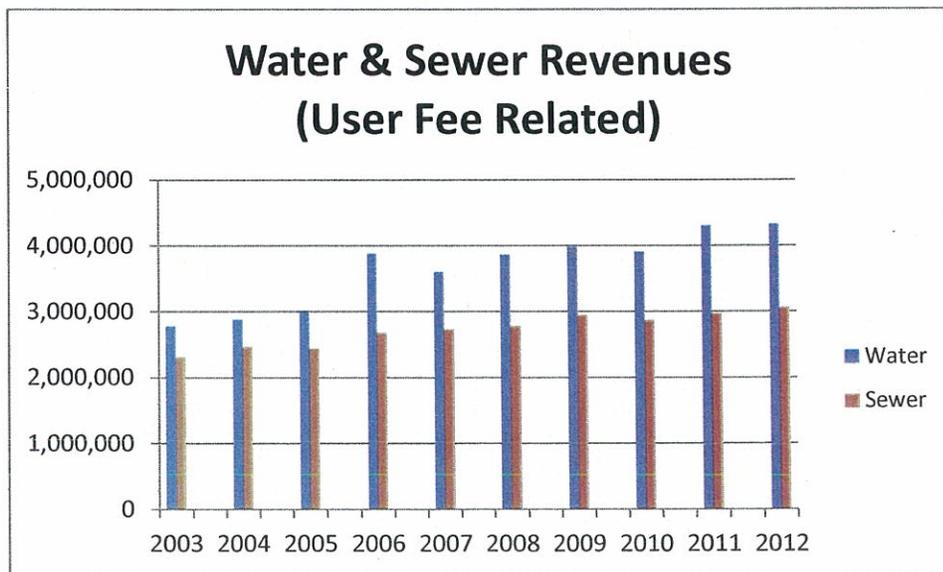
**City of Gainesville, Texas
Water and Sewer Rates-Residential
Last Ten Years**

Fiscal Year	Water Base Charge (per month)	Water Rate (per 1000 gals)	Sewer Base Charge (per month)	Sewer Rate (per 1000 gals)
2003	12.30	1.63	13.27	2.44
2004	13.28	1.76	14.33	2.64
2005	15.00	2.91	14.33	2.64
2006	15.90	3.09	15.19	2.80
2007	17.37	3.38	15.80	2.91
2008	17.37	3.38	15.80	2.91
2009	18.41	3.58	16.91	3.11
2010	18.41	3.58	16.91	3.11
2011	\$18.41	\$3.58	\$16.91	\$3.11
*2012	\$18.96	\$3.69	\$17.42	\$3.20

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
2003	2,772,476	2,315,290	\$5,087,766
2004	2,875,463	2,468,430	5,343,893
2005	3,000,823	2,446,393	5,447,216
2006	3,873,001	2,686,232	6,559,233
2007	3,599,687	2,734,583	6,334,270
2008	3,861,338	2,781,184	6,642,522
2009	3,978,644	2,951,698	6,930,342
2010	3,905,808	2,875,628	6,781,436
2011	4,300,165	2,983,965	7,284,130
2012	\$4,324,687	\$3,067,266	\$7,391,953



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

Customer	2012		2003	
	Total Consumption For Customer Rank (in gallons)	Rank	Total Consumption For Customer Rank (in gallons)	Rank
Zodiac (formerly Weber Aircraft)	19,097,600	1	8,397,120	3
Gainesville State School	11,821,000	2	13,188,000	1
Frank Buck Zoo	11,272,200	3	-	-
North Central Texas College	10,541,700	4	8,144,340	4
Pecan Tree Manor	6,496,200	5	3,929,900	10
Gainesville ISD	6,201,700	6	9,881,020	2
Poly Pipe	4,622,400	7	-	-
Woodglen Apartments	4,106,700	8	-	-
Molded Figerglass	3,720,900	9	-	-
Days Inn Motel	3,635,500	10	-	-
City of Gainesville Water Shop	-	-	4,815,800	7
Karl Klement Properties	-	-	4,560,720	8
Super 8 Motel	-	-	3,997,000	9
AEP	-	-	7,411,070	5
Gainesville Memorial Hospital	-	-	6,802,130	6
Total Water Consumption	81,515,900		71,127,100	

Source: City of Gainesville Customer Service

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

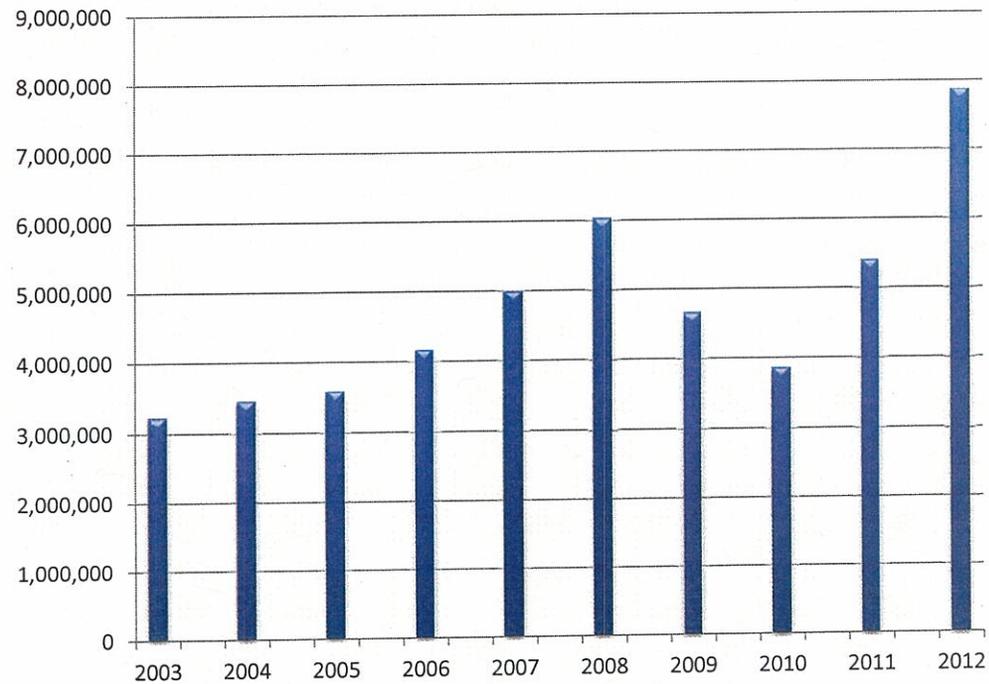
Fiscal Year	State of Texas	Cooke County	City of Gainesville	Gainesville Economic Development	Totals
2003	6.25%	0.50%	1.25%	0.25%	8.25%
2004	6.25%	0.50%	1.25%	0.25%	8.25%
2005	6.25%	0.50%	1.25%	0.25%	8.25%
2006	6.25%	0.50%	1.25%	0.25%	8.25%
2007	6.25%	0.50%	1.25%	0.25%	8.25%
2008	6.25%	0.50%	1.25%	0.25%	8.25%
2009	6.25%	0.50%	1.25%	0.25%	8.25%
2010	6.25%	0.50%	1.25%	0.25%	8.25%
2011	6.25%	0.50%	1.25%	0.25%	8.25%
2012	6.25%	0.50%	1.25%	0.25%	8.25%

Source: Texas State Comptroller's Office

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

<u>Fiscal Year</u>	<u>Sales Tax Revenue</u>
2003	3,221,286
2004	3,441,064
2005	3,576,233
2006	4,153,560
2007	4,989,105
2008	6,022,826
2009	4,653,940
2010	3,854,804
2011	5,401,018
2012	7,875,346

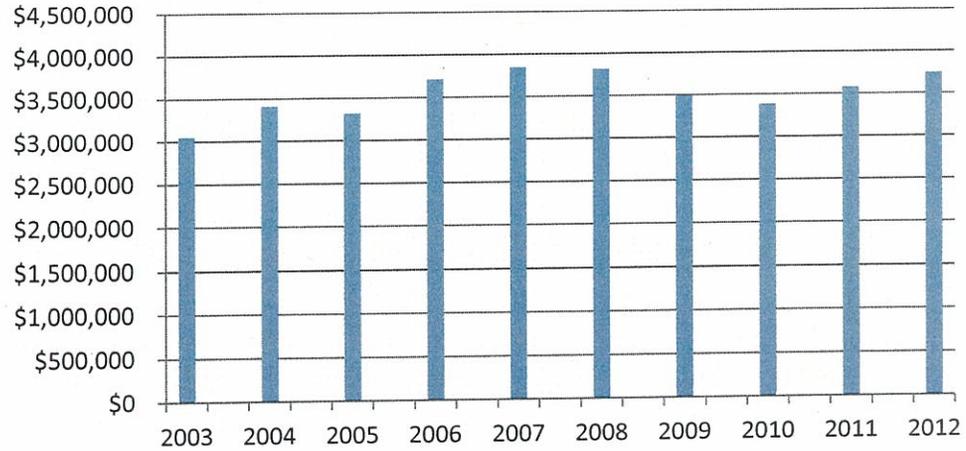
**Sales Tax Revenue
Ten Year History**



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

Fiscal Year	Charges for Service Revenues
2003	\$3,048,553
2004	3,408,370
2005	3,321,267
2006	3,710,112
2007	3,843,877
2008	3,817,914
2009	3,490,902
2010	3,386,152
2011	3,579,640
2012	\$3,743,090

Solid Waste Revenues



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

Fiscal Year	Real Property		Personal Property			Total		Total Direct Tax Rate	Ratio of Total Assessed Value To Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Exemptions	Assessed Value	Estimated Actual Value		
2003	\$ 445,252,048	\$ 445,252,048	\$ 187,495,148	\$ 187,495,148	\$ 62,151,656	\$ 570,595,540	\$ 570,595,540	0.6600	100.0%
2004	479,226,381	479,226,381	157,141,678	157,141,678	68,135,508	568,232,551	568,232,551	0.7000	100.0%
2005	518,728,498	518,728,498	169,865,063	169,865,063	78,680,466	609,913,095	609,913,095	0.7000	100.0%
2006	559,762,307	559,762,307	170,445,045	170,445,045	88,316,143	641,891,209	641,891,209	0.7000	100.0%
2007	611,842,551	611,842,551	154,205,466	154,205,466	98,372,454	667,675,563	667,675,563	0.6700	100.0%
2008	651,413,164	651,413,164	177,719,910	177,719,910	75,975,192	753,157,882	753,157,882	0.6491	100.0%
2009	687,450,674	687,450,674	239,500,016	239,500,016	118,510,775	808,439,915	808,439,915	0.6470	100.0%
2010	710,898,777	710,898,777	263,735,991	263,735,991	112,937,346	861,697,422	861,697,422	0.6470	100.0%
2011	691,998,166	691,998,166	249,495,937	249,495,937	96,853,793	844,640,310	844,640,310	0.6470	100.0%
2012	\$ 668,596,357	\$ 668,596,357	\$ 273,542,638	\$ 273,542,638	\$ 96,087,259	\$ 846,051,736	\$ 846,051,736	0.6470	100.0%

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

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

Fiscal Year	City of Gainesville			Cooke County			Gainesville School District			Other (2)			Total
	Operating Rate	Debt Service Rate	Total City Rate	Operating Rate	Debt Service Rate	Total County Rate	Operating Rate	Debt Service Rate	Total School Rate	Operating Rate	Debt Service Rate	Total Other Rate	
2003	0.4943	0.2057	0.7000	0.4450	0.0000	0.4450	1.5000	0.0750	1.5750	1.4911	0.1378	1.6289	4.35
2004	0.4943	0.2057	0.7000	0.3425	0.0000	0.3425	1.5000	0.0550	1.5550	1.5082	0.1323	1.6405	4.24
2005	0.4646	0.2354	0.7000	0.3700	0.0440	0.4140	1.5000	0.0550	1.5550	1.5128	0.1688	1.6816	4.35
2006	0.3896	0.2835	0.6730	0.3743	0.0387	0.4130	1.5000	0.0550	1.5550	1.5056	0.1804	1.6860	4.33
2007	0.36301	0.28609	0.6491	0.3399	0.0418	0.3817	1.37	0.3383	1.7083	1.3793	0.1579	1.5372	4.28
2008	0.3928	0.2542	0.6470	0.3327	0.039	0.3717	1.04	0.245419	1.285419	1.0710	0.1395	1.2105	3.51
2009	0.3822	0.2648	0.6470	0.3099	0.0350	0.3449	1.04000	0.23532	1.27532	1.1443	0.127971	1.2723	3.54
2010	0.4257	0.2213	0.6470	0.3137	0.0312	0.3449	1.04000	0.23532	1.27532	1.1468	1.1126	2.2594	4.53
2011	0.4324	0.2146	0.6470	0.3246	0.0327	0.3573	1.04000	0.23532	1.27532	1.1498	0.1003	1.2501	3.53
2012	0.4343	0.2127	0.6470	0.3413	0.0206	0.3619	1.04000	0.29432	1.33432	1.1505	0.0994	1.2499	3.59

(1) Rates expressed in amounts per \$100. Source Cooke County Appraisal District
(2) Includes North Central Texas College, Gainesville Hospital District, and Lindsay School District.

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

Taxpayer	2012			2003		
	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Schlumberger	26,962,270	1	3.19%			0.00%
Zodiac (formerly Weber Aircraft)	25,311,707	2	3.00%	27,345,078	1	4.74%
Wal-Mart	17,713,898	3	2.10%	18,259,427	3	3.17%
The Boeing Company	15,647,171	4	1.85%			0.00%
Polypipe Inc	9,256,764	5	1.10%			0.00%
Oncor Electric	7,877,280	6	0.93%			0.00%
Karl Klement Properties	7,500,063	7	0.89%			0.00%
Spraylat Corporation	6,662,224	8	0.79%	7,714,218	7	1.34%
Home Depot USA Inc	6,338,293	9	0.75%			0.00%
IFS Coatings	4,740,083	10	0.56%			0.00%
Gainesville Factory Shops	-	-	-	18,858,422	2	3.27%
A.E.P. Industries	-	-	-	13,242,021	4	2.30%
Texoma Web Offsset	-	-	-	3,365,710	10	0.58%
Southwestern Bell	-	-	-	6,090,309	8	1.06%
Oncor (TXU Electric)	-	-	-	7,844,120	6	1.36%
Glenn Polk Ford/Mercury	-	-	-	5,011,999	9	0.87%
North Texas Economics	-	-	-	10,690,004	5	1.85%
Total Assessed Valuation	\$846,051,736		15.15%	\$576,299,303		20.55%

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
2003	\$ 3,933,002	\$ 3,917,797	99.6%	\$ 90,427	\$ 4,008,224	101.9%	\$ 276,293	7.0%
2004	3,953,706	3,929,212	99.4%	79,883	4,009,095	101.4%	278,765	7.1%
2005	4,206,700	4,243,373	100.9%	87,569	4,330,942	103.0%	284,515	6.8%
2006	4,256,555	4,284,371	100.7%	59,590	4,343,961	102.1%	256,032	6.0%
2007	4,268,873	4,348,545	101.9%	64,960	4,413,505	103.4%	169,873	4.0%
2008	4,872,931	4,779,714	98.1%	82,859	4,862,573	99.8%	237,736	4.9%
2009	5,206,244	5,102,026	98.0%	79,984	5,182,010	99.5%	281,826	5.4%
2010	5,575,182	5,462,636	98.0%	74,116	5,536,752	99.3%	291,174	5.2%
2011	5,501,321	5,324,885	96.8%	41,350	5,366,235	97.5%	238,549	4.3%
2012	\$ 5,438,721	\$ 5,383,582	99.0%	\$ 0	\$ 5,383,582	99.0%	\$ 233,459	4.3%

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

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

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

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

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
2003	15,538	\$ 570,595,540	\$ 6,971,113	\$ 109,706	\$ 6,861,407	1.20%	\$ 441.59
2004	15,538	568,232,551	6,700,775	114,571	6,586,204	1.16%	423.88
2005	15,538	609,913,095	6,948,568	-9,147	6,957,715	1.14%	447.79
2006	15,538	641,891,209	6,637,059	361	6,636,698	1.03%	427.13
2007	15,538	667,675,563	8,828,370	227,401	8,600,969	1.29%	553.54
2008	15,538	753,157,882	8,397,156	367,712	8,029,444	1.07%	516.76
2009	15,538	808,439,915	7,884,844	495,975	7,388,869	0.91%	475.54
2010	16,002	861,697,422	7,426,912	682,392	6,744,520	0.78%	421.48
2011	16,002	844,640,310	11,786,754	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

**City of Gainesville, Texas
 Computation of Direct and Overlapping Bonded Debt
 General Obligation Bonds
 September 30, 2012**

Jurisdiction	Total Debt Outstanding	Estimated Percent Applicable	Direct and Overlapping Funded Debt As of 9/30/12
City of Gainesville	\$21,579,312	100.00%	\$21,579,312
<i>Overlapping Debt:</i>			
Cook County	\$8,130,000	33.19%	\$2,698,347
Gainesville ISD	\$35,510,588	99.39%	\$35,293,973
Gainesville Hospital District	\$23,645,000	36.63%	\$8,661,164
North Central Texas Community College	\$8,090,000	36.21%	<u>\$2,929,389</u>
Subtotal Overlapping Debt	<u>\$75,375,588</u>		<u>\$49,582,873</u>
Total Direct and Overlapping Debt	<u><u>\$96,954,900</u></u>		<u><u>\$71,162,185</u></u>

Ratio of direct and overlapping bonded debt to taxable assessed valuation 7.24%

Per capita direct and overlapping bonded debt \$ 4,447

Source: First Southwest Company

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$63,275	\$63,637	\$68,859	\$73,021	\$76,605	\$75,316	\$80,844	\$86,170	\$84,464	\$84,605
Total Net Debt Applicable to Limit	8,730	8,395	14,526	14,002	17,816	22,394	20,999	19,462	17,790	17,500
Legal Debt Margin	\$54,545	\$55,242	\$54,333	\$59,019	\$58,789	\$52,922	\$59,845	\$66,708	\$66,674	\$67,105
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	13.80%	13.19%	21.10%	19.18%	23.26%	29.73%	25.97%	22.59%	21.06%	20.68%

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value	\$751,711
Add back: exempt real property	\$94,341
Total assessed value	<u>\$846,052</u>
Debt limit (10% to total assessed value)	\$84,605
Debt applicable to limit:	
General Obligation bonds	\$18,523
Less: Amount set aside for repayment of GO debt	<u>\$1,023</u>
Total net debt applicable to limit	<u>\$17,500</u>
Legal Debt Margin	<u><u>\$67,105</u></u>

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

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

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
2003	\$ 5,804,996	\$ 4,494,676	\$ 1,310,320	\$ 0	\$ 0	\$ 0	N/A
2004	6,453,043	4,607,943	1,845,100	0	0	0	N/A
2005	5,801,020	4,552,328	1,248,692	0	0	0	N/A
2006	6,856,638	4,827,767	2,028,871	0	0	0	N/A
2007	6,751,226	4,567,308	2,183,918	0	0	0	N/A
2008	7,356,384	4,689,945	2,666,439	0	0	0	N/A
2009	7,275,853	4,695,861	2,579,992	0	0	0	N/A
2010	7,111,950	4,700,147	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

(1) Total revenues, including interest.

(2) Total operating expenses excluding depreciation and transfers

(3) Includes principal and interest of revenue bonds only. General obligation bonds reported in the Water and Sewer Fund are not included.

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

Fiscal Year	Official Population (1)	Personal Income (4)	Per Capita Personal Income	Median Age (4)	School Enrollment (3)	Education Percent High School & Up (4)	Unemployment Rate (2)
2003	15,538	254,900,890	16,405	34	2,993	51.78%	5.40%
2004	15,538	256,703,298	16,521	34	2,984	51.82%	3.70%
2005	15,538	264,969,514	17,053	34	3,099	56.87%	4.38%
2006	15,538	276,762,856	17,812	34	3,025	---	4.00%
2007	15,538	291,057,816	18,732	34	2,951	---	3.90%
2008	15,538	295,190,924	18,998	34	2,851	57.32%	3.80%
2009	15,538	295,190,924	18,998	34	2,648	57.32%	6.80%
2010	16,002	327,752,964	20,482	34	2,771	77.90%	6.20%
2011	16,002	321,632,537	20,100	36	2,764	72.20%	5.10%
2012	16,002	316,599,570	19,785	33	2,787	72.85%	4.00%

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

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

City of Gainesville, Texas
 Ten Largest Employers
 Fiscal Year 2012 and 2003

Employer	2012			2003		
	Number of Employees FTE	Rank	Percent of Total County Employment	Number of Employees FTE	Rank	Percent of Total County Employment
WinStar Casino	2898	1	14.62%	-	-	-
Zodiac (formerly Weber Aircraft)	1600	2	8.07%	700	1	3.75%
WalMart	427	3	2.15%	450	2	2.41%
Gainesville State School	387	4	1.95%	340	4	1.82%
Gainesville ISD	380	5	1.92%	-	-	-
North Central Texas College	362	6	1.83%	220	7	1.18%
Select Energy Services	350	7	1.77%	-	-	-
North Texas Medical Center	275	8	1.39%	-	-	-
Cooke County	224	9	1.13%	185	8	0.99%
Complete Energy	212	10	1.07%	-	-	-
Gainesville Factory Shops	-	-	-	400	3	2.14%
Gainesville Memorial Hospital	-	-	-	310	5	1.66%
City of Gainesville	-	-	-	238	6	1.27%
Molded Fiberglass	-	-	-	165	9	0.88%
CSR Poly-Pipe	-	-	-	135	10	0.72%
Totals	7,115		35.89%	3,143		16.82%
Total Employment Cooke County	19,827			18,687		

Note: City-wide employment totals are not available. Therefore, the County totals are used.

Source: Gainesville Economic Development Corporation

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

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government	7	7	13	13	13	14	12	12	12	13
Economic Development	1	1	1	1	2	4	4	4	5	5
Community Services	9	9	6	5	5	6	5	5	3	5
Finance	5	5	5	5	5	5	4	4	4	4
Police	59	58	57	55	55	55	53	53	53	55
Fire	41	41	41	41	41	42	42	42	42	42
Public Works	52	44	44	36	37	---	---	---	---	---
Streets	---	---	---	---	---	11	7	8	7	7
Garage	---	---	---	---	---	5	4	4	4	4
Parks	---	---	---	---	---	14	13	13	13	18
Cemetery	---	---	---	---	---	5	5	5	5	5
Golf Course	8	7	7	9	9	9	8	8	7	7
Frank Buck Zoo	---	12	13	14	14	14	14	14	14	15
Water	23	23	23	24	24	28	21	21	20	21
Wastewater	19	19	19	18	18	18	18	18	17	17
Airport	3	3	3	3	3	4	3	3	3	3
Stormwater Utility	2	2	2	4	4	4	2	2	2	2
Solid Waste - Collection	22	12	12	13	13	12	12	12	12	13
Solid Waste - Disposal	7	6	6	5	5	5	3	3	2	2
Total	258	249	252	246	248	255	230	231	225	238

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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Calls for Service	25,562	29,345	32,283	35,286	31,350	30,830	36,480	39,749	41,769	49,630
Arrests	1,298	1,433	1,623	1,579	1,545	1,318	913	906	1,450	1,005
Municipal Court										
Cases Filed	4,630	5,325	6,537	6,078	5,480	6,157	6,438	5,264	6,328	5,061
Cases Disposed	5,827	5,372	6,891	6,056	6,095	5,867	6,433	6,434	5,854	5,035
Class C Warrants Filed	2,353	1,905	1,685	1,449	2,191	1,674	1,719	1,656	2,007	1,466
Juvenile Cases Filed	285	297	308	376	322	449	321	224	225	316
Fire										
Number of calls	733	677	824	890	791	761	667	711	958	793
Number of fires	147	120	199	208	108	137	136	120	195	154
Rescue/EMS incidents	84	94	126	112	146	140	165	173	224	185
Streets										
Potholes Patched	1,042	2,355	2,979	2,644	3,259	4,465	4,146	5,498	6,167	6,509
Storm drains cleaned	705	1,590	344	539	1,192	967	564	153	126	135
Miles of streets swept	---	---	---	1,240	1,068	1,052	711	527	613	447
Golf Course										
Rounds of golf	---	---	---	14,051	10,654	16,619	15,337	11,340	10,739	5,001
Community Development										
Building Permits	567	613	572	1,226	808	994	775	916	1,069	1,156
Value of Building Projects (in thousands)	24,024	16,187	27,835	20,949	8,429	14,625	1,350	3,008	6,170	15,604
Number of Inspections	1,517	1,847	1,628	1,859	2,897	1,742	1,265	1,074	1,590	1,950
Finance										
Number of invoices paid	8,656	7,773	7,419	6,935	6,734	6,760	6,295	6,467	6,723	6,833
Received CAFR award	Yes									
Received Budget Presentation award	N/A	Yes	Yes	Yes						
Number of Payroll checks prepared	6,667	6,721	6,726	6,584	6,134	6,215	6,023	6,080	6,154	5,839
Water System										
Number of water customers	6,008	---	5,938	6,097	6,015	6,022	6,089	6,079	6,065	6,121
New Connects	1,225	1,337	1,431	1,336	1,247	1,472	1,398	1,420	1,342	1,345
Daily average water consumption (mil gls)	2.6	2.6	2.6	2.6	1.9	2.4	2.2	2.4	2.0	2.4
Maximum daily pumping capacity (mil gls)	6.8	6.8	6.8	6.8	6.9	6.5	4.9	6.8	6.8	6.8
Maximum storage capacity (mil gls)	4.9	4.9	4.9	4.9	3.8	3.8	3.8	3.8	3.8	3.8
Wastewater System										
Number of wastewater customers	5,717	---	5,764	5,929	5,724	5,738	5,775	5,918	5,879	5,773
Daily average treatment(mil gls)	2.8	2.8	2.8	1.6	1.5	1.3	1.4	1.5	1.4	1.4
Maximum daily treatment capacity(mil gls)	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Airport										
Gallons of aviation fuel pumped	310,432	261,659	261,815	255,544	292,994	287,528	235,378	230,375	248,265	236,813

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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	---	---	---	9	15	15	15	15	16	12
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Fire Hydrants	700	800	850	850	850	850	850	850	968	825
Fire Vehicles	13	13	13	13	13	13	13	13	13	13
Streets										
Miles of streets	117	117	120	120	120	120	132	129.71	129.71	129.71
Miles of streets maintained by City	89	89	90	90	92	92	86	96	96	96
Street Lights	1403	1452	1494	1506	1506	1565	1565	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	215	215	202	202	202	202	202	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	120	120	124	124	124	130	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	130	130	132	132	132	132	132	132	132	134
Miles of storm drainage mains	6	6	6	6	8	9	10	10	10	10
Number of Wastewater Treatment Plants	1	1	1	1	1	1	1	1	1	1

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2011
Sanitation										
Collection Trucks	---	14	14	14	14	14	13	9	12	12
Long Haul Trucks	4	5	5	5	5	5	5	4	4	4
Heavy Equipment Units	7	7	7	7	7	7	4	6	5	5
Vehicles	---	---	---	---	---	2	2	4	4	4
Carts (1)	0	0	0	0	0	0	400	5743	5891	5857
Airport										
Airport acreage	1270	1270	1336	1336	1336	1312	1308	1308	1317	1317
Number of runways	2	2	2	2	2	2	2	2	2	2
Number of hangars	4	4	4	4	4	4	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 "---".



Compliance Reports



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

To the Mayor & City Council of the
City of Gainesville

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of City of Gainesville, as of and for the year ended September 30, 2012, which collectively comprise the City of Gainesville's basic financial statements and have issued our report thereon dated January 31, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Schalk & Smith P.C.
January 31, 2013