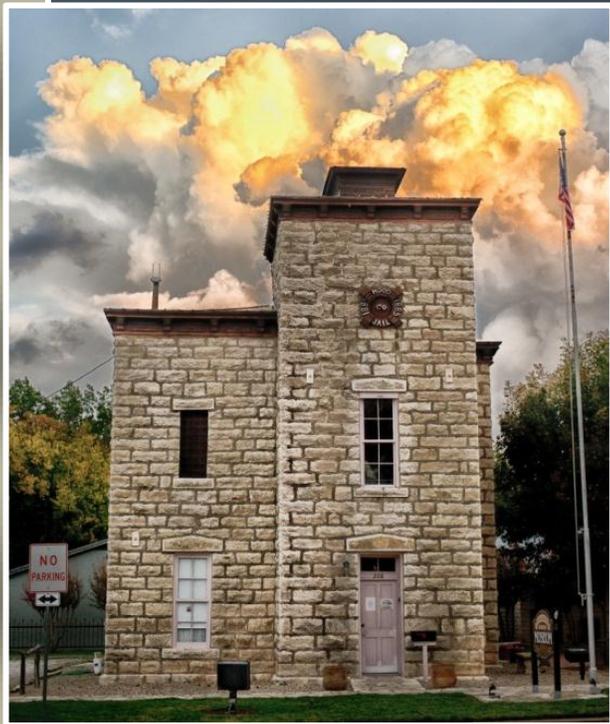
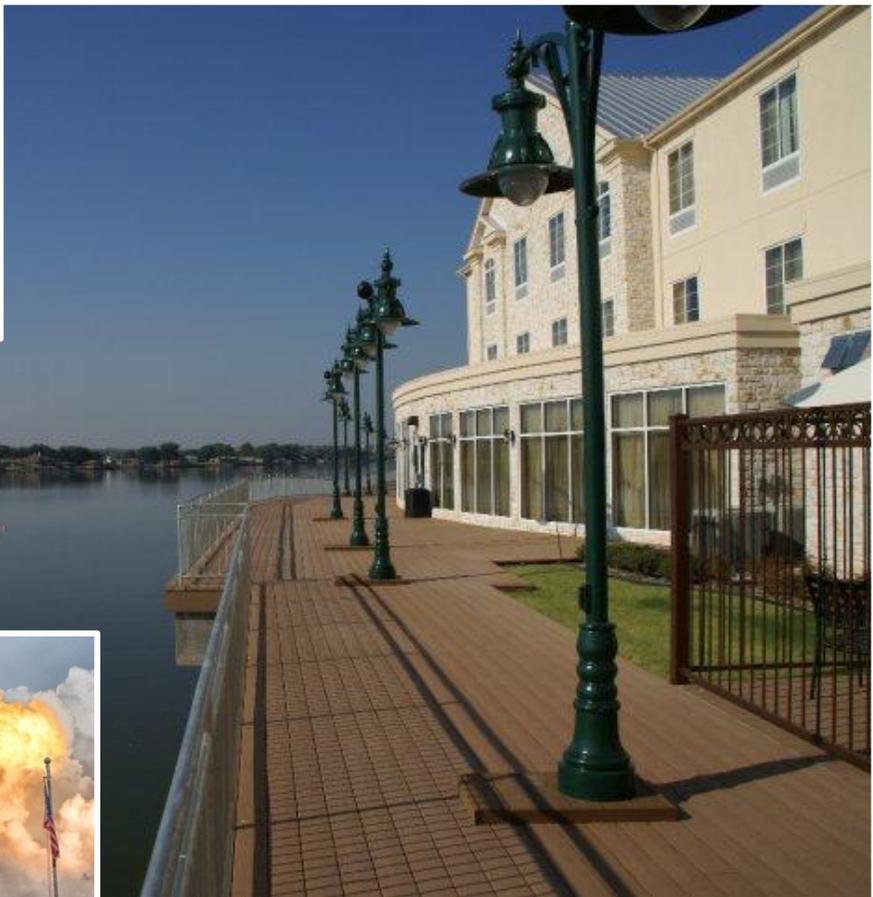


CITY OF GRANBURY, TEXAS



Comprehensive Annual Financial Report
for Fiscal Year Ended September 30, 2011

CITY OF GRANBURY, TEXAS

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Year Ended September 30, 2011

Prepared by the Finance Department.

CITY OF GRANBURY, TEXAS
Annual Financial Report
For the Year Ended September 30, 2011

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116 West Bridge Street • Granbury, Texas 76048 • 817-573-1114

February 27, 2012

Honorable Mayor and City Council
City of Granbury, Texas

Dear Mayor and City Council:

The City Manager's Office is pleased to present the Comprehensive Annual Financial Report for the City of Granbury, Texas for the fiscal year ended September 30, 2011.

This report is published to provide the City Council, citizens, bondholders, City staff and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

To the best of our knowledge and belief the enclosed data is accurate in all respects, and is organized in a manner designed to fairly present the financial position and results of operations of the City measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

THE REPORT

The reporting model issued by the Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). We believe our presentation provides better information to users of the comprehensive annual financial report. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Granbury's MD&A can be found immediately following the independent auditor's report.

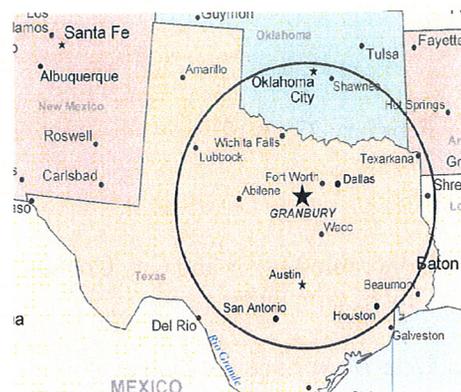
This report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, a listing of the City Officials and an organizational chart of the City. The financial section includes the MD&A, Government-wide and Major Fund presentations, Required Supplementary Information, Combining and Individual Fund Statements and schedules, as well as the independent auditors' report on the basic financial statements. The statistical section includes financial and demographic information, usually presented on a multi-year basis that is relevant to the financial statement reader.

CITY PROFILE

Location

Granbury is located in the heart of north Texas in Hood County and is home to approximately 8,030 people, and serves as the center of commerce and recreation to over 51,182 county residents according to the most recent census (2010).

Granbury is a Home Rule Charter City and operates under a Council-Manager form of government. The City Council is comprised of a mayor and five council members and is responsible for enacting ordinances, resolutions, and regulations governing the City, as well as appointing the members of various statutory and advisory boards, the City Manager, City Attorney, City Secretary and a Municipal Judge. The City Manager is appointed by the City Council and is responsible for the enforcement of laws and ordinances, the appointment and supervision of the directors, and department heads, and the performance of functions within the municipal organization.



The basic Financial Statements of the City include all governmental activities, organizations and functions for which the City is financially accountable as defined by the Governmental Accounting Standards Board (GASB). Based on these criteria no other governmental organizations are included in this report.

Services Provided

The City provides to its citizens those services that have proven to be necessary and meaningful and which the City can provide at the least costs to its citizens. Major services provided under the general government and enterprise functions are: police and fire protection, electric, water and sewer utility services, park and recreational facilities, street and sidewalk improvements and administrative services, supported by fleet maintenance, building maintenance operations, and information technology. Internal service of the City is the self-funded health insurance plan.

ECONOMIC CONDITIONS AND OUTLOOK

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

Regional Economy

The Dallas-Fort Worth Metroplex (DFW) has shown relatively stronger economic growth over the past three years than most cities. Granbury is only 30 miles from the Metroplex, which is also experiencing strong expansion and growth activity. Hood County has enjoyed a robust employment environment for the past three years. The City's hometown atmosphere combined with an aggressive development attitude is producing results. In addition, the regional economy has enjoyed a continuing catalyst for growth with the introduction of significant drilling for natural gas in the Barnett Shale reserves discovered in North Central Texas. Although drilling activity has slowed due to the national economic recession, the natural gas reserves in this area should supply significant economic stimulus for many decades to come.

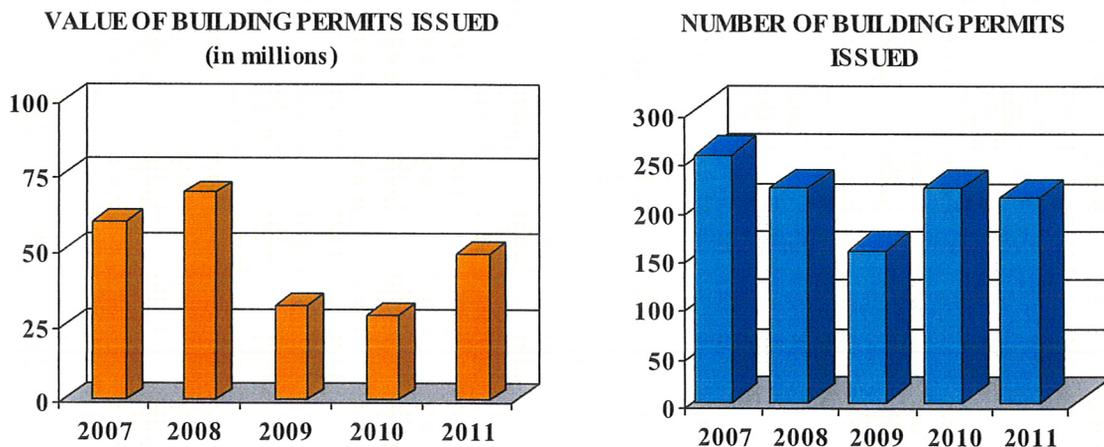
Granbury's Position in the Region

Granbury is the financial hub not only of Hood County but the surrounding area. Granbury continues to boost its tax base with expanded retail/commercial opportunities, gas exploration activity, and housing growth. Customers from a 30-mile radius come to Granbury to shop. The latest census figures show there are almost 30,000 people that live within 5 miles, 40,000 people that live within 10 miles and 130,000 people that live within 20 miles of Granbury. The stability of Wal-Mart Supercenter, Home Depot, Lowe's Home Improvement Center, and Chick-fil-A continues to be a catalyst for growth in the regional economy. H-E-B, Race Trac, and Panda Express opened during the year which provided a retail boost for the City. These establishments, along with other restaurants, banks, supermarkets, motels and retail stores located along U.S. Highway 377 and in other sections of the City, provide outlets to meet any of the needs of area residents as well as providing a solid retail sales base for the City. Granbury's historical downtown district with its shopping, bed and breakfasts, and other attractions also serve the area well by drawing tourists to Granbury from outside the region which helps maintain the healthy economy of the City. The City's Tourism Department actively and aggressively promotes the City's attractions to the state and even nationally.

The City's 18,000-square-foot Resort Conference Center adjacent to the Hilton Garden Hotel continues to classify Granbury as a destination for meetings and conferences. This supplies a real stimulus to the Granbury economy during the week as well as on the weekends by creating tourism and sales tax collections that would not have been realized if the city had not developed this beautiful conference center on the lake.

The following facts reflect Granbury's economic condition and outlook:

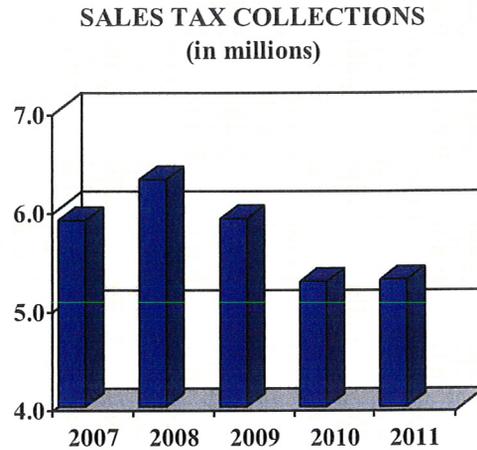
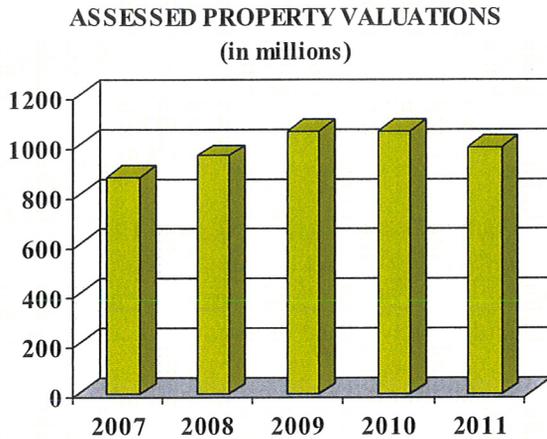
Property valuations decreased by about \$59,029,729 (-5.6%) for the upcoming 2011 Tax Year to \$992,134,911. Existing development values were flat or slightly down. However, development continues in lakefront areas such as the Harbor Lakes and Catalina Bay developments, and in other residential housing developments. Additionally, there are some new potential development opportunities that are in process which should help the City of Granbury maintain a stable property valuation. The value of building permits for new construction increased significantly from the previous year, despite the slight decrease in the number of building permits issued. This revenue will contribute to the further development of the Highway 377 business area.



The City's property tax rate of \$.4039 remained the same for Tax Year 2011. The City has not had a tax rate increase since 1997, which reflects a constant desire by the City Council to keep city taxes as low as possible in these trying economic times.

Sales tax collections in Fiscal Year 2010/2011 are up by 9% compared to the prior year. Additionally, budgeted sales tax collections have been projected to increase by 4% for Fiscal Year 2011/2012 over 2010/2011 actual collections.

Economic trends for major income types are:



FINANCIAL INFORMATION

Accounting System and Budgetary Control

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the 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 are maintained on the accrual basis.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets. 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 evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City Charter provides that the City Council shall adopt the annual budget prepared by the City Manager. This budget is reviewed by the City Council and is formally adopted by the passage of a budget ordinance. The City Manager is authorized to transfer budgeted amounts between line items and

departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budgetary control has been established at the individual fund and department level. Financial reports are produced showing budget and actual expenditures by line item, and are distributed monthly to City departmental management and to others upon request.

Individual line items are reviewed and analyzed for budgetary compliance. Personnel expenditures are monitored and controlled at a position level and capital expenditures are monitored and controlled item by item. Revenue budgets are reviewed monthly.

In addition, the City has implemented a five-year strategic plan process that projects full line-item and capital expenditure detail for all departments. The first year of this strategic plan is utilized as a starting basis for the annual budget.

Cash Management

As of February 1, 2011, the City's depository contract is with First National Bank of Granbury. It is a three-year relationship period with two one-year extension options, set to expire on January 31, 2014. The City has the option each year to choose the interest rate calculation for the year from two choices:

- Fixed rate of .60%
- Variable rate equal to the 90-day ask rate of US Treasury Bills, though not to fall below .20% nor to exceed 2.00%

The remaining idle cash is invested in government securities and government investment pools as allowed by State of Texas Statutes and by the City's investment policy.

The average balance of the City's investment portfolio for Fiscal Year 2010/11 was approximately \$10,401,600. The overall portfolio provided \$13,464 in investment income, which represents interest revenue net of realized gain and unrealized gains and losses and investment expenses.

It is the City's policy that all demand deposits and time deposits will have a collateralization level of not less than 102% of market value of principal and accrued interest, less an amount of \$250,000, which represents insurance by the FDIC or FSLIC on certain types of bank deposits. Evidence of pledged collateral shall be documented by a safekeeping or a master repurchase agreement with the collateral pledged clearly listed in the agreement and safekeeping confirmations. Collateral is monitored monthly to ensure that the market value of the pledged securities equals or exceeds the related deposit or investment balance. A Finance Committee consisting of the City Manager, Finance Director and Assistant Finance Director meets periodically to determine general investment strategies, monitor results and to review quarterly and annual investment reports.

These reports reflect all investments sorted by type of asset and describe the position of the portfolio on the date of the report by comparing book values versus market values and the unrealized gain or loss at the end of the period.

All investments transacted by the City are purchased using the delivery versus payment method. That is, funds are not wired or paid until verification has been made that the correct security has been received by the Custodian. Securities are held in the name of the City or held on behalf of the City. The original copy of the safekeeping statements is delivered to the City.

The City will not accept as depository collateral any security that is not specifically allowed to be held as a direct investment by the City's portfolio, and the maximum maturity of the collateral securities may be no greater than five years. Collateral is held by an independent third party with whom the depository bank has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) is supplied to the City and retained. The safekeeping institution will be the Federal Reserve Bank, Federal Home Loan Bank, or an institution not affiliated with the depository bank or the broker/dealer pledging the security. The safekeeping agreement includes the authorized signatories of the City and the depository bank.

All collateral shall be subject to verification and audit by the Finance Director or the City's independent auditors.

Long-Term Financing

The City intends that the length of any long-term financing matches the life of assets purchased with the financing. The City will generally use lease-purchase options for purchases of larger pieces of equipment with an expected useful life of at least five years. Certificates of obligation or bonded indebtedness are issued for projects and other significant capital improvements with longer useful lives. On June 1, 2011, the City issued the General Obligation Refunding Bonds, Series 2011 to refund issues 2001, 2003, 2004 and Series 2005.

Tax Appraisal/Collection Responsibilities

Under Texas law enacted in 1979, and subsequent revisions to the State Property Tax Code, the appraised value of taxable property in Granbury is established by Hood County Appraisal District. The City of Granbury and the other taxing jurisdictions in Hood County provide a pro-rata share of the budgeted expenditures incurred by the Appraisal District, based upon individual levy. The Appraisal District also provides for tax collection services for the City and the other taxing jurisdictions in Hood County.

OTHER INFORMATION

Independent Audit

Section 7.13 of the City Charter requires the City Council to direct that an independent annual audit be made of all accounts of the City. This requirement has been complied with, and the independent auditor's report has been included in this report.

It should be noted that the auditors included all funds in their audit, performed their audit in accordance with generally accepted auditing standards, and stated that, in their opinion, the statements herein present fairly, in all material aspects, the financial position of the City at September 30, 2011, and the results of its operations and the cash flows of its proprietary fund type for the year ended in conformity with accounting principles generally accepted in the United States of America.

Certificate of Achievement

The Government Finance Officers Association of the United States of America and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Granbury for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2010.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Granbury has received a Certificate of Achievement for ten consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Appreciation is expressed to City employees throughout the organization, especially those employees who were instrumental in the successful completion of this report.

The staff would like to thank the members of the City Council for their conservative leadership and their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Wayne McKethan
City Manager

CITY OF GRANBURY, TEXAS

MAYOR
Rickie Pratt

MAYOR PRO-TEM
Mickey Parson

COUNCIL MEMBERS
Laurel Pirkle
Mitch Tyra
Tony Allen
Nin Hulett

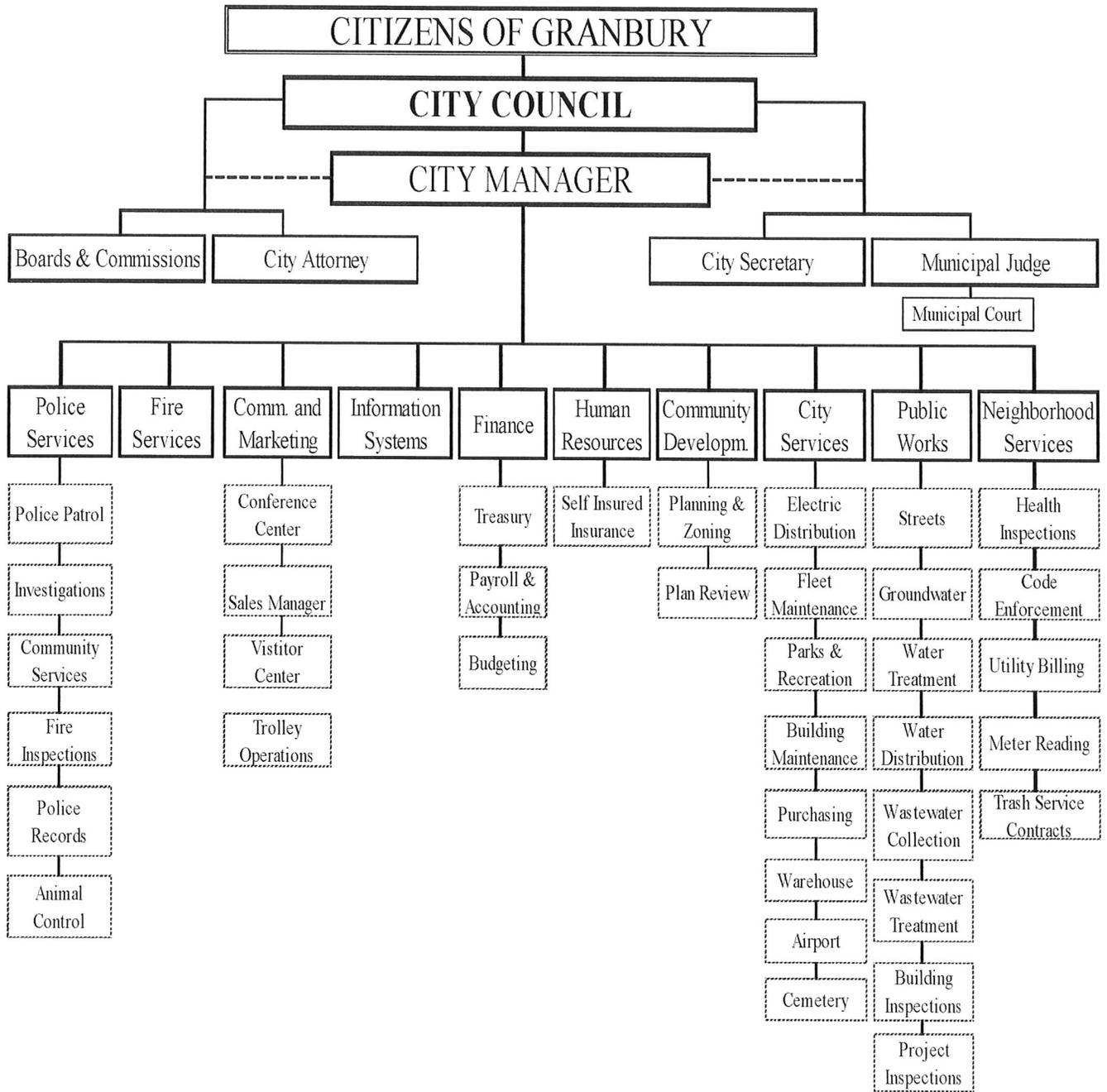
CITY MANAGER
Wayne McKethan

DEPARTMENT DIRECTORS

Ben Macon
Scott Sopchak
Dee Arcos
Wayne McKethan
Keith Callahan
Alva Cox
Mitch Galvan
Becky Mauldin

Municipal Court Judge
Community Development
City Secretary
Finance
City Services
Public Works
Police Chief
Neighborhood Services

Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Granbury
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

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



Linda C. Dandison

President

Jeffrey R. Emen

Executive Director

Independent Auditor's Report

To the Honorable Mayor and City Council
City of Granbury
Granbury, Texas

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of City of Granbury, Texas (the "City"), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 19 to the financial statements, the City adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 management's discussion and analysis on pages 3 – 14, budgetary comparison schedule – general fund on page 56, Texas

Municipal Retirement System Schedule of Funding Progress on page 57, Volunteer Fire Fighter's Retirement Fund Schedule of Funding Progress on page 58 and Retiree Health Care Plan Schedule of Funding Progress on page 59 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 combining nonmajor funds financial statements and individual fund schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor funds financial statements and individual fund 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 taken as a whole.

The introductory section and statistical information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the City. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

George, Morgan & Sneed, P.C.

George, Morgan & Sneed, P.C.
Weatherford, Texas
February 27, 2012

CITY OF GRANBURY, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2011

As management of the City of Granbury, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Granbury exceeded its liabilities at the close of the most recent fiscal year by \$55,946,257 (Net Assets). Of this amount \$10,942,973 (Unrestricted Net Assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net assets increased by \$2,342,870.
- As of the close of the current fiscal year, the City of Granbury's governmental funds reported combined ending fund balances of \$13,007,118.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,830,560 or 41% of the total General Fund expenditures.
- At the end of the current fiscal year, unrestricted net assets for the Utility Fund was \$4,381,608, or 30% of total Enterprise Fund operating expenses, excluding depreciation expense.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's 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 other supplementary information in addition to the basic financial statements themselves.

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

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are

intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government and administration, public safety, development services, and cultural and recreation. The business-type activities of the City include water, sewer, electric and airport operations.

The government-wide financial statements can be found on Exhibits A-1 and B-1 of this report.

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

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

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

The City maintains five (5) 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, Debt Service Fund and Capital Projects Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on Exhibits C-1 through C-4 of this report.

Proprietary Funds – The City maintains two different types of proprietary funds. 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, sewer, electric and airport operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its self-funded health insurance. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Municipal Utility, which is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on Exhibits D-1 through D-3 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on Exhibit E-1 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-55 of this report.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve, over time, as a useful indicator of a government’s financial position. In the case of the City of Granbury, assets exceeded liabilities by \$55,946,257 as of September 30, 2011.

The largest portion of the City’s net assets (77%) reflects its investment in capital assets (e.g., land, buildings, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net assets (4%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$10,942,973) may be used to meet the government’s ongoing obligations to citizens and creditors.

As of September 30, 2011, the City is able to report positive balances in three categories of net assets, for the government as a whole, as well as for its separate categories – governmental and business-type activities.

Below are summaries of the City’s Statement of Net Assets and Statement of Activities.

Condensed Statement of Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 15,592,520	\$ 15,791,225	\$ 7,995,103	\$ 6,394,730	\$ 23,587,623	\$ 22,185,955
Capital assets	43,371,328	45,950,173	34,935,585	34,336,756	78,306,913	80,286,929
Total Assets	<u>58,963,848</u>	<u>61,741,398</u>	<u>42,930,688</u>	<u>40,731,486</u>	<u>101,894,536</u>	<u>102,472,884</u>
Current liabilities	722,307	1,095,748	1,490,822	1,484,104	2,213,129	2,579,852
Long-term liabilities	28,013,891	30,204,327	15,721,259	16,085,318	43,735,150	46,289,645
Total liabilities	<u>28,736,198</u>	<u>31,300,075</u>	<u>17,212,081</u>	<u>17,569,422</u>	<u>45,948,279</u>	<u>48,869,497</u>
Net Assets:						
Invested in capital assets						
net of related debt	23,554,937	24,835,034	19,309,403	18,342,485	42,864,340	43,177,519
Restricted	196,278	124,151	1,942,666	1,885,682	2,138,944	2,009,833
Unrestricted	6,476,435	5,482,138	4,466,538	2,933,897	10,942,973	8,416,035
Total Net Assets	<u>\$ 30,227,650</u>	<u>\$ 30,441,323</u>	<u>\$ 25,718,607</u>	<u>\$ 23,162,064</u>	<u>\$ 55,946,257</u>	<u>\$ 53,603,387</u>

Below is a summary of the City's Statement of Activities.

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Program revenues:						
Charges for services	\$ 1,763,054	\$ 1,941,560	\$ 19,302,194	\$ 16,953,312	\$ 21,065,248	\$ 18,894,872
Operating grants and contributions	148,656	158,834	550	-	149,206	158,834
Capital grants and contributions	933,906	3,283,441	824,842	1,592,694	1,758,748	4,876,135
General revenues:						
Property taxes	4,196,466	4,206,922	-	-	4,196,466	4,206,922
Sales taxes	5,821,793	5,316,603	-	-	5,821,793	5,316,603
Hotel/Motel Occupancy Taxes	521,802	470,439	-	-	521,802	470,439
Franchise taxes	1,513,743	1,222,860	-	-	1,513,743	1,222,860
Investment earnings	42,066	24,870	9,384	5,493	51,450	30,363
Gain on sale of capital assets	-	-	-	-	-	-
Other Revenue	115,286	158,579	-	-	115,286	158,579
Total revenues	<u>15,056,772</u>	<u>16,784,108</u>	<u>20,136,970</u>	<u>18,551,499</u>	<u>35,193,742</u>	<u>35,335,607</u>
Expenses						
City Council	152,731	225,919			152,731	225,919
Legal	205,008	144,289			205,008	144,289
Executive	499,745	416,556			499,745	416,556
Financial Administration	404,622	424,976			404,622	424,976
Purchasing	137,020	132,702			137,020	132,702
Social Services	41,000	34,298			41,000	34,298
Management Information Services	394,332	407,861			394,332	407,861
Economic Development	67,779	48,421		100,000	67,779	148,421
Human Resources	237,602	223,715			237,602	223,715
Warehouse	74,439	110,629			74,439	110,629
Fleet Maintenance	150,357	165,006			150,357	165,006
Building Maintenance	142,075	136,129			142,075	136,129
Granbury Public TV Channel 27	118,649	22,122			118,649	22,122
Other governmental functions	582,194	619,167			582,194	619,167
Police	3,139,889	3,111,360			3,139,889	3,111,360
Fire	438,683	397,649			438,683	397,649
Municipal Court	223,508	199,089			223,508	199,089
Streets	1,916,176	1,707,849			1,916,176	1,707,849
Public Works	260,357	354,982			260,357	354,982
Community Development	618,122	750,951			618,122	750,951
Airport		533,592	660,769		660,769	533,592
Cemetery	49,376	47,334			49,376	47,334
Tourism	943,788	200,396			943,788	200,396
Parks	1,938,169	1,953,211			1,938,169	1,953,211
Conference Center	776,819	1,480,106			776,819	1,480,106
Interest and fiscal charges	1,256,281	1,367,112			1,256,281	1,367,112
Water treatment and distribution	-	-	4,115,663	4,222,067	4,115,663	4,222,067
Wastewater collection and treatment	-	-	2,159,833	2,132,893	2,159,833	2,132,893
Electricity	-	-	11,145,886	10,831,153	11,145,886	10,831,153
Total expenses	<u>14,768,721</u>	<u>15,215,421</u>	<u>18,082,151</u>	<u>17,286,113</u>	<u>32,850,872</u>	<u>32,501,534</u>
Increase (decrease) in net assets before transfers	288,051	1,568,687	2,054,819	1,265,386	2,342,870	2,834,073
Transfers	373,830	351,076	(373,830)	(423,823)	-	(72,747)
Increase (decrease) in net assets	661,881	1,919,763	1,680,989	841,563	2,342,870	2,761,326
Net Assets October 1 (Restated Note 19)	29,565,769	28,521,560	24,037,618	22,320,501	53,603,387	50,842,061
Net Assets September 30	<u>\$ 30,227,650</u>	<u>\$ 30,441,323</u>	<u>\$ 25,718,607</u>	<u>\$ 23,162,064</u>	<u>\$ 55,946,257</u>	<u>\$ 53,603,387</u>

Governmental Activities. Governmental activities increased the City's net assets by \$661,881 compared with a \$1,919,763 increase in the prior year. Total governmental activities revenues decreased \$1,727,336 (10%) to \$15,056,772. Total governmental activities expenses decreased \$446,700 (3%) from the prior year. Key elements of these changes are as follows.

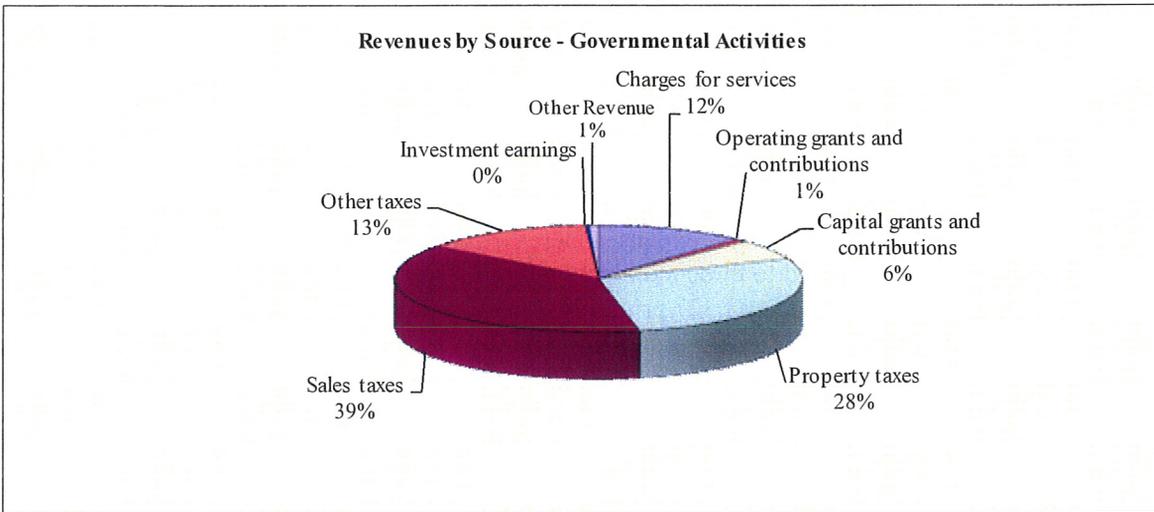
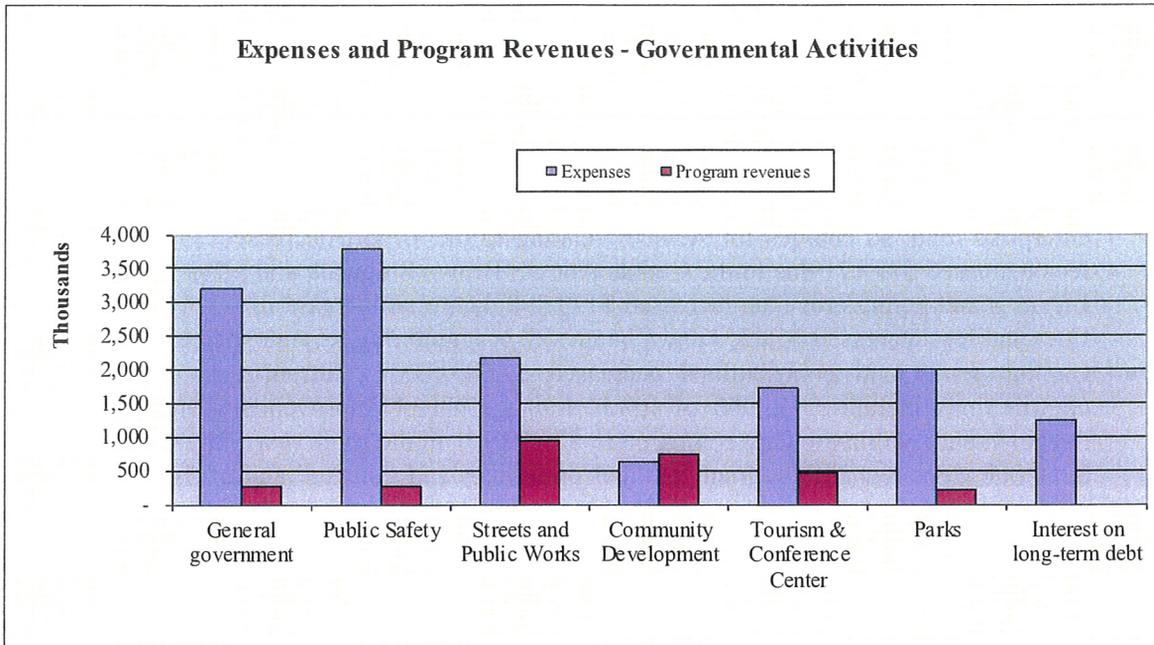
Revenues:

- Charges for service revenue decreased \$178,506 (9%). The airport fund was reclassified to an enterprise fund, so charges for services relating to the airport decreased \$508,336. Developer fees increased \$75,171 due to the Counts Alley-S Brown Sidewalk and a 2% fee in Ashley Oaks. Licenses and permits revenue increased \$173,398 due to an increase in new construction. Police fines and fees increased \$53,253 and Channel 27 programming revenue increased \$17,714.
- Capital grants and contributions decreased \$2,349,535. Current year capital grants and contributions include \$933,906 of storm drainage, street improvements and parks from new developments within the City compared to \$2,909,771 in the prior year. The City also received a \$250,000 Cops technology grant for fiber optic lines and donated land of \$123,670 in the prior year.
- Sales tax revenue increased \$505,190 (10%) and hotel/motel occupancy tax revenue increased \$51,363 (11%) in the current year due to the improvement of the economy. Sales tax reported in the governmental activities includes an adjustment for sales tax earned in September that is not considered available for the governmental fund statements.
- Franchise tax revenue increased \$290,883 primarily because electric franchise fees increased \$98,517 and franchise taxes from the City's utilities increased \$76,679.

Expenses:

- Executive expenses increased \$83,189 primarily due to the severance payment made to the former City Manager.
- Granbury Public TV Channel 27 expenses increased \$96,527 because it operated for a full year in the current year compared to three months in the prior year.
- Street expenses increased \$208,327 primarily due to an increase in depreciation expense.
- Public works and community development expenses decreased \$94,625 and \$132,829 primarily because positions became vacant in August 2010 and were not filled.
- The airport fund was reclassified to an enterprise fund resulting in a decrease in airport expenses of \$533,592 in the governmental activities.
- Tourism expenses increased \$743,392 and conference center expenses decreased \$703,287 because in the prior year the Convention and Visitors Bureau was done away with and combined with the conference center. In the current year, tourism expenses were moved from the conference center and general fund to Convention and Visitors Bureau.
- Interest and fiscal charges decreased \$110,831. Approximately \$44,000 of this decrease was due to the airport fund being reclassified to an enterprise fund. The remaining decrease is due to bond refunding and the normal decrease in the interest amount of payments as principal decreases.

Below are two graphs summarizing governmental revenue and expense:

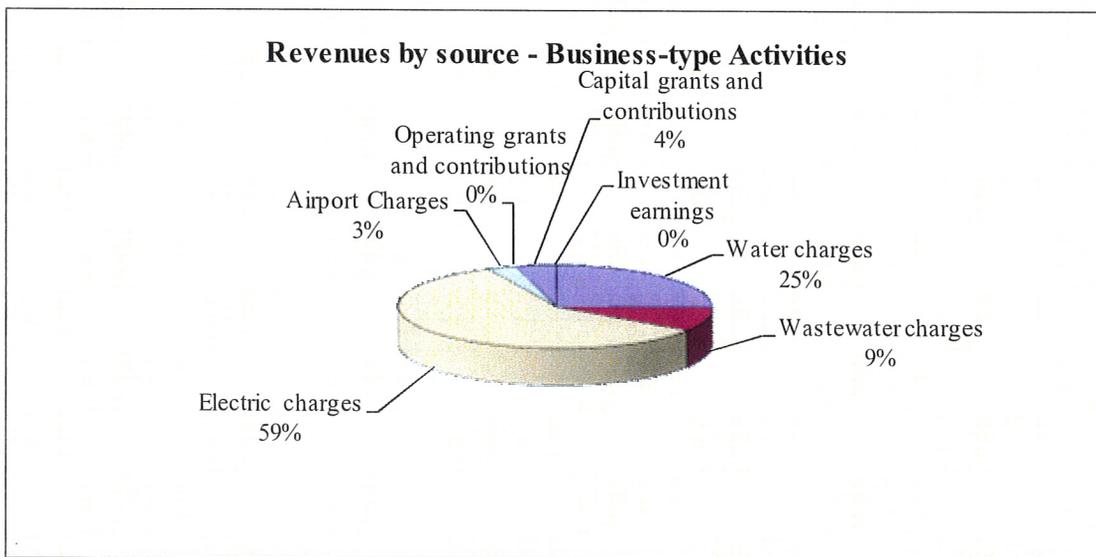
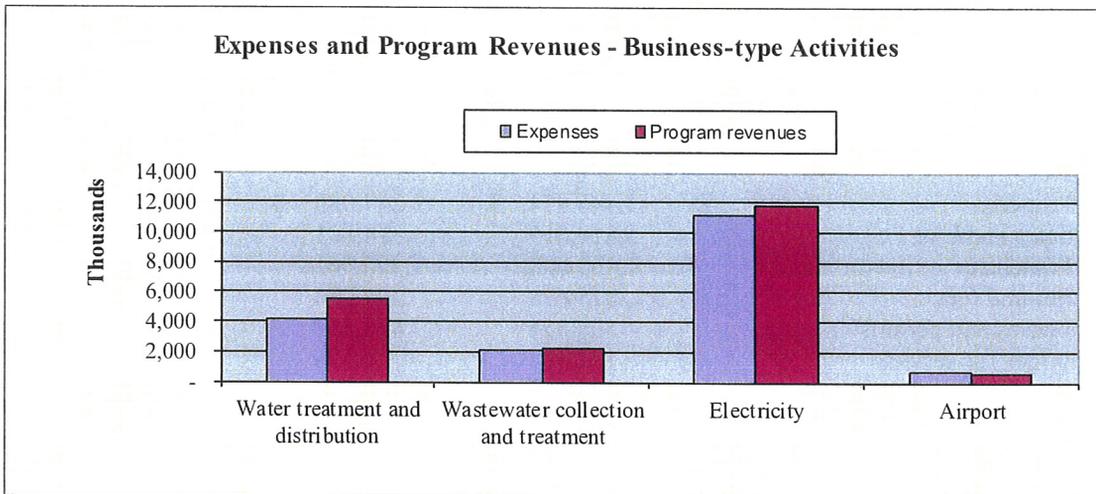


Business-type activities. Business-type activities increased the City’s net assets by \$1,680,989 in the current year compared to an increase of \$841,563 in the prior year. The business-type activities total revenues increased \$1,585,470 (9%) to \$20,136,970 and total expenses increased \$796,038 (5%) to \$18,082,151. Key elements of these changes are as follows.

- Charges for services increased \$2,349,493 primarily because electricity sales increased \$156,557 due to an increase in kwh sold, water revenue increased \$786,264 because of a 38% increase in gallons sold and \$560,000 from the sale of raw water to Dow Chemical Co., wastewater revenue increased \$73,830 due to an increase in water consumption, impact fees increased \$107,379 due to new construction, and airport revenues of \$596,816 were classified as a governmental activity in the prior year.
- Capital grants and contributions consisting of water and sewer improvements from new developments within the City decreased \$767,852.

- Electricity expenses increased \$314,733 primarily because the cost of power purchased for resale increased \$209,127 due to an increase in the kwh purchased and a lawsuit settlement was agreed to in the current year in the amount of \$98,812.
- Airport expenses increased \$660,769 because it was reported as a governmental activity in the prior year.
- Water treatment and distribution expenses decreased \$106,404 primarily because SWATS treatment cost decreased.
- Economic development expenses decreased \$100,000 because no payment was required to the Economic Development Corporation in the current year because the corporation had sufficient operating funds.

Below are two graphs summarizing business-type activities revenue and expense:



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds – The focus of the City of Granbury’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.

At the end of the current fiscal year, the City of Granbury's governmental funds reported combined ending fund balances of \$13,007,118. \$3,349,051 (26%) of this amount constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending.

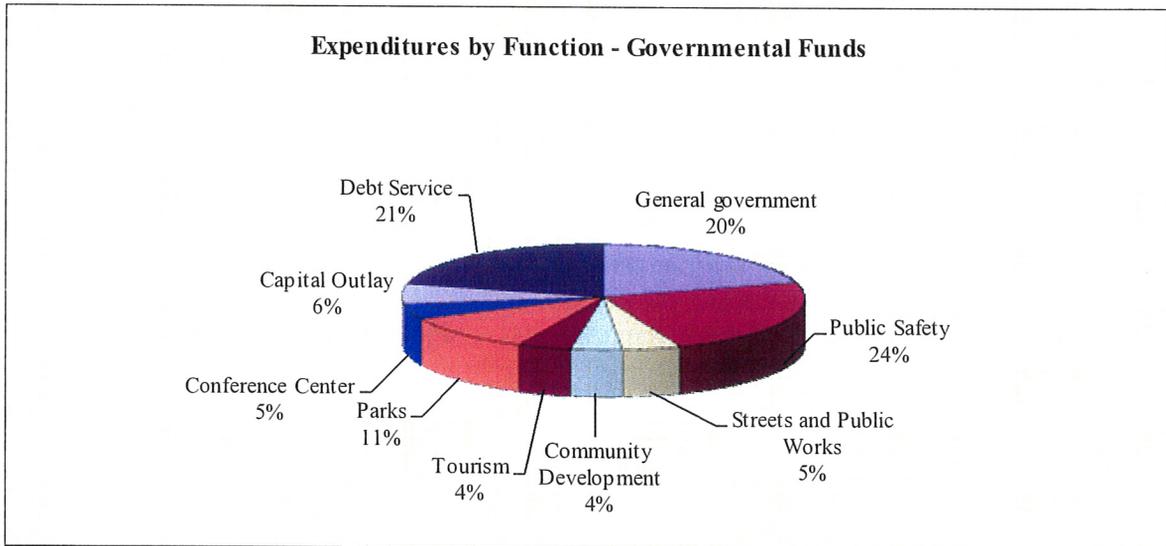
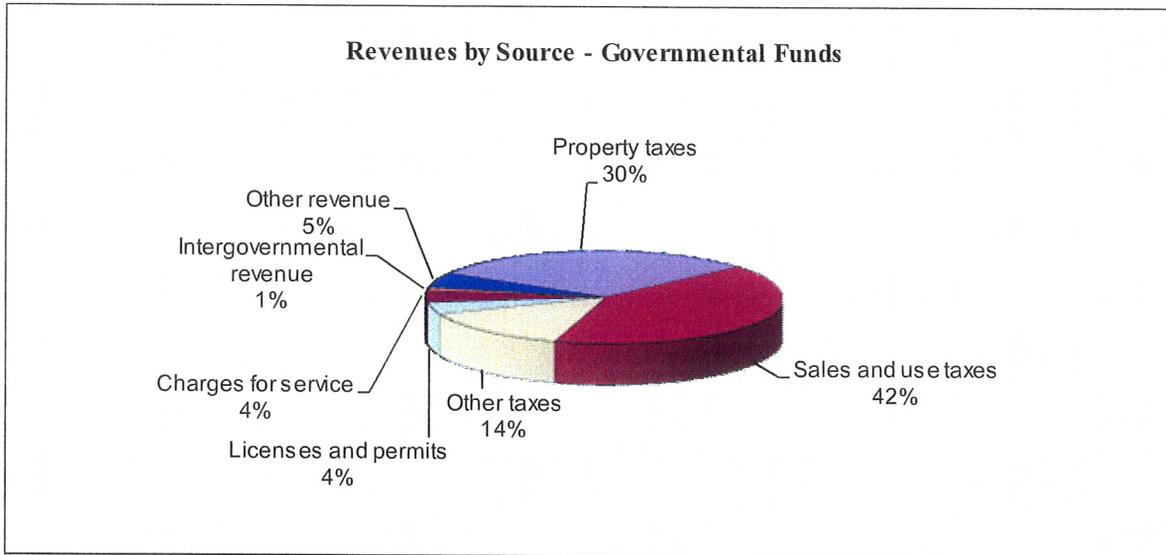
The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,830,560. The fund balance of the general fund increased \$1,006,098. Property tax revenue increased despite a \$5.5 million decrease in the assessed value of property in the City because of a \$.0239 increase in the M&O tax rate. Sales taxes, franchise taxes, licenses and permits and charges for service increased due to the improvement in the local economy. Revenues increased primarily because of the rebound in the local economy. The increase in revenues and decrease in expenditures resulted in an increase to fund balance. Below is a comparison of the general fund's net change in fund balance for 2011 and 2010.

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Revenues:				
Taxes:				
Property	\$ 1,496,874	\$ 1,247,085	\$ 249,789	20.03%
Sales and Use	5,810,019	5,314,801	495,218	9.32%
Franchise	1,463,008	1,293,061	169,947	13.14%
Fines and fees	225,678	204,284	21,394	10.47%
Licenses and permits	586,854	413,456	173,398	41.94%
Charges for service	122,594	29,495	93,099	315.64%
Intergovernmental revenue	148,656	408,234	(259,578)	-63.59%
Park and recreation	205,935	185,678	20,257	10.91%
Interest income	15,039	3,432	11,607	338.20%
Other revenue	272,979	321,139	(48,160)	-15.00%
Total revenues	<u>10,347,636</u>	<u>9,420,665</u>	<u>926,971</u>	<u>9.84%</u>
Expenditures:				
General government	2,959,350	2,963,528	(4,178)	-0.14%
Public Safety:	3,427,714	3,366,695	61,019	1.81%
Streets	425,147	431,840	(6,693)	-1.55%
Public Works	257,252	350,734	(93,482)	-26.65%
Community Development	604,499	768,068	(163,569)	-21.30%
Cemetery	40,757	40,206	551	1.37%
Tourism	-	100,000	(100,000)	100.00%
Parks	1,561,616	1,430,571	131,045	9.16%
Total expenditures	<u>9,276,335</u>	<u>9,451,642</u>	<u>(175,307)</u>	<u>-1.85%</u>
Other financing sources (uses):				
Transfers in	373,830	613,164	(239,334)	-39.03%
Transfers out	<u>(439,033)</u>	<u>(410,845)</u>	<u>(28,188)</u>	<u>6.86%</u>
Net change in fund balances	<u>\$ 1,006,098</u>	<u>\$ 171,342</u>	<u>\$ 834,756</u>	<u>487.19%</u>

The Debt Service fund has a total fund balance of \$175,130, all of which is restricted for the payment of debt service. Debt Service fund balance decreased in 2011 by \$7,839.

The fund balance of the capital projects fund decreased \$876,318 because of capital outlay for street improvements, property acquisition, and the floating boardwalk/fishing pier. 100% of the fund balance is restricted to be used to fund projects with bond proceeds.

Below are two graphs summarizing governmental fund revenue and expenditures.



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

Unrestricted net assets of the enterprise funds are \$4,432,568 comprised of the Utility Fund (\$4,381,608) and the Airport Fund (\$50,960). The Utility Fund had a net assets increase in 2011 of \$1,769,068 and the Airport had a net assets decrease of \$63,714.

Unrestricted net assets of the self-fund health insurance internal service fund were \$108,977. In the current period net assets decreased \$113,140. Operating revenues increased \$687,075 and operating expenses increased \$896,569.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City made revisions to the general fund original appropriations approved by the City Council. Overall these changes resulted in an increase in expenditures from the original budget of 12% or \$599,567. The most significant changes to general fund budgeted expenditures were increases of \$142,922 for the severance package to City Manager, \$136,000 for police vehicles, \$185,000 for a street sweeper and \$162,000 for park land. These increases were funded with increases to budgeted revenues.

General fund actual expenditures budgetary basis were \$441,778 less than budgeted. The largest positive variances were \$97,518 police, \$110,815 public works, \$156,346 community development and \$81,460 parks. In each of these departments there were vacancies that the City decided to not fill during 2011.

CAPITAL ASSETS

The City of Granbury's investment in capital assets for its governmental and business-type activities as of September 30, 2011 amounts to \$78,306,913 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, improvements other than buildings and construction in progress.

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

Governmental Activities:

- \$49,615 to replace servers.
- \$48,742 for traffic light at HEB.
- Schneider property was purchased for park use \$162,478.
- Streets, street lights and drainage improvements completed and donated by developers was \$933,906.
- Preliminary engineering for the Granbury Regional Airport funded with the 2006 Tax and Revenue Certificates of Obligation was \$88,728.
- Current year capital asset events funded with the 2007 Tax and Revenue Certificates of Obligation include \$687,890 of street improvements and \$93,769 for Town Square improvements.

Business-Type Activities:

- The value of completed water and sewer improvements donated by developers was \$508,857 and \$315,985 respectively.
- Water and sewer line under Plaza Drive \$212,088.
- \$78,659 worth of new electric and water meters were installed.

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 4,596,244	\$ 4,581,589	\$ 1,033,573	\$ 885,750	\$ 5,629,817	\$ 5,467,339
Buildings	10,111,109	10,098,523	57,879	45,756	10,168,988	10,144,279
Improvements other than buildings	25,748,669	11,423,977	33,139,440	31,517,536	58,888,109	42,941,513
Machinery and equipment	1,600,179	12,845,511	704,693	913,277	2,304,872	13,758,788
Construction in progress	1,315,127	7,000,573	-	974,437	1,315,127	7,975,010
Total	\$ 43,371,328	\$ 45,950,173	\$ 34,935,585	\$ 34,336,756	\$ 78,306,913	\$ 80,286,929

Additional information on the City of Granbury's capital assets can be found in Note 6 to the financial statements.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Granbury had total bonded debt, notes payable and capital leases payable of \$43,287,746. Of this amount, \$32,383,133 comprises bonded debt backed by the full faith and credit of the government and \$9,474,922 represents bonds secured solely by electric, water and sewer revenues. The capital leases payable of \$1,002,210 pertains to equipment and new airport hangars being financed by lease/purchase financing. The notes payable is the amount borrowed by the Granbury Historic Properties Corporation, a blended component unit, to purchase the opera house.

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Capital Leases Payable	\$ 232,820	\$ 993,369	\$ 769,390	\$ 265,563	\$ 1,002,210	\$ 1,258,932
Notes Payable	427,481	448,425	-	-	427,481	448,425
Revenue Bonds	-	-	9,474,922	10,023,733	9,474,922	10,023,733
General Obligation	9,978,003	5,045,712	-	-	9,978,003	5,045,712
Certificates of Obligation	17,023,260	23,349,124	5,381,870	5,704,975	22,405,130	29,054,099
Total Outstanding Debt	\$ 27,661,564	\$ 29,836,630	\$ 15,626,182	\$ 15,994,271	\$ 43,287,746	\$ 45,830,901

During the year the City issued the \$5,845,000 General Obligation Refunding Bonds, Series 2011 to refund \$5,885,000 of outstanding general obligation and certificates of obligation bonds. This refunding will result in a net present value savings of approximately \$224,253 and will result in a decrease in principal and interest payments over the life of the bonds of approximately \$231,365.

The City's General Obligation, Tax and Revenue Combination Certificates of Obligation and Water and Sewer System Revenue Bond ratings are listed below:

	Standard & Poor's	Fitch Ratings
General Obligations	A+/AA+	AA/AA+
Revenue Bonds Payable	A/AA+	A+/AA+
Certificates of Obligation	A+/AA+	AA/AA+

All of the City's bonds are insured, thus holding a Triple A rating from all credit rating agencies.

No direct funded debt limitation is imposed on the City under current state law or the City's code.

Additional information on the City of Granbury's long-term debt can be found in Notes 8, 9 and 10 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the fiscal year 2011-2012 budget, General Fund revenues and transfers in are budgeted to increase by approximately 2% from the fiscal year 2010-2011 budget. Sales taxes make up about 51% of the General Fund budgeted revenues. Property tax revenue is budgeted to increase about \$17,016 from the 2010-11 budgeted amounts. Certified assessed property valuations decreased approximately \$59 million (5.6%) from the preceding year, and the maintenance and operations portion of the tax rate was increased by \$.00144 to \$.14512. This increase in maintenance and operations tax rate and reduction in the debt service rate were possible because of the payoff of one of the debt issues. The City's budgets have benefited from prudent planning in the face of downturns in other parts of the country. Sales tax receipts were up 9% for FY 2010/11 when compared with the previous year. Conservative budgeting has avoided reductions in services or staff as the city has weathered the economic events at hand. Granbury has maintained its status as a regional retail and tourism hub.

General Fund expenditures and transfers out are budgeted to increase approximately \$158,670 from 2010-11 budgeted amounts to \$10,465,835. Conservative expenditure planning has helped the City remain on sound and stable financial footing.

No rate adjustments were made for water or sewer services. The last increase for water service was May 2002, and the last increase for wastewater service was October 2003. Electric rates were increased 12% in September 2008. Operating revenue is budgeted to decrease approximately \$184 thousand from 2010-11 budgeted amounts to \$17,035,500. All three branches of utility revenues, electric, water, and sewer, are held constant compared to the budget in FY 2010-11.

The City's current electric provider is Bryan Texas Utilities (BTU). The city negotiated a 10-year contract for service beginning January 1, 2008. The ten-year contract locks in an energy cost at \$72.75 per megawatt hour. This results in an estimated "all-in" charge of \$78.75 per megawatt hour, including ancillary services, transmission services and transmission losses. While the 2008 contract represents a 28% increase in energy cost, the fixed nature of the City's contract will protect the customers of the City's Electric system from future increased energy costs.

Operating expenses excluding depreciation are budgeted to decrease approximately \$224,748 from 2010-11 budgeted amounts to \$16,290,059.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Department of Finance, Attn: Director of Finance, at P. O. Box 969, Granbury, Texas 76048, or call (817) 573-1114. A copy of this document is available on the City's website at www.granbury.org : go to Departments/Finance & Admin. Services.

BASIC FINANCIAL STATEMENTS

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EXHIBIT A-1

City of Granbury, Texas
Statement of Net Assets
September 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 4,570,584	\$ 1,467,136	\$ 6,037,720
Investments	8,460,000	50,000	8,510,000
Receivables (Net of allowances for uncollectibles)			
Property taxes	91,588	-	91,588
Franchise taxes	354,342	-	354,342
Accounts	-	2,045,455	2,045,455
Due from other governments	945,409	-	945,409
Fines and fees receivable	128,844	-	128,844
Miscellaneous receivables	108,593	78,808	187,401
Accrued interest	635	105	740
Internal balances	60,903	(60,903)	-
Prepaid items	11,703	445	12,148
Inventories	90,541	1,285,758	1,376,299
Restricted assets:			
Cash and cash equivalents	-	1,000,618	1,000,618
Investments	-	1,358,493	1,358,493
Other assets	769,378	769,188	1,538,566
Capital assets (net of accumulated depreciation):			
Land	4,596,244	1,033,573	5,629,817
Buildings	10,111,109	57,879	10,168,988
Improvements other than buildings	25,748,669	33,139,440	58,888,109
Machinery and equipment	1,600,179	704,693	2,304,872
Construction in progress	1,315,127	-	1,315,127
Total Assets	58,963,848	42,930,688	101,894,536
LIABILITIES:			
Accounts Payable	362,898	1,008,159	1,371,057
Unearned revenue	223,279	49,802	273,081
Current Liabilities Payable from Restricted Assets:			
Interest payable	136,130	40,917	177,047
Customer deposits		391,944	391,944
Noncurrent liabilities:			
Due Within One Year	1,848,851	1,116,249	2,965,100
Due in More Than One Year	26,165,040	14,605,010	40,770,050
Total Liabilities	28,736,198	17,212,081	45,948,279
NET ASSETS:			
Investments in Capital Assets, Net of Debt	23,554,937	19,309,403	42,864,340
Restricted Net Assets (Expendable)	196,278	1,942,666	2,138,944
Unrestricted Net Assets	6,476,435	4,466,538	10,942,973
Total Net Assets	\$ 30,227,650	\$ 25,718,607	\$ 55,946,257

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

City of Granbury, Texas
Statement of Activities
For the Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
City Council	\$ 152,731	\$	\$	\$
Legal	205,008			
Executive	499,745			
Financial Administration	404,622			
Purchasing	137,020			
Social Services	41,000			
Management Information Services and City WIFI	394,332	71,413		
Economic Development	67,779		66,952	
Human Resources	237,602			
Warehouse	74,439			
Fleet Maintenance	150,357			
Building Maintenance	142,075			
Granbury Public TV Channel 27	118,649	30,049		
Other governmental functions	582,194	84,162		
Police	3,139,889	199,405	11,803	-
Fire	438,683		5,400	
Municipal Court	223,508	50,825		
Streets	1,916,176			933,906
Public Works	260,357			
Community Development	618,122	663,553	64,501	
Cemetery	49,376			
Tourism	943,788	38,528		
Parks	1,938,169	205,935		-
Conference Center	776,819	419,184		
Interest and fiscal charges	1,256,281	-		
Total governmental activities	<u>14,768,721</u>	<u>1,763,054</u>	<u>148,656</u>	<u>933,906</u>
Business-type activities:				
Water treatment and distribution	4,115,663	5,028,798	-	508,857
Wastewater collection and treatment	2,159,833	1,886,609	-	315,985
Electricity	11,145,886	11,790,282	-	
Airport	660,769	596,505	550	
Total business-type activities	<u>18,082,151</u>	<u>19,302,194</u>	<u>550</u>	<u>824,842</u>
Total primary government	<u>\$ 32,850,872</u>	<u>\$ 21,065,248</u>	<u>\$ 149,206</u>	<u>\$ 1,758,748</u>

General Revenues:

Taxes:

Property Taxes, levied for general purposes

Property Taxes, levied for debt service

Sales Taxes

Hotel/Motel Occupancy Taxes

Franchise Taxes

Investment Earnings

Other Revenue

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets, October 1, 2010 (Restated Note 19)

Net Assets, September 30, 2011

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

EXHIBIT B-1

City of Granbury, Texas
 Statement of Activities
 For the Year Ended September 30, 2011

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (152,731)	\$	(152,731)
(205,008)		(205,008)
(499,745)		(499,745)
(404,622)		(404,622)
(137,020)		(137,020)
(41,000)		(41,000)
(322,919)		(322,919)
(827)		(827)
(237,602)		(237,602)
(74,439)		(74,439)
(150,357)		(150,357)
(142,075)		(142,075)
(88,600)		(88,600)
(498,032)		(498,032)
(2,928,681)		(2,928,681)
(433,283)		(433,283)
(172,683)		(172,683)
(982,270)		(982,270)
(260,357)		(260,357)
109,932		109,932
(49,376)		(49,376)
(905,260)		(905,260)
(1,732,234)		(1,732,234)
(357,635)		(357,635)
(1,256,281)		(1,256,281)
<u>(11,923,105)</u>	<u>-</u>	<u>(11,923,105)</u>
	1,421,992	1,421,992
	42,761	42,761
	644,396	644,396
	<u>(63,714)</u>	<u>(63,714)</u>
<u>-</u>	<u>2,045,435</u>	<u>2,045,435</u>
\$ <u>(11,923,105)</u>	\$ <u>2,045,435</u>	\$ <u>(9,877,670)</u>
\$ 1,499,406	\$ -	\$ 1,499,406
2,697,060	-	2,697,060
5,821,793	-	5,821,793
521,802		521,802
1,513,743	-	1,513,743
42,066	9,384	51,450
115,286		115,286
373,830	(373,830)	-
<u>12,584,986</u>	<u>(364,446)</u>	<u>12,220,540</u>
661,881	1,680,989	2,342,870
<u>29,565,769</u>	<u>24,037,618</u>	<u>53,603,387</u>
\$ <u>30,227,650</u>	\$ <u>25,718,607</u>	\$ <u>55,946,257</u>

City of Granbury, Texas
Balance Sheet
Governmental Funds
September 30, 2011

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Assets:					
Cash and cash equivalents	\$ 2,577,134	\$ 172,569	\$ 969,303	\$ 482,786	\$ 4,201,792
Investments	1,560,000	-	6,900,000	-	8,460,000
Receivables (Net of allowances for uncollectibles)					
Property taxes	36,940	54,648	-	-	91,588
Franchise taxes	354,342	-	-	-	354,342
Due from other governments	945,409	-	-	-	945,409
Fines and fees receivable	128,844	-	-	-	128,844
Miscellaneous receivables	53,786	-	-	54,807	108,593
Interest	118	-	517	-	635
Due from other funds	794,873	4,090	-	-	798,963
Inventories	89,843	-	-	698	90,541
Prepaid items	11,703	-	-	-	11,703
	<u>6,552,992</u>	<u>231,307</u>	<u>7,869,820</u>	<u>538,291</u>	<u>15,192,410</u>
Total assets	\$	\$	\$	\$	\$
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 168,367	\$ 1,529	\$ 24,647	\$ 10,065	\$ 204,608
Due to other funds	4,090	-	-	700,000	704,090
Deferred revenue	1,176,673	54,648	-	45,273	1,276,594
	<u>1,349,130</u>	<u>56,177</u>	<u>24,647</u>	<u>755,338</u>	<u>2,185,292</u>
Total liabilities					
Fund Balances:					
Nonspendable	881,547	-	-	-	881,547
Restricted	102,630	175,130	7,845,173	-	8,122,933
Committed	290,148	-	-	264,462	554,610
Assigned	98,977	-	-	-	98,977
Unassigned	3,830,560	-	-	(481,509)	3,349,051
	<u>5,203,862</u>	<u>175,130</u>	<u>7,845,173</u>	<u>(217,047)</u>	<u>13,007,118</u>
Total fund balances					
Total liabilities and fund balances	\$ 6,552,992	\$ 231,307	\$ 7,869,820	\$ 538,291	\$ 15,192,410

City of Granbury, Texas
 Reconciliation of the Governmental Funds Balance Sheet
 To the Statement of Net Assets
 September 30, 2011

Total Fund Balances - Governmental Funds	13,007,118
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of these assets was \$73,809,152 and the accumulated depreciation was \$30,437,824.	43,371,328
Capitalized bond issuance costs related to governmental activity debt are not financial resources and therefore are not reported in the governmental funds.	769,378
Long-term liabilities, including \$27,001,263 bonds payable, \$427,481 notes payable, \$232,821 capital leases payable and \$250,802 compensated absences payable are not due and payable in the current period, and, therefore are not reported as liabilities in the fund financial statements.	(27,912,366)
Interest payable is not expected to be liquidated with available financial resources and is not reported as a liability in the fund financial statements.	(136,130)
Property taxes receivable, franchise taxes receivable, sales tax receivable and fines and fees receivable are not available soon enough to pay for the current period's expenditures and therefore are deferred revenue in the fund financial statements.	1,053,315
The City uses an internal service fund to charge the costs of self-insurance to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. The net effect of this consolidation is to decrease net assets.	75,007
Net Assets of Governmental Activities	30,227,650

City of Granbury, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended September 30, 2011

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Property	\$ 1,496,874	\$ 2,707,954	\$ -	\$ -	\$ 4,204,828
Sales and Use	5,810,019	-	-	-	5,810,019
Hotel/Motel Occupancy	-	-	-	521,802	521,802
Franchise	1,463,008	-	-	-	1,463,008
Fines and fees	225,678	-	-	-	225,678
Licenses and permits	586,854	-	-	-	586,854
Charges for service	122,594	-	-	451,909	574,503
Intergovernmental revenue	148,656	-	-	-	148,656
Park and recreation	205,935	-	-	-	205,935
Interest income	15,039	13,423	13,103	501	42,066
Other revenue	272,979	-	-	1,783	274,762
Total revenues	<u>10,347,636</u>	<u>2,721,377</u>	<u>13,103</u>	<u>975,995</u>	<u>14,058,111</u>
Expenditures:					
Current					
General government					
City Council	150,508	-	-	-	150,508
Legal	204,163	-	-	-	204,163
Executive	542,274	-	-	-	542,274
Financial Administration	409,960	-	-	-	409,960
Purchasing	135,330	-	-	-	135,330
Social Services	41,000	-	-	-	41,000
Management Information Services and City WIFI	360,220	-	-	-	360,220
Economic Development	66,788	-	-	-	66,788
Human Resources	235,923	-	-	-	235,923
Warehouse	69,398	-	-	-	69,398
Fleet Maintenance	147,822	-	-	-	147,822
Building Maintenance	152,661	-	-	-	152,661
Granbury Public TV Channel 27	118,079	-	-	-	118,079
Other governmental functions	325,224	-	-	-	325,224
Public Safety:					
Police	2,937,896	-	-	-	2,937,896
Fire	268,848	-	-	-	268,848
Municipal Court	220,970	-	-	-	220,970
Streets	425,147	-	-	-	425,147
Public Works	257,252	-	-	-	257,252
Community Development	604,499	-	-	-	604,499
Cemetery	40,757	-	-	-	40,757
Tourism	-	-	-	610,847	610,847
Parks	1,561,616	-	-	-	1,561,616
Conference Center	-	-	-	695,673	695,673
Capital outlay	-	-	889,421	-	889,421
Debt service:					
Principal	-	1,718,243	-	20,944	1,739,187
Interest and fiscal charges	-	1,199,222	-	14,551	1,213,773
Debit issuance costs	-	156,173	-	-	156,173
Total expenditures	<u>9,276,335</u>	<u>3,073,638</u>	<u>889,421</u>	<u>1,342,015</u>	<u>14,581,409</u>
Excess (deficiency) of revenue over (under) expenditures	<u>\$ 1,071,301</u>	<u>\$ (352,261)</u>	<u>\$ (876,318)</u>	<u>\$ (366,020)</u>	<u>\$ (523,298)</u>
Other financing sources (uses):					
Transfers in	373,830	96,918	-	342,115	812,863
Transfers out	(439,033)	-	-	-	(439,033)
Issuance of Debt	-	5,845,000	-	-	5,845,000
Payment to refunded bond escrow agent	-	(5,885,000)	-	-	(5,885,000)
Bond (Discount)/Premium	-	287,504	-	-	287,504
Total other financing sources (uses)	<u>(65,203)</u>	<u>344,422</u>	<u>-</u>	<u>342,115</u>	<u>621,334</u>
Net change in fund balances	1,006,098	(7,839)	(876,318)	(23,905)	98,036
Fund Balance, October 1, 2010	<u>4,197,764</u>	<u>182,969</u>	<u>8,721,491</u>	<u>(193,142)</u>	<u>12,909,082</u>
Fund Balance, September 30, 2011	<u>\$ 5,203,862</u>	<u>\$ 175,130</u>	<u>\$ 7,845,173</u>	<u>\$ (217,047)</u>	<u>\$ 13,007,118</u>

City of Granbury, Texas
 Reconciliation of Statement of Revenues,
 Expenditures and Changes in Fund Balances of
 The Governmental Funds to the Statement of Activities
 For the year ended September 30, 2011

Total Net Change in Fund Balances - Governmental Funds	98,036
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including \$1,212,821 of capital outlays and \$1,647,853 of debt principal payments is to increase net assets.	2,860,674
Capital asset donations are revenues in the government-wide financial statements but are not reported in the governmental fund financial statements.	935,631
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(3,208,360)
Current year interest payable and compensated absences of the governmental funds are not due and payable in the current period and debt issuance costs are not financial resources of the current period, and, therefore are not reported as liabilities or assets in the funds. The \$13,755 decrease in interest payable, \$44,150 decrease in compensated absences and \$56,260 amortization of bond issuance costs increase net assets.	1,645
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	63,030
The City uses an internal service fund to charge the costs of self-insurance to individual funds. The adjustment to reflect the consolidation of the internal service fund activities related to governmental activities.	(88,775)
Change in Net Assets of Governmental Activities	<hr style="border: none; border-top: 1px solid black; margin-bottom: 2px;"/> <u>661,881</u>

City of Granbury, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2011

	Business-type Activities			Governmental
	Enterprise Funds			Activities
	Utility Fund	Airport Fund	Totals	Internal Service Fund
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 1,459,789	\$ 7,347	\$ 1,467,136	\$ 368,792
Investments	50,000	-	50,000	
Receivables (Net of allowance for uncollectibles):				
Accounts	2,045,455	-	2,045,455	-
Miscellaneous Receivables	-	78,808	78,808	-
Interest	105	-	105	-
Prepaid expenses	445	-	445	
Supplies inventory	1,233,306	52,452	1,285,758	-
Restricted Assets:				
Cash and cash equivalents	1,000,618	-	1,000,618	-
Investments	1,358,493	-	1,358,493	-
Total current assets	<u>7,148,211</u>	<u>138,607</u>	<u>7,286,818</u>	<u>368,792</u>
Other Assets	<u>769,188</u>	<u>-</u>	<u>769,188</u>	<u>-</u>
Capital assets, at cost:				
Land	885,750	147,823	1,033,573	-
Buildings	847,713	160,274	1,007,987	-
Improvements other than buildings	45,836,969	3,268,032	49,105,001	-
Machinery and Equipment	3,864,218	93,773	3,957,991	-
Less: accumulated depreciation	<u>(17,886,619)</u>	<u>(2,282,347)</u>	<u>(20,168,966)</u>	<u>-</u>
Capital assets, net	<u>33,548,031</u>	<u>1,387,554</u>	<u>34,935,585</u>	<u>-</u>
Total noncurrent assets	<u>34,317,219</u>	<u>1,387,554</u>	<u>35,704,773</u>	<u>-</u>
Total assets	<u>\$ 41,465,430</u>	<u>\$ 1,526,161</u>	<u>\$ 42,991,591</u>	<u>\$ 368,792</u>

City of Granbury, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2011

	Business-type Activities Enterprise Funds			Governmental Activities
	Utility Fund	Airport Fund	Totals	Internal Service Fund
LIABILITIES:				
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 1,000,512	\$ 7,647	\$ 1,008,159	\$ 158,290
Compensated absences payable	67,874	-	67,874	-
Due to other funds	14,873	80,000	94,873	-
Unearned Revenue	49,802	-	49,802	-
Current Liabilities Payable from Restricted Assets:				
Current portion of long-term debt	994,872	53,503	1,048,375	-
Interest payable	40,917	-	40,917	-
Customer deposits payable	391,944	-	391,944	-
Total current liabilities	2,560,794	141,150	2,701,944	158,290
Noncurrent Liabilities:				
Compensated absences payable	27,203	-	27,203	-
Other post-employment benefits	-	-	-	101,525
Capital leases payable	42,371	573,171	615,542	-
Bonds payable	13,962,265	-	13,962,265	-
Total noncurrent liabilities	14,031,839	573,171	14,605,010	101,525
Total liabilities	16,592,633	714,321	17,306,954	259,815
NET ASSETS:				
Investment in capital assets, net of debt	18,548,523	760,880	19,309,403	-
Restricted for debt service (Expendable)	1,141,708	-	1,141,708	-
Restricted impact fees for capital improvements - water (Expendable)	38,443	-	38,443	-
Restricted impact fees for capital improvements - wastewater (Expendable)	762,515	-	762,515	-
Unrestricted	4,381,608	50,960	4,432,568	108,977
Total net assets	24,872,797	811,840	25,684,637	\$ 108,977
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	33,970	-	33,970	
Net assets of business-type activities	\$ 24,906,767	\$ 811,840	\$ 25,718,607	

City of Granbury, Texas
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the year ended September 30, 2011

	Business-type Activities Enterprise Funds			Governmental Activities
	Utility Fund	Airport Fund	Totals	Internal Service Fund
Operating revenues:				
Charges for sales and services:				
Charges for Water and Sewer Sales	\$ 6,530,153	\$ -	\$ 6,530,153	\$ -
Charges for Electricity Sales	11,524,273	-	11,524,273	-
Charges for Airport Services	-	587,370	587,370	-
Impact fees	234,521	-	234,521	-
Intergovernmental	-	550	550	-
Other Revenue	416,742	9,135	425,877	1,799,946
Total operating revenue	<u>18,705,689</u>	<u>597,055</u>	<u>19,302,744</u>	<u>1,799,946</u>
Operating expenses:				
Administration	502,364	-	502,364	-
Airport	-	487,846	487,846	-
Water treatment and distribution	2,471,999	-	2,471,999	-
Wastewater collection and treatment	1,072,890	-	1,072,890	-
Electricity	9,386,887	-	9,386,887	-
Management Information Systems	217,067	-	217,067	-
Meter Reading	112,999	-	112,999	-
Fleet Maintenance	45,198	-	45,198	-
Building Maintenance	258,061	-	258,061	-
Self-funded health insurance	-	-	-	1,914,459
Utility Franchise Fees	724,326	-	724,326	-
Depreciation	1,970,448	131,382	2,101,830	-
Total operating expenses	<u>16,762,239</u>	<u>619,228</u>	<u>17,381,467</u>	<u>1,914,459</u>
Operating income	<u>1,943,450</u>	<u>(22,173)</u>	<u>1,921,277</u>	<u>(114,513)</u>
Nonoperating revenues (expenses):				
Interest revenue	9,384	-	9,384	1,373
Interest expense	(572,646)	(41,541)	(614,187)	-
Amortization of bond issuance costs	(62,132)	-	(62,132)	-
Total nonoperating revenues (expenses)	<u>(625,394)</u>	<u>(41,541)</u>	<u>(666,935)</u>	<u>1,373</u>
Income (loss) before contributions and transfers	<u>1,318,056</u>	<u>(63,714)</u>	<u>1,254,342</u>	<u>(113,140)</u>
Capital contributions and transfers:				
Capital contributions	824,842	-	824,842	-
Transfers out	(373,830)	-	(373,830)	-
Change in Net Assets	1,769,068	(63,714)	1,705,354	(113,140)
Net Assets, October 1, 2010 (Restated Note 19)	<u>23,103,729</u>	<u>875,554</u>	<u>23,979,283</u>	<u>222,117</u>
Net Assets, September 30, 2011	<u>\$ 24,872,797</u>	<u>\$ 811,840</u>	<u>\$ 25,684,637</u>	<u>\$ 108,977</u>
Reconciliation to government-wide statement of activities:				
Change in net assets	\$ 1,769,068	\$ (63,714)	\$ 1,705,354	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	(24,365)	-	(24,365)	
	<u>\$ 1,744,703</u>	<u>\$ (63,714)</u>	<u>\$ 1,680,989</u>	

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

City of Granbury, Texas
Statement of Cash Flows
Proprietary Funds
For the year ended September 30, 2011

	Business-type Activities Enterprise Funds			Governmental Activities
	Utility Fund	Airport Fund	Totals	Internal Service Fund
Cash flows from operating activities:				
Cash received from customers	\$ 18,716,164	\$ 606,096	\$ 19,322,260	\$ -
Receipts from interfund services provided	-	-	-	1,799,946
Payments to suppliers	(13,335,369)	(450,834)	(13,786,203)	(1,817,689)
Cash paid to employees	(1,283,610)	(32,794)	(1,316,404)	-
Payments for interfund services used	(202,646)	-	(202,646)	-
Net cash provided by operating activities	<u>3,894,539</u>	<u>122,468</u>	<u>4,017,007</u>	<u>(17,743)</u>
Cash flow from noncapital financing activities:				
Increase (decrease) in due to other funds	(300,000)	(30,000)	(330,000)	-
Transfers out	(373,830)	-	(373,830)	-
Net cash provided (used) by noncapital financing activities	<u>(673,830)</u>	<u>(30,000)</u>	<u>(703,830)</u>	<u>-</u>
Cash flow from capital and related financing activities:				
Principal payments on long-term debt	(989,223)	(50,256)	(1,039,479)	-
Capital expenditures	(348,315)	-	(348,315)	-
Interest paid on bonds	(574,336)	(41,541)	(615,877)	-
Net cash (used) by capital and related financing activities	<u>(1,911,874)</u>	<u>(91,797)</u>	<u>(2,003,671)</u>	<u>-</u>
Cash flow from investing activities:				
Purchase of investments	(297)	-	(297)	-
Interest received	9,560	-	9,560	1,374
Net cash provided (used) by investing activities	<u>9,263</u>	<u>-</u>	<u>9,263</u>	<u>1,374</u>
Net increase (decrease) in cash and cash equivalents	1,318,098	671	1,318,769	(16,369)
Cash and cash equivalents, October 1, 2010	<u>1,142,309</u>	<u>6,676</u>	<u>1,148,985</u>	<u>385,161</u>
Cash and cash equivalents, September 30, 2011	<u>\$ 2,460,407</u>	<u>\$ 7,347</u>	<u>\$ 2,467,754</u>	<u>\$ 368,792</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 1,943,450	\$ (22,173)	\$ 1,921,277	\$ (114,513)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	1,970,448	131,382	2,101,830	-
(Increase) decrease in accounts receivable	(17,247)	-	(17,247)	-
(Increase) decrease in miscellaneous receivables	-	9,041	9,041	-
(Increase) decrease in prepaid items	(334)	-	(334)	-
(Increase) decrease in inventory	(6,567)	(3,277)	(9,844)	-
Increase (decrease) in accounts payable	(26,963)	7,495	(19,468)	67,990
Increase (decrease) in compensated absences payable	4,030	-	4,030	-
Increase (decrease) in other post employment benefit	-	-	-	28,780
Increase (decrease) in unearned revenue	11,332	-	11,332	-
Increase (decrease) in customer meter deposits	16,390	-	16,390	-
Total adjustments	<u>1,951,089</u>	<u>144,641</u>	<u>2,095,730</u>	<u>96,770</u>
Net cash provided by operating activities	<u>\$ 3,894,539</u>	<u>\$ 122,468</u>	<u>\$ 4,017,007</u>	<u>\$ (17,743)</u>
Noncash Investing, Capital and Financing Activities				
Contribution of capital assets from developers	\$ 824,842	\$ -	\$ 824,842	\$ -
	<u>\$ 824,842</u>	<u>\$ -</u>	<u>\$ 824,842</u>	<u>\$ -</u>

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

City of Granbury, Texas
Statement of Fiduciary Net Assets
Fiduciary Fund
September 30, 2011

	<u>Future Construction Escrow Agency Fund</u>
ASSETS:	
Assets:	
Cash and cash equivalents	\$ <u>78,306</u>
Total assets	\$ <u><u>78,306</u></u>
LIABILITIES	
Liabilities:	
Escrow liability	\$ <u>78,306</u>
Total liabilities	\$ <u><u>78,306</u></u>

City of Granbury, Texas
Notes to Financial Statements
September 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Granbury is a charter city in which the citizens elect the mayor at large and five council members by wards. The financial statements of the City of Granbury, Texas ("City") include all governmental activities, organizations, and functions of the City. The criteria considered in determining governmental activities to be reported within the City's financial statements included: the City's accountability for the entity's fiscal matters; the scope of public service of the entity; and the nature of any special financing relationships which may exist between the City and a given governmental entity. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The City has one blended component unit, which has a September 30 year-end.

Blended Component Unit.

June 6, 2006, the City created the Granbury Historic Properties Corporation pursuant to the Texas Transportation Corporation Act, Chapter 431 as amended. All powers of the Corporation are vested with a Board of Directors consisting of three directors, each of whom shall be a resident of the City and are determined as follows: the mayor of the city, city manager and either the chief financial officer of the City or a member of the city council as determined by the city council. The Corporation was created to assist the City in acquisition/control of historical properties deemed important to the growth and development of the City. The Corporation is presented as a blended component unit and reported as a special revenue fund because the City can impose its will on the Corporation by significantly influencing the programs, projects or activities performed by the Corporation and because the Corporation's services are provided exclusively for the benefit of the City.

B. 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 nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the later are excluded from the government-wide financial statements. Major individual funds and individual enterprise funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

City of Granbury, Texas
Notes to Financial Statements
September 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 30 days after year-end. Expenditures generally are recorded when the related fund liability is incurred, however, debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized when payment is due.

Property taxes, sales and use taxes, hotel/motel occupancy taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives payment.

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects fund* is used to account for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds).

The City reports the following major proprietary fund:

The *utility fund* is used to account for the operation of the utility systems of the City.

Additionally, the government reports the following fund and fund types:

The *special revenue funds* are governmental funds that account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specific purposes.

The City utilizes one *internal service fund* to account for self-funded health insurance.

The future construction escrow *agency fund* is used to account for resources held in a purely custodial capacity for individuals and organizations outside the reporting government.

The *airport fund* is an enterprise fund used to account for the operation of the City's municipal airport.

City of Granbury, Texas
Notes to Financial Statements
September 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government applies all GASB pronouncements as well as FASB Statements and Interpretations issued on or before November 30, 1989, in accounting and reporting for its government-wide and proprietary fund financial statements, unless those FASB Statements and Interpretations conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges and transfers between the governmental activities and the business-type activities, which cannot be eliminated.

Amounts reported as program revenues include 1) charges for customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 fund and internal service fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service 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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

1. *Deposits and Investments*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased. Amounts invested in Tex-Pool and TexStar public investment pools are not considered cash and cash equivalents. Assets reported as cash and cash equivalents are considered cash and cash equivalents for the statement of cash flows.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

City of Granbury, Texas
Notes to Financial Statements
September 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Property Tax

Ad valorem property taxes are levied each October 1, in conformity with Subtitle E, Texas Property Tax Code. The taxes are levied from valuations assessed as of the prior January 1. Taxes are due on October 1 immediately following the levy date and are delinquent after the following January 31. Tax liens are automatic on January 1 each year. Property tax revenues are recognized as revenue beginning on the date of levy, October 1, when they become available. "Available" means collected within the current period or expected to be collected soon thereafter to be used to pay current liabilities. Taxes not expected to be collected within sixty days of the fiscal year ending are recorded as deferred revenue and are recognized when they become available. Taxes collected prior to the levy date to which they apply are recorded as deferred revenue and recognized as revenue of the period to which they apply.

4. Inventory

All inventories are valued at cost using an average cost method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

5. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30 are recorded as prepaid items in both the government-wide and fund financial statements.

6. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental activities or business-type activities columns in the government-wide financial statements and in the proprietary funds financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of two years or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities and proprietary funds is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the proprietary funds during the current fiscal year was \$614,187. Of this amount \$0 was included as part of the cost of capital assets under construction in connection with utility construction projects.

City of Granbury, Texas
Notes to Financial Statements
September 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment of the primary government and proprietary funds are depreciated using the straight-line method over the following estimated useful lives.

Building and infrastructure	20 years
Improvements other than buildings	10 - 50 years
Machinery and equipment	7 - 20 years

The City has reported infrastructure capital assets acquired prior to the implementation of GASB Statement No. 34 at estimated historical cost and are reported with improvements other than buildings.

7. *Compensated Absences*

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick pay benefits. Sick pay benefits earned after the implementation of the current policy are not paid upon separation and are not accrued. Sick pay benefits earned under the previous policy were allowed to accumulate and are paid upon separation. All vacation time and sick time earned under the previous policy are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. *Long-term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

9. *Fund Balance – Governmental Funds*

The City implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form (such as prepaids or inventory) or are legally or contractually required to be maintained intact (such as endowment funds).

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

City of Granbury, Texas
Notes to Financial Statements
September 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed – includes amounts constrained to specific purposes by a government itself, using its highest decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint (City Council ordinance or resolution).

Assigned – includes amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The City Council has been delegated the authority to assign fund balance.

Unassigned – All amounts not included in other spendable classifications.

The details of the fund balances of the governmental funds are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepays and inventory	\$ 101,547	\$ -	\$ -	\$ -	\$ 101,547
Due from other funds	780,000				780,000
Restricted:					
Debt Service		175,130			175,130
Construction			7,845,173		7,845,173
Public Safety	37,794				37,794
Culture and Recreation	64,836				64,836
Committed:					
Culture and Recreation				264,462	264,462
Encumbrances	290,148				290,148
Assigned					
Cemetery Gas Well	98,977				98,977
Unassigned	3,830,560			(481,509)	3,349,051
	<u>\$ 5,203,862</u>	<u>\$ 175,130</u>	<u>\$ 7,845,173</u>	<u>\$ (217,047)</u>	<u>\$ 13,007,118</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted fund balance to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been first spent out of committed funds, then assigned, and finally unassigned as needed.

The City Council adopted a minimum fund balance policy for the General Fund. The policy requires the City strive to maintain an unassigned fund balance of not less than 15% of the General Fund budgeted expenditures.

City of Granbury, Texas
Notes to Financial Statements
September 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. *Net Assets*

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The following is a reconciliation of restricted fund balance reported in the governmental fund financial statements to restricted net assets of the governmental activities reported in the government-wide financial statements.

Restricted Fund Balance (Exhibit C-1)	\$ 8,122,933
 Adjustments	
Unspent proceeds from bonds reclassified to investment in capital assets, net of debt	(7,845,173)
Accrued interest payable restricted for debt service	(136,130)
Deferred property tax revenue restricted for debt service	54,648
Total adjustments	(7,926,655)
Restricted Net Assets (Exhibit A-1)	\$ 196,278

11. *Use of Estimates*

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the use of management's estimates.

12. *Comparative Data*

Comparative total data for the prior year has been presented only for individual funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

13. *Deficit Fund Equity*

The tourism fund reported a negative fund balance of \$481,509. Management expects the fund to report a positive change in fund balance next year. The general fund will make transfers to cover the deficit fund equity if the convention and visitor's bureau fund cannot reduce the deficit through its operations.

City of Granbury, Texas
Notes to Financial Statements
September 30, 2011

NOTE 2: DEPOSITS AND INVESTMENTS

The Texas Public Funds Investment Act authorizes the government to invest in obligations of the U.S. Treasury, obligations of states, agencies, counties, cities and other political subdivisions, secured certificates of deposit, repurchase agreements, bankers' acceptance, commercial paper, mutual funds, guaranteed investment contracts and investment pools. Investments are stated at fair value except for short-term highly liquid investments which are stated at cost or amortized cost. During the year ended September 30, 2011, the City did not own any types of securities other than those permitted by statute.

The City invests idle funds in the Texas Local Government Investment Pool (TexPool) and TexSTAR investment pool. The City's investment pools operate in a manner consistent with the SEC's Rule 2A7 of the Investment Act of 1940. The Pool's are required to maintain a market value of its underlying investment portfolio within one half of one percent of the value of its shares.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's funds are required to be deposited and invested under the terms of a depository contract. The City's deposits are required to be collateralized with securities held by the pledging institution's trust department or agent in the City's name at a level of not less than 102% of market value. At September 30, 2011, \$9,489 of the City's deposits were not fully insured or collateralized as required by the City's investment policy.

Credit Risk– Investments

The City controls credit risk by limiting its investments to those instruments allowed by the State Public Funds Investment Act described above.

Interest Rate Risk – Investments

The City manages interest rate risk by avoiding over-concentration of assets in a specific maturity sector, a specific issuer or a specific class of securities. Portfolio maturities are staggered in a way that protects interest income from volatility and concentrations in a specific maturity sector. The maximum dollar weighted average maturity will be limited to two years.

The City's investments at September 30, 2011 included the following:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Percentage of Total Investments</u>	<u>Cost</u>	<u>Fair Value</u>
Tex-Pool	AAAm	83 days	36.25%	\$3,540,043	\$3,540,043
TexStar Pool	AAAm	46 days	63.75%	6,225,018	6,225,018
			100.00%	<u>\$9,765,061</u>	<u>\$9,765,061</u>
<u>Reconciliation to financial statements</u>					
Investments from Exhibit A-1				\$9,868,493	
Less: Certificate of Deposit				(103,432)	
				<u>\$9,765,061</u>	

City of Granbury, Texas
Notes to Financial Statements
September 30, 2011

NOTE 3: RESTRICTED ASSETS

The following cash and investments in the government-wide statement of net assets are restricted for the following purposes:

	Cash	Investments
Business-type Activities		
Customer deposits	\$ 391,945	\$ -
Impact fees restricted for capital improvements	327,491	473,432
Interest and sinking funds	106,160	-
Revenue bond reserve	63,218	885,061
Bond construction fund	111,804	-
Total	\$1,000,618	\$1,358,493

NOTE 4: RECEIVABLES

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is based upon historical experience and is equal to 15% of outstanding delinquent property taxes at September 30. In the governmental activities the fines and fees receivable is reported net of an allowance which is 65% of the outstanding receivable. Trade accounts receivable in the enterprise fund that are inactive at year-end comprise the trade accounts receivable allowance for uncollectible accounts. Receivables as of year-end for the governmental funds and enterprise fund, including the applicable allowances for uncollectible accounts are as follows:

	General	Debt Service	Capital Projects	Nonmajor Funds	Total Governmental Funds	Total Enterprise Funds
Receivables:						
Property taxes	\$ 42,264	\$ 64,292	\$ -	\$ -	\$ 106,556	\$ -
Franchise taxes	354,342				354,342	
Accounts receivable						1,374,659
Earned income not billed						830,252
Fines and fees receivable	368,105				368,105	
Due from other governments	945,409				945,409	
Miscellaneous	53,786	-	-	54,807	108,593	78,808
Interest	118	-	517	-	635	105
Gross Receivables	1,764,024	64,292	517	54,807	1,883,640	2,283,824
Less: Allowance for Uncollectibles	(244,585)	(9,644)	-	-	(254,229)	(159,456)
Net Total Receivables	\$1,519,439	\$ 54,648	\$ 517	\$ 54,807	\$ 1,629,411	\$2,124,368

City of Granbury, Texas
Notes to Financial Statements
September 30, 2011

NOTE 4: RECEIVABLES (continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and enterprise funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the various components of deferred revenue were as follows:

	General	Debt Service	Nonmajor Funds	Total Governmental Funds	Enterprise Fund
Deferred property taxes receivable	\$ 30,169	\$ 54,648	\$ -	\$ 84,817	\$ -
Deferred sales tax receivable	485,312	-	-	485,312	
Deferred franchise tax receivable	354,342	-	-	354,342	
Deferred fines and fees receivable	128,844	-	-	128,844	
Other unearned revenue	178,006	-	45,273	223,279	49,802
Total deferred revenue for governmental funds	<u>\$ 1,176,673</u>	<u>\$ 54,648</u>	<u>\$ 45,273</u>	<u>\$ 1,276,594</u>	<u>\$ 49,802</u>

NOTE 5: INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

The composition of interfund balances for the City's individual major funds and nonmajor funds as of September 30, 2011, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	Utility Fund	\$ 14,873	Warehouse inventory
	Tourism Fund	700,000	Borrowings through pooled cash
	Airport Fund	80,000	Borrowings through pooled cash
Debt Service	General Fund	4,090	Debt service
Total Governmental Funds		<u>\$ 798,963</u>	

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2011, is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Enterprise	\$ 373,830	Operating
Debt Service	General Fund	96,918	Debt service
Nonmajor Funds	General	302,115	Conference Center
	General	40,000	Historic Properties
Total Governmental Funds Transfers In		<u>\$ 812,863</u>	

City of Granbury, Texas
Notes to Financial Statements
September 30, 2011

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011 was as follows:

Governmental activities:

	Beginning Balance	Less: Airport Fund	Increases	Decreases	Transfers & Adjustments	Ending Balance
Non - Depreciable Assets:						
Land	\$ 4,581,589	\$ (147,823)	\$ 162,478	\$ -	\$ -	\$ 4,596,244
Construction in Progress	7,000,573		889,422		(6,574,868)	1,315,127
Total non-depreciable assets	<u>11,582,162</u>	<u>(147,823)</u>	<u>1,051,900</u>	<u>-</u>	<u>(6,574,868)</u>	<u>5,911,371</u>
Depreciable Assets:						
Buildings	12,655,999	(160,274)			607,730	13,103,455
Improvements other than buildings	33,427,319	(3,297,422)	998,149		16,245,316	47,373,362
Machinery and equipment	17,724,808	(64,383)	98,403	(59,687)	(10,278,178)	7,420,963
Total capital assets being depreciated	<u>63,808,126</u>	<u>(3,522,079)</u>	<u>1,096,552</u>	<u>(59,687)</u>	<u>6,574,868</u>	<u>67,897,780</u>
Accumulated Depreciation:						
Buildings	(2,557,476)	133,989	(556,706)		(12,153)	(2,992,346)
Improvements other than buildings	(22,003,342)	1,924,925	(2,028,919)		482,643	(21,624,693)
Machinery and equipment	(4,879,297)	92,051	(622,735)	59,687	(470,490)	(5,820,784)
Total accumulated depreciation	<u>(29,440,115)</u>	<u>2,150,965</u>	<u>(3,208,360)</u>	<u>59,687</u>	<u>-</u>	<u>(30,437,823)</u>
Governmental activities capital assets, net	<u>\$ 45,950,173</u>	<u>\$ (1,518,937)</u>	<u>\$ (1,059,908)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,371,328</u>

Depreciation expense was charged as a direct expense to programs of the governmental activities as follows:

Governmental activities:

City Council	2,216
Executive	1,616
Financial Administration	153
Management Information Services	89,072
Human resources	346
Warehouse	4,196
Other governmental functions	258,902
Police	165,686
Fire	167,681
Streets	1,552,042
Public Works	569
Community Development	3,043
Cemetery	7,781
Tourism	332,941
Parks	545,327
Conference Center	76,789
Total depreciation expense - governmental activities	<u>\$ 3,208,360</u>

City of Granbury, Texas
Notes to Financial Statements
September 30, 2011

NOTE 6: CAPITAL ASSETS (Continued)

Business-type activities:

	Beginning Balance	Plus: Airport Fund	Increases	Decreases	Transfers & Adjustments	Ending Balance
Non - Depreciable Assets:						
Land	\$ 885,750	\$ 147,823	\$ -			\$ 1,033,573
Construction in Progress	974,437		11,295		(985,732)	-
Total non-depreciable assets	<u>1,860,187</u>	<u>147,823</u>	<u>11,295</u>	<u>-</u>	<u>(985,732)</u>	<u>1,033,573</u>
Depreciable Assets:						
Buildings	847,713	160,274				1,007,987
Improvements other than buildings	43,768,033	3,268,031	1,083,204		985,732	49,105,000
Machinery and equipment	3,855,408	93,773	78,660	(69,850)		3,957,991
Total capital assets being depreciated	<u>48,471,154</u>	<u>3,522,078</u>	<u>1,161,864</u>	<u>(69,850)</u>	<u>985,732</u>	<u>54,070,978</u>
Accumulated Depreciation:						
Buildings	(801,957)	(133,989)	(14,162)			(950,108)
Improvements other than buildings	(12,250,497)	(1,924,925)	(1,790,138)			(15,965,560)
Machinery and equipment	(2,942,131)	(92,051)	(288,966)	69,850		(3,253,298)
Total accumulated depreciation	<u>(15,994,585)</u>	<u>(2,150,965)</u>	<u>(2,093,266)</u>	<u>69,850</u>	<u>-</u>	<u>(20,168,966)</u>
Business-type activities capital assets, net	<u>\$ 34,336,756</u>	<u>\$ 1,518,936</u>	<u>\$ (920,107)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,935,585</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-type activities:	
Water treatment and distribution	\$ 1,080,121
Wastewater collection and treatment	611,331
Electricity	278,996
Airport	131,382
Total depreciation expense - business-type activities	<u>\$2,101,830</u>

NOTE 7: GOVERNMENTAL ACTIVITIES LONG-TERM DEBT

General Obligation Bonds, Certificates of Obligation Bonds and Capital Leases Payable principal and interest are paid by the debt service fund. The Note Payable to OmniAmerican Bank is paid by the Granbury Historic Properties Corporation. The compensated absences balances were earned in the funds as follows: general fund \$223,880 and tourism fund \$26,922. The internal service fund is used to liquidate the other post-employment benefit obligation.

June 1, 2011, the City issued the \$5,845,000 General Obligation Refunding Bonds, Series 2011 with interest rates ranging between 2.00% and 4.00%. The City issued the bonds to refund \$620,000 Combination Tax & Revenue Certificates of Obligation, Series 2001, \$2,740,000 Combination Tax & Revenue Certificates of Obligation, Series 2003, \$315,000 General Obligation Refunding Bonds, Series 2004 and \$2,210,000 Combination Tax & Revenue Certificates of Obligation, Series 2005. This refunding reduced principal and interest payments over the life of the bonds by \$231,365 and resulted in a net present value savings (economic gain) of \$224,253.

City of Granbury, Texas
Notes to Financial Statements
September 30, 2011

NOTE 7: GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (Continued)

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

	9/30/2010	Additions	Retirements	9/30/2011	Due Within One Year
General Obligation Bonds					
\$670,000; General Obligation Refunding Bonds Series 2004 due in annual installments beginning from 8/15/2005 to 8/15/2012 at 2.10% to 4.05%.	Refunded 315,000		315,000	-	-
\$3,267,500; General Obligation Refunding Bonds Series 2005 due in semi-annual payments from 5/15/2005, 2.75% to 4.20% until 8/15/2022.	2,787,500		140,000	2,647,500	142,500
\$2,270,000; General Obligation Refunding Bonds Series 2008 due in semi-annual payments from 8/15/2008, 3.50% to 4.00% until 8/15/2024.	1,905,000		127,500	1,777,500	132,500
Series 2008 unamortized bond premium	38,212		2,730	35,482	2,730
\$5,845,000; General Obligation Refunding Bonds Series 2011 due in annual installments beginning from 08/15/2011, 2.00% to 4.00% until 08/15/2022	-	5,845,000	605,000	5,240,000	580,000
Series 2011 unamortized bond premium	-	287,504	9,983	277,521	
Total General Obligation Bonds	5,045,712	6,132,504	1,200,213	9,978,003	857,730
Certificates of Obligation					
\$1,250,000; City of Granbury, Texas Combination Tax and Revenue Certificates of Obligation - Series 2001, due in annual payments to 8/15/2016, 3.00% to 4.90% interest.	Refunded 620,000		620,000	-	-
\$3,865,000; Combination Tax & Revenue Certificates of Obligation - Series 2003 - due in semi-annual payments from 2/15/2005, 2.25% - 4.00% to 8/15/2022.	Refunded 2,880,000		2,880,000	-	-
\$3,465,000; Combination Tax and Revenue Certificates of Obligation - Series 2005 due in semi-annual payments from 9/01/2005 until 8/15/2005 at 3.35% to 4.15%.	Refunded 2,210,000		2,210,000	-	-
\$3,859,500; Tax and Revenue Certificates of Obligation - Series 2006 due in semi-annual installments at 4.00% to 4.15% until 8/15/2024.	3,351,875		182,125	3,169,750	189,875
\$680,000; City of Granbury, Texas Combination Tax and Revenue Certificates of Obligation, Series 2006A due in semi-annual installments at 4.45% until August 15, 2021.	545,000		40,000	505,000	40,000

City of Granbury, Texas
Notes to Financial Statements
September 30, 2011

NOTE 7: GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (Continued)

	9/30/2010	Additions	Retirements	9/30/2011	Due Within One Year
\$15,050,000 Combination Tax and Revenue Certificates of Obligation - Series 2007. Interest is payable semi-annually at 4.00% to 4.70% until 8/15/32.	13,880,000	-	400,000	13,480,000	415,000
Series 2007 unamortized bond discount	(137,751)	-	(6,261)	(131,490)	(6,261)
Total Certificates of Obligation	23,349,124	-	6,325,864	17,023,260	638,614
Notes Payable					
\$483,450; Promissory Note refinanced in 2010 with First Financial Bank due in equal monthly installments of \$2,950.15 with interest at 3.25% through 2/22/2027. Note is secured by opera house and related properties.	448,425		20,944	427,481	21,606
Total Notes Payable	448,425	-	20,944	427,481	21,606
Capital Leases Payable					
\$237,715 Lease payable to Government Capital Corp in 5 annual payments of \$52,461.98 including interest at 9.1% until October 2012.	142,387	-	45,087	97,300	47,422
\$370,000 Lease payable to Suntrust Leasing in 40 quarterly payments of \$11,114 including interest at 3.71% until December 2014. Secured by rescue truck	174,052		38,532	135,520	39,980
Total Capital Leases	316,439	-	83,619	232,820	87,402
Other Post-Employment Benefits	72,864	31,775	3,114	101,525	
Compensated Absences Payable	294,952	248,060	292,210	250,802	243,499
Total Governmental Activities	29,527,516	6,412,339	7,925,964	28,013,891	1,848,851

City of Granbury, Texas
Notes to Financial Statements
September 30, 2011

NOTE 7: GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (Continued)

The aggregate debt service payments to maturity of the governmental activities general obligation bonds, certificates of obligation and notes payable are as follows:

	General Obligation Bonds			Certificates of Obligation		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 855,000	\$ 329,789	\$ 1,184,789	\$ 644,875	\$ 735,572	\$ 1,380,447
2013	1,110,000	308,207	1,418,207	672,625	709,598	1,382,223
2014	1,135,000	281,208	1,416,208	700,375	682,490	1,382,865
2015	1,170,000	245,287	1,415,287	723,125	654,272	1,377,397
2016	627,500	208,008	835,508	759,750	625,145	1,384,895
2017-2021	3,570,000	680,460	4,250,460	4,270,500	2,642,078	6,912,578
2022-2026	1,197,500	68,990	1,266,490	4,238,500	1,718,121	5,956,621
2027-2031	-	-	-	4,190,000	818,596	5,008,596
2032-2036	-	-	-	955,000	44,168	999,168
Debt Service Requirements	9,665,000	2,121,949	11,786,949	17,154,750	8,630,040	25,784,790
Add: Unamortized Premium	313,003					
Less: Unamortized Discount				(131,490)		
	<u>\$ 9,978,003</u>	<u>\$ 2,121,949</u>	<u>\$ 11,786,949</u>	<u>\$ 17,023,260</u>	<u>\$ 8,630,040</u>	<u>\$ 25,784,790</u>

	Notes Payable		
	Principal	Interest	Total
2012	\$ 21,606	\$ 13,796	\$ 35,402
2013	22,367	13,034	35,401
2014	23,116	12,286	35,402
2015	23,889	11,513	35,402
2016	24,831	10,540	35,371
2017-2021	136,407	35,076	171,483
2022-2026	129,041	21,023	150,064
2027-2031	46,224	1,085	47,309
	<u>\$ 427,481</u>	<u>\$ 118,353</u>	<u>\$ 545,834</u>

City of Granbury, Texas
Notes to Financial Statements
September 30, 2011

NOTE 8: BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT

Utility System Lien Subordinated Revenue Bonds – Series 1998 and 1999 are issued debt by the United States Department of Agriculture, Rural Development Agency – 40 year loans for the wastewater treatment facility expansion.

Three debt issues of the City are allocated between the governmental activities and business-type activities. The General Obligation Refunding Bonds Series 2005 were allocated \$3,267,500 governmental activities and \$3,267,500 business-type activities. The Tax and Revenue Certificates of Obligation Series 2006 were allocated \$3,859,500 governmental activities and \$1,120,500 business-type activities. The General Obligation Refunding Bonds Series 2008 were allocated \$2,270,000 governmental activities and \$2,270,000 business-type activities.

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

	9/30/2010	Additions	Retirements	9/30/2011	Due Within One Year
Revenue Bonds					
\$3,352,000; Utility System Subordinated Lien Revenue Bonds - Series 1998 - dated 3/30/98, due in annual installments at 4.50% to 2038.	2,876,000		52,000	2,824,000	55,000
\$270,000; Utility System Subordinated Lien Revenue Bonds - Series 1999 - dated 6/28/99, due in annual installments at 4.50% to 2038.	229,000		4,000	225,000	5,000
\$4,005,000; Utility Systems Revenue Improvement and Refunding Bonds - Series 2003 - due in semi-annual installments at 2.00% to 3.00% to 9/15/2014.	975,000		235,000	740,000	240,000
\$5,910,000; Utility Systems Revenue Refunding Bonds Series 2010 due in annual installments at 2% to 3.625% to 9/15/2022	5,910,000	-	255,000	5,655,000	260,000
2010 Series unamortized bond premium	33,733	-	2,811	30,922	2,811
Total Revenue Bonds	10,023,733	-	548,811	9,474,922	562,811

City of Granbury, Texas
Notes to Financial Statements
September 30, 2011

NOTE 8: BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT (Continued)

	9/30/2010	Additions	Retirements	9/30/2011	Due Within One Year
Certificates of Obligation					
\$3,267,500; General Obligation Refunding Bonds Series 2005 due in semi-annual installments at 3.00% to 4.20% until 8/15/2022.	2,787,500		140,000	2,647,500	142,500
\$1,120,500; Tax and Revenue Certificates of Obligation - Series 2006 due in semi-annual installments at 4.00% to 4.15% until 8/15/2024.	973,125		52,875	920,250	55,125
\$2,270,000; General Obligation Refunding Bonds Series 2008 due in semi-annual payments from 8/15/2008, 3.50% to 4.00% until 8/15/2024.	1,905,000	-	127,500	1,777,500	132,500
2007 Series unamortized bond premium	39,350	-	2,730	36,620	1,592
Total Certificates of Obligation	5,704,975	-	323,105	5,381,870	331,717
Capital Leases Payable					
\$98,600 Lease payable to Kansas State Bank in quarterly payments of \$5,596 including interest at until September 2014. Secured by sewer jetter.	80,771	-	18,728	62,043	19,672
\$127,008 Lease payable to Progressive Water Treatment in 24 monthly payments of \$5,292 including interest at 0% until January 2012. Secured by reverse osmosis and filter syst	26,460	-	26,460	-	-
\$886,000 Lease payable to Suntrust Leasing in 60 quarterly payments of \$22,949, including interest at 6.31% until August 2020 and secured by the airport hanger.	676,931		50,256	626,675	53,503
\$243,133; Lease payable to Suntrust Leasing Corporation in 20 quarterly payments of \$13,372, including interest at 3.88% through September 2012 and secured by hydraulic excavator..	102,440	-	50,228	52,212	52,212
\$134,000; Lease payable to California First National Bank in 20 quarterly payments of \$7,280, including interest at 3.70% through September 2012 and secured by aerial bucket truck.	55,892	-	27,432	28,460	28,460
	942,494	-	173,104	769,390	153,847
Compensated Absences Payable	91,047	67,874	63,844	95,077	67,874
Total Business-type Activities	16,762,249	67,874	1,108,864	15,721,259	1,116,249

City of Granbury, Texas
Notes to Financial Statements
September 30, 2011

NOTE 8: BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT (Continued)

The aggregate debt service payments to maturity of the business-type activities revenue bonds and certificates of obligation are as follows:

	Revenue Bonds			Certificates of Obligation		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 560,000	\$ 336,642	\$ 896,642	\$ 330,125	\$ 208,216	\$ 538,341
2013	577,000	322,023	899,023	377,375	196,029	573,404
2014	590,000	306,052	896,052	389,625	182,534	572,159
2015	613,000	288,728	901,728	406,875	168,380	575,255
2016	631,000	269,318	900,318	412,750	153,374	566,124
2017-2021	3,481,000	1,016,191	4,497,191	2,349,500	511,785	2,861,285
2022-2026	1,183,000	502,099	1,685,099	1,079,000	75,478	1,154,478
2027-2031	638,000	351,990	989,990	-	-	-
2032-2036	797,000	194,895	991,895	-	-	-
2037-2041	374,000	25,425	399,425	-	-	-
Debt Service Requirements	9,444,000	3,613,363	13,057,363	5,345,250	1,495,796	6,841,046
Add: Unamortized Premium	30,922			36,620		
	<u>\$ 9,474,922</u>	<u>\$ 3,613,363</u>	<u>\$ 13,057,363</u>	<u>\$ 5,381,870</u>	<u>\$ 1,495,796</u>	<u>\$ 6,841,046</u>

The City covenants and agrees to fix, maintain, charge and collect for services rendered by the Enterprise Fund, such rates and charges that will produce net revenues equal to 1.2 times the debt service of the bonds and any additional bonds; and that will be sufficient to generate all deposits required to be made into the funds created under bond ordinances and any ordinance authorizing additional bonds. In the event that the City should become legally obligated to pay any other indebtedness from the net revenues of the Enterprise Fund, the City shall fix, maintain, charge and collect additional rates and charges for services rendered by the Enterprise Fund sufficient to establish and maintain funds for the payment thereof. The debt service coverage ratio of the Enterprise Fund at September 30, 2011 was as follows:

Revenues(1)	\$ 18,480,552
Operating expenses excluding depreciation	<u>14,791,791</u>
Net revenues available for debt service	<u>\$ 3,688,761</u>
Maximum annual debt service payment for the business-type activities revenue bonds	<u>\$ 901,728</u>
Debt Coverage Ratio	<u>4.09</u>
(net revenues available for debt service divided by maximum debt service requirement)	

(1) Includes charges for water and sewer sales, charges for electricity sales, other revenue and interest revenue

City of Granbury, Texas
Notes to Financial Statements
September 30, 2011

NOTE 9: CAPITAL LEASES PAYABLE

The City has committed under various noncancelable lease/purchase agreements, primarily for equipment and airport hangers. Future minimum lease/purchase commitments are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
2012	96,938	196,789	293,727
2013	96,919	114,179	211,098
2014	44,456	114,179	158,635
2015	11,114	91,797	102,911
2016	-	91,797	91,797
2017-2021	-	367,207	367,207
Total debt service requirements	249,427	975,948	1,225,375
Less: Interest Portion	16,607	206,558	223,165
Debt Principal	\$ 232,820	\$ 769,390	\$ 1,002,210

The City rents the airport T-hangers to individuals on a monthly basis. The above lease commitment will be offset by approximately \$85,000 rental income annually.

Assets under lease and related accumulated depreciation are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Improvements other than buildings	\$ 237,715	\$ 885,573	\$ 1,123,288
Machinery and equipment	387,999	602,741	990,740
Less: Accumulated Depreciation	(420,513)	(630,093)	(1,050,606)
Net	\$ 205,201	\$ 858,221	\$ 1,063,422

NOTE 10: 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; injuries to employees; and natural disasters. The City is a member of the Texas Municipal League and participates in the Intergovernmental Risk Pool insurance coverage and are 100% covered through third-party insurance policies. There has been no reduction in coverage and the amount of settlements during the past three years has not exceeded the insurance coverage.

City of Granbury, Texas
Notes to Financial Statements
September 30, 2011

NOTE 11: RETIREMENT PLAN

Plan Description

The City provides pension benefits for all of its eligible 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 from 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 for the 2011 and 2010 were the same and were as follows:

Deposit Rate:	7%
Matching Rate	2 to 1
A member is vested after	5 years
Service retirement eligibility (age/years of service)	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to retirees)	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 cost 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 credits and annuity increases.

The City contributes to the TMRS plan 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:

	2011	2010	2009
Annual required contribution (ARC)	\$ 1,039,586	\$ 968,824	\$ 949,213
Interest on Net Pension Obligation	-	-	-
Adjustment to the ARC	-	-	-
Annual pension cost	1,039,586	968,824	949,213
Contributions Made	1,039,586	968,824	949,213
Increase (decrease) in Net Pension Obligation	-	-	-
Net Pension Obligation/(Asset), beginning of year	-	-	-
Net Pension Obligation/(Asset), end of year	\$ -	\$ -	\$ -

City of Granbury, Texas
Notes to Financial Statements
September 30, 2011

NOTE 11: RETIREMENT PLAN (continued)

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

	General System-wide Actuarial Assumptions			
	<u>12/31/2010- Restructured</u>	<u>12/31/10 - prior to restructuring</u>	<u>12/31/09</u>	<u>12/31/08</u>
Actuarial Valuation Date	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
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	27.2 Years-Closed	27.2 Years-Closed	28.1 Years-Closed	29 Years-Closed
Amortization period for new gains/losses	30 years	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed	10-year Smoothed	10-year Smoothed	Amortized Cost
Actuarial Assumptions:				
Investment Rate of Return	7.0%	7.5%	7.5%	7.5%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation At	3.0%	3.0%	3.0%	3.0%
Cost of Living Adjustments	2.1%	2.1%	2.1%	2.1%

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 to the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at the May 2011 meeting (the review compared actual to expected experience for the four-year period 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).

City of Granbury, Texas
Notes to Financial Statements
September 30, 2011

NOTE 11: RETIREMENT PLAN (continued)

The funded status as of December 31, 2010, under the two separate actuarial valuations, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (ALL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2010 ¹	13,907,141	20,982,887	66.3%	7,075,746	6,655,206	106.3%
12/31/2010 ²	18,646,410	25,011,390	74.6%	6,364,980	6,655,206	95.6%

¹ Actuarial valuation performed under the original fund structure

² Actuarial valuation performed under the new 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.

NOTE 12: VOLUNTEER FIRE FIGHTER'S RETIREMENT FUND

The Fire Fighter's Pension Commissioner is the administrator of the Texas Emergency Services Retirement Systems (TESRS), a cost-sharing multiple employer pension systems 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 was 199 member fire or emergency services departments actively participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

At August 31, 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)	<u>4,371</u>
	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 provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

City of Granbury, Texas
Notes to Financial Statements
September 30, 2011

NOTE 12: VOLUNTEER FIRE FIGHTER'S RETIREMENT FUND (Continued)

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

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

Funding Policy

Contribution provisions were established by S.B. 411, 65th Legislature, Regular Session (1977) and were amended by board rule in 2006. No contributions are required by individual members 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 a limited amount to make TESRS actuarially sound.

Contributions Required and Contributions Made

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 greater than the contributions required by the state statute and were greater than the contributions required based on the August 31, 2008 actuarial valuation. The City's contributions for the years ended September 30, 2011, 2010 and 2009 were \$49,450, \$47,955 and \$45,540 respectively.

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

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS

For the year ending September 30, 2009 the City was required to implement GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postretirement Benefits Other than Pensions. This statement establishes standards for the measurement, recognition and display of other postretirement benefits expenses/expenditures and related liabilities (assets), note disclosures and required supplementary information in the financial reports of state and local governmental employers. GASBS No. 45 has been implemented prospectively.

City of Granbury, Texas
Notes to Financial Statements
September 30, 2011

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (Continued)

A. Supplemental Death Benefits Fund

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

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

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:
(retiree-only portion of rate)

Plan/ Calendar Year	Annual Required Contribution Rate	Actual Contribution Made Rate	Percentage of ARC Contributed
2009	0.04%	0.04%	100%
2010	0.03%	0.03%	100%
2011	0.03%	0.03%	100%

B. Retiree Health Care Plan

Plan Description

The City's other post-employment benefit plan is a single-employer defined benefit healthcare plan that is administered by the City. The City maintains a self-funded health insurance fund to account for the City's employee health care coverage program. Permanent full time employees of the City who retire after October 1, 2005 are eligible to participate in the retiree health care plan. The employees must terminate employment under normal retirement conditions to be eligible for retiree health care. Normal retirement conditions are at any age after 20 years of service or at age 60 with at least 5 years of service and the employee must be enrolled in the health care plan as an active employee on the date preceding retirement.

Retirees may elect to continue coverage into retirement at their own expense. Retirees may also purchase retiree health care coverage for eligible spouses and dependents. The City of Granbury does not pay or subsidize any portion of the premium for retiree coverage. Premium contribution rates are the same as those in effect for active employees and are subject to change annually. Retirees and spouses are no longer eligible to remain in the City's health care plan when they become Medicare eligible or when they become eligible for another employer-sponsored plan.

City of Granbury, Texas
Notes to Financial Statements
September 30, 2011

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (Continued)

Retiree medical coverage levels for retirees is the same as coverage provided for active City of Granbury employees in accordance with the terms and conditions of the current City of Granbury Employee Benefit Plan.

A separate audited post-employment benefit plan report is not available.

Funding Policy

The City currently pays for retiree health care benefits on a pay-as-you-go basis rather than prefunding its OPEB obligation by contributing the annual required contribution. The City's annual contribution each year is equal to the benefits that are paid on behalf of the retirees.

Annual OPEB Cost

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASBS No. 45. The ARC represents a level of accrual that is projected to recognize the normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The annual OPEB cost and net OPEB obligation are as follows:

	2011	2010	2009
Annual Required Contribution	\$ 28,496	\$ 38,069	\$ 36,960
Interest on OPEB obligation	3,279	1,611	-
Adjustment to annual required contribution	(3,038)	(1,492)	-
Annual OPEB Cost (Expense)	28,737	38,188	36,960
Contributions made	76	1,113	1,171
Increase in net OPEB obligation	28,661	37,075	35,789
Net OPEB obligation - beginning of year	72,864	35,789	-
Net OPEB obligation - end of year	\$ 101,525	\$ 72,864	\$ 35,789
Percent of OPEB Cost Contributed	0.26%	2.91%	3.17%

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ending September 30, 2011 and the preceding two fiscal years were as follows:

Fiscal Year Ended	Employer			Net OPEB Obligation
	Annual OPEB Cost	Amount Contributed	Percentage Contributed	
9/30/2009	36,960	1,171	3.2%	35,789
9/30/2010	38,118	1,113	2.9%	72,864
9/30/2011	28,737	76	0.3%	101,525

City of Granbury, Texas
Notes to Financial Statements
September 30, 2011

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Status and Funding Progress

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of December 31, 2010 is as follows:

Actuarial Valuation Date as of December 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio
2010	-	\$ 198,487	\$ 198,487	0%

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$198,487 at December 31, 2010.

Actuarial Methods and Assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ the methods and assumptions that are designated to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial Methods and Assumptions

Inflation rate	3.00% per annum
Investment rate of return	4.50%, net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of employee payroll
Amortization period	30-year open amortization
Payroll growth	3.00% per annum
Healthcare cost trend rate	Initial rate of 9.0% delining to an ultimate rate of 4.50% after 9 years

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

City of Granbury, Texas
Notes to Financial Statements
September 30, 2011

NOTE 14: CONTINGENT LIABILITIES

A. Federal and State Programs

Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made, in compliance with program guidelines, to the grantor agency.

These programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, the City has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of fund monies may be required.

As it pertains to other matters of compliance, in the opinion of the City's administration, there are no significant contingent liabilities relating to matters of compliance and accordingly, no provision has been made in the accompanying financial statements for such contingencies.

B. Litigation

Various claims and lawsuits are pending against the City. Although the outcome of these lawsuits is not presently determinable, it is the opinion of City management and legal counsel that the potential loss on all claims will be covered by the City's insurance policy or will not have a material adverse effect on the financial condition of the City.

NOTE 15: CONTRACTS AND COMMITMENTS

A. Purchased Power for Resale

In August of 2007, the City entered into an agreement with Bryan Texas Utilities ("BTU") effective January 1, 2008 through December 31, 2017 for the purchase of its power and energy to serve its retail customers. Each month during the term of this agreement Granbury shall pay BTU a monthly energy charge, calculated by multiplying the energy delivered times \$72.75 per megawatt hour. Granbury will also pay BTU monthly an ancillary services charge, calculated by multiplying the energy delivered times \$2.00 per megawatt hour. The total cost incurred under this agreement for the year ended September 30, 2011 was \$8,311,565.

B. Water Capacity

The City has an annual agreement with the Brazos River Authority for 10,800 acre feet of water. The cost is adjusted annually by the Brazos River Authority. The amount paid to the Brazos River Authority under this agreement for the year ended September 30, 2011 was \$695,100.

C. Water Treatment

The City entered into the Johnson County Water Treatment Agreement with the Brazos River Authority ("BRA"), Johnson County Fresh Water Supply District No. 1 and Johnson County Special Utility District in 1993 for treated water from the Surface Water Area Treatment System Plant ("SWATS" Plant). The agreement requires the City to participate in the cost and maintenance of the water treatment plant and debt service obligations on a percentage basis. The City is entitled to receive up to 1.72 million gallons per day of treated water. The City's payments are adjusted annually by the BRA for the City's water consumption in the preceding year. The total amount paid to the Brazos River Authority under this agreement for the year ended September 30, 2011 was \$537,654.

City of Granbury, Texas
Notes to Financial Statements
September 30, 2011

NOTE 15: CONTRACTS AND COMMITMENTS (Continued)

As of September 30, 2011, the City's prorated share of SWATS Plant outstanding debt was \$2,827,389.

In June of 2007, the City entered into an agreement with Acton Municipal Utility District ("AMUD"). Under the agreement AMUD intends to acquire the City's current interest in the SWATS Plant water production capacity, including the City's debt service obligations. In order to achieve this, the City, by this agreement, shall incrementally transfer its allotted water production capacity from the SWATS Plant to AMUD and AMUD shall pay the City's debt service obligations in proportion to its acquisition of the City's interest. The City shall transfer its SWATS water production capacity incrementally upon the following dates as amended June 2010:

- October 1, 2009 - .5 mgd
- October 1, 2014 - .5 mgd
- October 1, 2017 - all remaining capacity

D. Airport Expansion

The City and Texas Department of Transportation have agreed to a \$16,830,000 joint project to expand the Granbury Regional Airport. The City will fund \$4,000,000 of the project from the capital projects fund. The Texas Department of Transportation will administer the project.

NOTE 16: SELF-INSURANCE

The City maintains the self-funded health insurance fund to account for the City's employee health care coverage program. The City has obtained stop loss insurance coverage for an individual employee's health care claims exceeding \$40,000. Revenues are recognized from payroll deductions and City contributions. At September 30, 2011 a liability of \$158,290 has been recorded, which represents estimated claims incurred but not yet reported. Changes in this claims liability during the year were as follows:

	Beginning Balance	Current-year Claims and Changes in Estimates	Claim Payments	Ending Balance
2010	\$ 48,707	\$ 800,684	\$ 759,092	\$ 90,299
2011	\$ 90,299	\$ 1,617,474	\$ 1,549,483	\$ 158,290

NOTE 17: ECONOMIC DEVELOPMENT AGREEMENT

August 15, 2006 the City entered into an economic development agreement with Babe's-Granbury, LLC ("Babe's"). Under the terms of the agreement the City would fund up to \$200,000 for improvements to real property the City purchased June 2006 for \$531,264. Babe's agreed to lease the property for an initial term of ten years with an option to extend the terms of the agreement for two additional ten year periods. From September 1, 2007 to the end of the term of this agreement and any extensions thereof, the base rent shall be the greater of \$5,500 per month or the amount which equals the interest accruing on the sum of money actually expended by the City to acquire, build out/remodel and maintain the premises through March 1, 2007 at the rate of 6% per annum. In addition, the City shall receive percentage rent which is 2% of annual gross sales exceeding the breakpoint of \$4,000,000 per annum. During the year ended September 30, 2011 the City received \$66,000 in rents under this agreement.

City of Granbury, Texas
Notes to Financial Statements
September 30, 2011

NOTE 18: SUBSEQUENT EVENTS

December 1, 2011, the City Council authorized the issuance of the \$4,700,000 City of Granbury, Texas Utility System Revenue Bonds, Series 2012 to drill twelve water wells and for the design, permitting and piloting cost for the proposed 2.5 MGD Granbury Water Treatment Plant. The net revenues of the City's combined waterworks, sewer and electric system are pledged to the payment of the principal and interest on the bonds.

Subsequent events were evaluated through February 27, 2012, which is the date the financial statements were available to be issued.

NOTE 19: CHANGE IN ACCOUNTING PRINCIPLES

In previous years the Airport Fund was reported as a special revenue fund. The City implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which was implemented in 2011 changed the definition of special revenue funds to include funds in which revenues are restricted or committed to a specific purpose. This fund is funded primarily with sales of fuel and merchandise and rentals of airplane hangars which are neither restricted nor committed. The Airport Fund has been reported as an enterprise fund beginning in 2011. The government-wide and fund financial statements were restated as follows:

Fund Financial Statements			Airport Fund
Net assets/fund balance as of September 30, 2010, as previously reported			\$ 33,548
Capital assets net of accumulated depreciation			1,518,937
Capital lease			<u>(676,931)</u>
Net assets/fund balance as of September 30, 2010, as restated			<u>\$ 875,554</u>
Government-wide Financial Statements	Governmental Activities	Business-type Activities	
Net assets as of September 30, 2010, as previously reported	<u>\$ 30,441,323</u>	<u>\$ 23,162,064</u>	
Reclassification of Airport activities	<u>(875,554)</u>	<u>875,554</u>	
Net assets balance as of September 30, 2010, as restated	<u>\$ 29,565,769</u>	<u>\$ 24,037,618</u>	

NOTE 20: NEW PRONOUNCEMENTS

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides guidance for deferred outflows of resources and deferred inflows of resources as introduced and defined in Concepts Statement No. 4, *Elements of Financial Statements*. Concepts No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. The provisions of this Statement are effective for financial statements for the periods beginning after December 31, 2011. The City has not yet determined the effect this Statement will have on its financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Granbury, Texas
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended September 30, 2011

	Budgeted Amounts		Actual	Budget to	Actual	Variance with
	Original	Final	Amounts	GAAP	Amounts	Final Budget
			GAAP	GAAP	Budgetary	Positive
	Original	Final	Basis	Differences	Basis	(Negative)
REVENUES:						
Taxes:						
General property	\$ 1,538,122	1,538,122	\$ 1,496,874	\$	\$ 1,496,874	\$ (41,248)
Sales and use	5,094,542	5,103,342	5,810,019		5,810,019	706,677
Franchise	1,640,795	1,684,045	1,463,008		1,463,008	(221,037)
Fines and fees	232,223	218,223	225,678		225,678	7,455
Licenses and permits	301,000	428,750	586,854		586,854	158,104
Charges for service	111,400	92,400	122,594		122,594	30,194
Intergovernmental revenue	128,047	128,047	148,656		148,656	20,609
Park and recreation	162,000	155,900	205,935		205,935	50,035
Interest income	2,500	2,500	15,039		15,039	12,539
Other revenue	225,753	792,941	272,979		272,979	(519,962)
Total revenues	<u>9,436,382</u>	<u>10,144,270</u>	<u>10,347,636</u>	<u>-</u>	<u>10,347,636</u>	<u>203,366</u>
EXPENDITURES:						
Current						
General government						
City Council	165,792	186,042	150,508		150,508	35,534
Legal	177,304	177,304	204,163		204,163	(26,859)
Executive	409,777	552,699	542,274		542,274	10,425
Financial Administration	432,284	432,284	409,960		409,960	22,324
Purchasing	136,911	136,911	135,330		135,330	1,581
Social Services	41,000	41,000	41,000		41,000	-
Management Information Services and City WIFI	281,394	321,244	360,220		360,220	(38,976)
Economic Development	48,987	48,987	66,788		66,788	(17,801)
Human Resources	228,937	228,937	235,923		235,923	(6,986)
Warehouse	76,299	76,299	69,398		69,398	6,901
Fleet Maintenance	151,726	151,726	147,822		147,822	3,904
Building Maintenance	152,655	163,655	152,661		152,661	10,994
Granbury Public TV Channel 27	109,667	111,667	118,079		118,079	(6,412)
Other governmental functions	412,065	309,400	325,224		325,224	(15,824)
Public Safety:						
Police	3,036,597	3,141,621	2,937,896	106,207	3,044,103	97,518
Fire	296,067	258,796	268,848		268,848	(10,052)
Municipal Court	206,084	206,084	220,970	236	221,206	(15,122)
Streets	423,726	646,387	425,147	181,040	606,187	40,200
Public Works	368,067	368,067	257,252		257,252	110,815
Community Development	763,726	762,145	604,499	1,300	605,799	156,346
Cemetery	42,566	42,566	40,757		40,757	1,809
Parks	1,447,063	1,644,441	1,561,616	1,365	1,562,981	81,460
Total expenditures	<u>9,408,694</u>	<u>10,008,261</u>	<u>9,276,335</u>	<u>290,148</u>	<u>9,566,483</u>	<u>441,778</u>
Excess (deficiency) of revenue over (under) expenditures	<u>27,688</u>	<u>136,009</u>	<u>1,071,301</u>	<u>(290,148)</u>	<u>781,153</u>	<u>645,144</u>
Other financing sources (uses):						
Transfers in	373,830	373,830	373,830		373,830	-
Transfers out	(342,115)	(443,533)	(439,033)		(439,033)	4,500
Total other financing sources (uses)	<u>31,715</u>	<u>(69,703)</u>	<u>(65,203)</u>	<u>-</u>	<u>(65,203)</u>	<u>4,500</u>
Net change in fund balance	59,403	66,306	1,006,098	(290,148)	715,950	649,644
Fund Balance, October 1, 2010	<u>4,197,764</u>	<u>4,197,764</u>	<u>4,197,764</u>		<u>4,197,764</u>	<u>-</u>
Fund Balance, September 30, 2011	<u>\$ 4,257,167</u>	<u>\$ 4,264,070</u>	<u>\$ 5,203,862</u>	<u>\$ (290,148)</u>	<u>\$ 4,913,714</u>	<u>\$ 649,644</u>

City of Granbury, Texas
Texas Municipal Retirement System
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (ALL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2008	10,786,770	17,122,378	63.0%	6,335,608	6,688,536	94.7%
12/31/2009	12,048,438	19,078,114	63.2%	7,029,676	6,879,023	102.2%
12/31/2010 ¹	13,907,141	20,982,887	66.3%	7,075,746	6,655,206	106.3%
12/31/2010 ²	18,646,410	25,011,390	74.6%	6,364,980	6,655,206	95.6%

¹ Actuarial valuation performed under the original fund structure

² Actuarial valuation performed under the new fund structure

City of Granbury, Texas
 Volunteer Fire Fighter's Retirement Fund
 Statewide Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability ¹ (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Total Members Covered (c)	UAAL Per Member Covered (b-a)/(c)
8/31/2006	\$ 42,268,305	\$ 58,082,828	\$ 15,814,523	72.8%	8061	\$ 1,962
8/31/2008 ²	60,987,157	64,227,341	3,240,184	95.0%	8254	393
8/31/2010 ³	64,113,803	81,264,230	17,150,427	78.9%	8644	1,984

Notes:

¹The actuarial accrued liability is based upon the entry age actuarial cost method.

²Changes in actuarial assumptions were reflected in this valuation.

³Changes in actuarial assumption and method were reflected in this valuation.

Schedule of Employer Contributions

Fiscal Year Ending August 31,	Annual Required Contributions	Actual Contributions	Percentage Contributed
2005	3,206,300 ¹	\$ 1,606,759 ⁵	50%
2006	2,753,035 ²	2,753,035 ⁶	100%
2007	3,162,742 ³	3,162,742 ⁷	100%
2008	3,160,764 ⁴	11,239,339 ⁸	356%
2009	2,698,271 ⁴	2,698,271	100%
2010	2,875,103 ⁴	2,875,103	100%

Notes:

¹ Based on the original August 31, 2004 actuarial valuation.

² Based on the revised August 31, 2004 actuarial valuation.

³ Based on the August 31, 2006 actuarial valuation.

⁴ Based on the August 31, 2008 actuarial valuation.

⁵ A change in billing procedures resulted in a one-time change in the timing of dues contributions, resulting in an atypical amount of dues contributions for this fiscal year.

⁶ Includes a state contribution of \$675,307

⁷ Includes a state contribution of \$709,072

⁸ Includes a state contribution of \$8,800,000

City of Granbury, Texas
Retiree Health Care Plan
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accured Liability (ALL)	Funded Ratio	Unfunded AAL (UAAL)
12/31/2007	-	400,022	0.0%	400,022
12/31/2010	-	198,487	0.0%	198,487

City of Granbury, Texas
Notes to Required Supplementary Information
September 30, 2011

1. Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

- a. Formal budgetary integration is employed as a management control device during the year for the general, special revenue, debt service and enterprise funds.
- b. Budgetary data for the capital projects fund has not been presented in the accompanying financial statements because such funds are budgeted over the life of the respective projects and not on an annual basis.
- c. Unencumbered appropriations for annually budgeted funds lapse at year end.
- d. Prior to August 1 of each year, the City Manager submits the proposed budget for the following fiscal year to the City Council. From the date of its submission the budget is public record. The City Council shall hold public hearings on the proposed budget. Notices of the public hearings are published at least ten days before the date of the hearings. After the public hearings the Council may make any changes they feel appropriate and shall adopt the budget at least twenty days prior to the beginning of the next fiscal year. Should the Council take no action on or prior to such day, the budget, as submitted, shall be deemed to have been adopted by the Council.
- e. The budget is prepared by fund, function, department and class. The City's department heads are authorized to make budget transfers of \$5,000 or less with the approval of the director of finance. Transfers of greater than \$5,000 must be authorized by the City Manager. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

2. Budget to GAAP Differences

Encumbrances for equipment and supplies ordered but not received are reported in the year the orders are placed for budgetary purposes, but are reported in the year the equipment and supplies are received for GAAP purposes.

3. Excess of Expenditures over Appropriations

In the general fund the legal, management information services and city wifi, economic development, human resources, Granbury Public TV Channel 27, other governmental functions, fire and municipal court department actual expenditures budgetary basis exceeded appropriations. Total expenditures were \$441,778 less than budgeted.

Total expenditures of the Granbury Historic Properties special revenue fund exceeded budget by \$5,944 and were funded with beginning fund balance.

Total operating expenditures of the utility fund, excluding depreciation expense, were \$177,012 more than budgeted primarily because electricity exceeded its budget by \$934,398 and water treatment and distribution and utility franchise fees were less than their budget by \$410,574 and 278,469.

Total airport fund operating expenditures, excluding depreciation expense, were \$16,843 more than budgeted primarily because actual fuel purchased for resale exceeded appropriations.

City of Granbury, Texas
Notes to Required Supplementary Information
September 30, 2011

4. Volunteer Fire Fighter's Retirement Fund

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 are as follows:

Valuation Date	August 31, 2010
Actuarial cost method	Entry Age
Amortization method	Level dollar, open
Amortization period	30 years
Asset valuation method	Market value smoother by a 5-year deferred recognition method with a 80%/120% corridor on market value

Actuarial assumptions:

Investment rate of return*	7.75% per year, net of investment expenses
Projected salary increases	N/A
* Includes inflation at	3.50%
Cost-of-living adjustments	None

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COMBINING FINANCIAL STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Fund is used to account for the proceeds from specific revenue sources (other than major capital projects or Proprietary Funds) that are legally restricted to expenditures for specified purposes.

Convention and Visitor's Bureau – To account for the accumulation of resources from the hotel/motel occupancy tax assessment levied by the City. These monies are spent to promote the progress, development or growth of the City within the guidelines set forth on disposition or revenues collected under the authority of the Texas Hotel Occupancy Tax Act (Article 1269; Vernon's Texas Civil Statutes).

Granbury Historic Properties Corporation – A blended component unit created to assist the City in acquisition/control of historical properties deemed important to the growth and development of the City.

City of Granbury, Texas
 Nonmajor Funds
 Combining Balance Sheet
 September 30, 2011

	Special Revenue			Total Nonmajor Funds
	Tourism Fund	Granbury Historic Properties	Total Special Revenue Funds	
Assets:				
Cash	\$ 218,324	\$ 264,462	\$ 482,786	\$ 482,786
Receivables (Net of allowances for uncollectibles)				
Miscellaneous receivables	54,807	-	54,807	54,807
Inventories	698	-	698	698
Total assets	\$ 273,829	\$ 264,462	\$ 538,291	\$ 538,291
Liabilities and fund balance:				
Liabilities:				
Accounts payable	\$ 10,065	\$ -	\$ 10,065	\$ 10,065
Due to other funds	700,000	-	700,000	700,000
Deferred revenue	45,273	-	45,273	45,273
Total liabilities	755,338	-	755,338	755,338
Fund Balance:				
Committed Fund Balance		264,462	264,462	264,462
Unassigned Fund Balance	(481,509)		(481,509)	(481,509)
Total fund balances	(481,509)	264,462	(217,047)	(217,047)
Total liabilities and fund balances	\$ 273,829	\$ 264,462	\$ 538,291	\$ 538,291

City of Granbury, Texas
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 For the year ended September 30, 2011

	Special Revenue			Total Nonmajor Funds
	Tourism Fund	Granbury Historic Properties	Total Special Revenue Funds	
Revenues:				
Hotel/Motel Occupancy Tax	\$ 521,802	\$ -	\$ 521,802	\$ 521,802
Charges for service	451,909	-	451,909	451,909
Interest	-	501	501	501
Other Revenue	1,783	-	1,783	1,783
Total revenue	975,494	501	975,995	975,995
Expenditures:				
Current:				
Tourism	599,897	10,950	610,847	610,847
Conference Center	695,673		695,673	695,673
Debt Service:				
Principal		20,944	20,944	20,944
Interest and fiscal charges		14,551	14,551	14,551
Total expenditures	1,295,570	46,445	1,342,015	1,342,015
Excess (deficiency) of revenues over (under) expenditures	(320,076)	(45,944)	(366,020)	(366,020)
Other financing sources (uses):				
Transfers in	302,115	40,000	342,115	342,115
Total other financing sources (uses):	302,115	40,000	342,115	342,115
Net change in fund balances	(17,961)	(5,944)	(23,905)	(23,905)
Fund Balance, October 1, 2010	(463,548)	270,406	(193,142)	(193,142)
Fund Balance, September 30, 2011	\$ (481,509)	\$ 264,462	\$ (217,047)	\$ (217,047)

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INDIVIDUAL FUND SCHEDULES

City of Granbury, Texas
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended September 30, 2011
(With comparative totals for September 30, 2010)

	Budgeted Amounts		Actual	Variance with	Prior Year
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)	
REVENUES:					
Taxes:					
General property	\$ 1,538,122	\$ 1,538,122	\$ 1,496,874	\$ (41,248)	1,247,085
Sales and use	5,094,542	5,103,342	5,810,019	706,677	5,314,801
Franchise	1,640,795	1,684,045	1,463,008	(221,037)	1,293,061
Fines and fees	232,223	218,223	225,678	7,455	204,284
Licenses and permits	301,000	428,750	586,854	158,104	413,456
Charges for service	111,400	92,400	122,594	30,194	29,495
Intergovernmental revenue	128,047	128,047	148,656	20,609	408,234
Park and recreation	162,000	155,900	205,935	50,035	185,678
Interest income	2,500	2,500	15,039	12,539	3,432
Other revenue	225,753	792,941	272,979	(519,962)	321,139
Total revenues	<u>9,436,382</u>	<u>10,144,270</u>	<u>10,347,636</u>	<u>203,366</u>	<u>9,420,665</u>
EXPENDITURES:					
Current					
General government					
City Council	165,792	186,042	150,508	35,534	224,896
Legal	177,304	177,304	204,163	(26,859)	144,888
Executive	409,777	552,699	542,274	10,425	399,449
Financial Administration	432,284	432,284	409,960	22,324	423,879
Purchasing	136,911	136,911	135,330	1,581	134,009
Social Services	41,000	41,000	41,000	-	34,298
Management Information Services	281,394	321,244	360,220	(38,976)	568,265
Economic Development	48,987	48,987	66,788	(17,801)	49,075
Human Resources	228,937	228,937	235,923	(6,986)	220,434
Warehouse	76,299	76,299	69,398	6,901	106,362
Fleet Maintenance	151,726	151,726	147,822	3,904	167,240
Building Maintenance	152,655	163,655	152,661	10,994	140,725
Granbury Public TV Channel 27	109,667	111,667	118,079	(6,412)	22,176
Other governmental functions	412,065	309,400	325,224	(15,824)	327,832
Public Safety:					
Police	3,036,597	3,141,621	3,044,103	97,518	2,922,468
Fire	296,067	258,796	268,848	(10,052)	243,174
Municipal Court	206,084	206,084	221,206	(15,122)	201,053
Streets	423,726	646,387	606,187	40,200	431,840
Public Works	368,067	368,067	257,252	110,815	350,734
Community Development	763,726	762,145	605,799	156,346	768,068
Cemetery	42,566	42,566	40,757	1,809	40,206
Tourism	-	-	-	-	100,000
Parks	1,447,063	1,644,441	1,562,981	81,460	1,430,571
Total expenditures	<u>9,408,694</u>	<u>10,008,261</u>	<u>9,566,483</u>	<u>441,778</u>	<u>9,451,642</u>
Excess (deficiency) of revenue over (under) expenditures	<u>27,688</u>	<u>136,009</u>	<u>781,153</u>	<u>645,144</u>	<u>(30,977)</u>
Other financing sources (uses):					
Transfers in	373,830	373,830	373,830	-	613,164
Transfers out	(342,115)	(443,533)	(439,033)	4,500	(410,845)
Total other financing sources (uses)	<u>31,715</u>	<u>(69,703)</u>	<u>(65,203)</u>	<u>4,500</u>	<u>202,319</u>
Net change in fund balance	59,403	66,306	715,950	649,644	171,342
Fund Balance, October 1, 2010	<u>4,197,764</u>	<u>4,197,764</u>	<u>4,197,764</u>	<u>-</u>	<u>4,026,422</u>
Fund Balance, September 30, 2011	<u>\$ 4,257,167</u>	<u>\$ 4,264,070</u>	<u>\$ 4,913,714</u>	<u>\$ 649,644</u>	<u>4,197,764</u>

City of Granbury, Texas
 Tourism Fund - Special Revenue Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 For the year ended September 30, 2011
 (With comparative totals for September 30, 2010)

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive (Negative)	Prior Year Actual
	Original	Final			
Revenues:					
Hotel/Motel Occupancy Tax	\$ 500,000	500,000	\$ 521,802	\$ 21,802	\$ 470,439
Charges for Service	425,200	490,200	451,909	(38,291)	458,046
Other Revenue	12,000	12,000	1,783	(10,217)	12,898
Total revenues	937,200	1,002,200	975,494	(26,706)	941,383
Expenditures:					
Current:					
Tourism	63,276	597,109	599,897	(2,788)	57,248
Conference Center	1,176,039	711,706	695,673	16,033	1,125,080
Total expenditures	1,239,315	1,308,815	1,295,570	13,245	1,182,328
Excess (deficiency) of revenues over (under) expenditures	(302,115)	(306,615)	(320,076)	(13,461)	(240,945)
Other financing sources (uses):					
Transfers in	302,115	306,615	302,115	(4,500)	140,559
Total other financing sources (uses):	302,115	306,615	302,115	(4,500)	140,559
Net change in fund balance	-	-	(17,961)	(17,961)	(100,386)
Fund Balance, October 1, 2010	(463,548)	(463,548)	(463,548)	-	(363,162)
Fund Balance, September 30, 2011	<u>\$ (463,548)</u>	<u>\$ (463,548)</u>	<u>\$ (481,509)</u>	<u>\$ (17,961)</u>	<u>\$ (463,548)</u>

City of Granbury, Texas
 Granbury Historic Properties - Special Revenue Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 For the year ended September 30, 2011
 (With comparative totals for September 30, 2010)

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive (Negative)	Prior Year Actual
	Original	Final			
Revenues:					
Interest	\$ -	\$ -	\$ 501	\$ 501	\$ 1,242
Total revenues	-	-	501	501	1,242
Expenditures:					
Current:					
Tourism	-	-	10,950	(10,950)	
Debt Service:					
Principal	20,944	20,944	20,944	-	18,410
Interest and fiscal charges	19,056	19,056	14,551	4,505	19,830
Total expenditures	40,000	40,000	46,445	(6,445)	38,240
Excess (deficiency) of revenues over (under) expenditures	(40,000)	(40,000)	(45,944)	(5,944)	(36,998)
Other financing sources (uses):					
Transfers in	40,000	40,000	40,000	-	40,000
Total other financing sources (uses):	40,000	40,000	40,000	-	40,000
Net change in fund balance	-	-	(5,944)	(5,944)	3,002
Fund Balance, October 1, 2010	270,406	270,406	270,406	-	267,404
Fund Balance, September 30, 2011	\$ 270,406	\$ 270,406	\$ 264,462	\$ (5,944)	\$ 270,406

City of Granbury, Texas
Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the year ended September 30, 2011
(With comparative totals for September 30, 2010)

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive (Negative)	Prior Year Actual
	Original	Final			
Revenues:					
Property tax revenue	\$ 2,735,645	\$ 2,735,645	\$ 2,707,954	\$ (27,691)	\$ 2,951,536
Interest income	-	-	13,423	13,423	3,439
Total revenues	<u>2,735,645</u>	<u>2,735,645</u>	<u>2,721,377</u>	<u>(14,268)</u>	<u>2,954,975</u>
Expenditures:					
Debt Service					
Principal	1,880,000	1,880,000	1,718,243	161,757	1,626,394
Interest and fiscal charges	1,396,449	1,396,449	1,199,222	197,227	1,293,723
Debt issuance costs	-	-	156,173	(156,173)	-
Total expenditures	<u>3,276,449</u>	<u>3,276,449</u>	<u>3,073,638</u>	<u>202,811</u>	<u>2,920,117</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(540,804)</u>	<u>(540,804)</u>	<u>(352,261)</u>	<u>188,543</u>	<u>34,858</u>
Other financing sources (uses):					
Transfers in	540,804	540,804	96,918	(443,886)	196,082
Transfers out	-	-	-	-	(189,341)
Issuance of Debt			5,845,000	5,845,000	-
Payment to refunded bond escrow agent			(5,885,000)	(5,885,000)	-
Bond (Discount)/Premium			287,504	287,504	-
Total other financing sources (uses)	<u>540,804</u>	<u>540,804</u>	<u>344,422</u>	<u>(196,382)</u>	<u>6,741</u>
Net change in fund balance	-	-	(7,839)	(7,839)	41,599
Fund Balance, October 1, 2010	<u>182,969</u>	<u>182,969</u>	<u>182,969</u>	-	<u>141,370</u>
Fund Balance, September 30, 2011	<u>\$ 182,969</u>	<u>\$ 182,969</u>	<u>\$ 175,130</u>	<u>\$ (7,839)</u>	<u>\$ 182,969</u>

City of Granbury, Texas
 Utility - Enterprise Fund
 Schedule of Revenues, Expenses, and Changes in
 Fund Net Assets - Budget and Actual
 For the year ended September 30, 2011
 (With comparative totals for September 30, 2010)

	Budgeted Amounts		Actual	Variance with	Prior Year
	Original	Final	Amounts GAAP Basis	Final Budget Positive (Negative)	
Operating revenues:					
Charges for sales and services:					
Charges for Water and Sewer Sales	\$ 5,339,500	5,334,500	\$ 6,530,153	\$ 1,195,653	\$ 5,094,394
Charges for Electricity Sales	11,180,383	11,180,383	11,524,273	343,890	11,367,715
Impact fees	-	-	234,521	234,521	127,142
Other Revenue	499,392	515,977	416,742	(99,235)	212,611
Total operating revenue	17,019,275	17,030,860	18,705,689	1,674,829	16,801,862
Operating expenses:					
Administration	527,808	470,805	502,364	(31,559)	456,243
Water treatment and distribution	2,876,092	2,882,573	2,471,999	410,574	2,720,385
Wastewater collection and treatment	972,888	1,144,384	1,072,890	71,494	1,094,209
Electricity	8,392,211	8,452,489	9,386,887	(934,398)	9,084,745
Management Information Systems	203,371	203,371	217,067	(13,696)	194,901
Meter Reading	99,036	174,236	112,999	61,237	97,226
Fleet Maintenance	43,021	43,021	45,198	(2,177)	51,729
Building Maintenance	241,104	241,104	258,061	(16,957)	259,889
Utility Franchise Fees	1,002,795	1,002,795	724,326	278,469	647,648
Depreciation	-	-	1,970,448	(1,970,448)	1,835,844
Total operating expenses	14,358,326	14,614,779	16,762,239	(2,147,460)	16,442,819
Operating income	2,660,949	2,416,081	1,943,450	(472,631)	359,043
Nonoperating revenues (expenses):					
Interest revenue	2,500	2,500	9,384	6,884	5,493
Gain (loss) on sale of capital assets	-	-	-	-	151,450
Bond interest expense	(897,308)	(892,112)	(572,646)	319,466	(699,178)
Amortization of bond issuance costs	-	-	(62,132)	(62,132)	(62,133)
Contribution to Economic Development Corp	-	-	-	-	(100,000)
Total nonoperating revenues (expenses)	(894,808)	(889,612)	(625,394)	264,218	(704,368)
Income before contributions and transfers	1,766,141	1,526,469	1,318,056	(208,413)	(345,325)
Transfers (to) from other funds:					
Capital contributions	-	-	824,842	824,842	1,592,694
Transfers out	(932,754)	(373,830)	(373,830)	-	(423,823)
Change in Net Assets	833,387	1,152,639	1,769,068	616,429	823,546
Net Assets, October 1, 2010	23,103,729	23,103,729	23,103,729	-	22,280,183
Net Assets, September 30, 2011	\$ 23,937,116	\$ 24,256,368	\$ 24,872,797	\$ 616,429	\$ 23,103,729

City of Granbury, Texas
 Airport - Enterprise Fund
 Schedule of Revenues, Expenses, and Changes in
 Fund Net Assets - Budget and Actual
 For the year ended September 30, 2011
 (With comparative totals for September 30, 2010)

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive (Negative)	Prior Year Actual
	Original	Final			
Operating revenues:					
Charges for sales and services:					
Charges for Airport Services	\$ 537,540	537,540	\$ 587,370	\$ 49,830	\$ 500,606
Intergovernmental	-	-	550	550	600
Other Revenue	8,132	8,132	9,135	1,003	7,730
Total operating revenue	<u>545,672</u>	<u>545,672</u>	<u>597,055</u>	<u>51,383</u>	<u>508,936</u>
Operating expenses:					
Airport	471,003	471,003	487,846	(16,843)	401,787
Depreciation	-	-	131,382	(131,382)	-
Total operating expenses	<u>471,003</u>	<u>471,003</u>	<u>619,228</u>	<u>(148,225)</u>	<u>401,787</u>
Operating income	<u>74,669</u>	<u>74,669</u>	<u>(22,173)</u>	<u>(96,842)</u>	<u>107,149</u>
Nonoperating revenues (expenses):					
Interest expense	<u>(41,541)</u>	<u>(41,541)</u>	<u>(41,541)</u>	<u>-</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(41,541)</u>	<u>(41,541)</u>	<u>(41,541)</u>	<u>-</u>	<u>-</u>
Income before contributions and transfers	<u>33,128</u>	<u>33,128</u>	<u>(63,714)</u>	<u>(96,842)</u>	<u>107,149</u>
Capital contributions and transfers:					
Transfers in			-	-	53,254
Transfers out			-	-	(91,797)
Change in Net Assets	33,128	33,128	(63,714)	(96,842)	68,606
Net Assets, October 1, 2010 (Restated Note 19)	<u>875,554</u>	<u>875,554</u>	<u>875,554</u>	<u>-</u>	<u>(35,058)</u>
Net Assets, September 30, 2011	<u>\$ 908,682</u>	<u>\$ 908,682</u>	<u>\$ 811,840</u>	<u>\$ (96,842)</u>	<u>\$ 33,548</u>

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STATISTICAL SECTION (Unaudited)

This part of the City of Granbury's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents

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.

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Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in Fiscal Year 2003; schedules presenting government-wide information include information beginning in that year.

CITY OF GRANBURY
Government-wide Net Assets by Component
Last Nine Fiscal Years
(Unaudited)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 23,554,937	\$ 24,835,034	\$ 22,960,635	\$ 22,600,463
Restricted	196,278	124,151	146,421	908,594
Unrestricted	<u>6,476,435</u>	<u>5,482,138</u>	<u>5,414,504</u>	<u>6,209,368</u>
Total governmental activities net assets	<u>\$ 30,227,650</u>	<u>\$ 30,441,323</u>	<u>\$ 28,521,560</u>	<u>\$ 29,718,425</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 19,309,403	\$ 18,342,485	\$ 17,715,818	\$ 16,555,077
Restricted	1,942,666	1,885,682	1,347,878	1,780,529
Unrestricted	<u>4,466,538</u>	<u>2,933,897</u>	<u>3,256,805</u>	<u>3,220,687</u>
Total business-type activities net assets	<u>\$ 25,718,607</u>	<u>\$ 23,162,064</u>	<u>\$ 22,320,501</u>	<u>\$ 21,556,293</u>
Primary government				
Invested in capital assets, net of related debt	\$ 42,864,340	\$ 43,177,519	\$ 40,676,453	\$ 39,155,540
Restricted	2,138,944	2,009,833	1,494,299	2,689,123
Unrestricted	<u>10,942,973</u>	<u>8,416,035</u>	<u>8,671,309</u>	<u>9,430,055</u>
Total primary government net assets	<u>\$ 55,946,257</u>	<u>\$ 53,603,387</u>	<u>\$ 50,842,061</u>	<u>\$ 51,274,718</u>

CITY OF GRANBURY
Government-wide Net Assets by Component
Last Nine Fiscal Years
(Unaudited)

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 18,059,848	\$ 12,198,367	\$ 12,135,787	\$ 13,911,564	\$ 14,028,614
708,320	9,333,330	6,339,709	5,055,292	442,328
<u>7,726,224</u>	<u>4,463,834</u>	<u>4,777,858</u>	<u>4,088,794</u>	<u>8,681,623</u>
<u>\$ 26,494,392</u>	<u>\$ 25,995,531</u>	<u>\$ 23,253,354</u>	<u>\$ 23,055,650</u>	<u>\$ 23,152,565</u>
\$ 13,722,158	\$ 10,660,808	\$ 9,983,589	\$ 10,350,798	\$ 6,418,672
2,248,030	2,744,457	212,505	1,820,565	710,696
<u>7,080,013</u>	<u>8,798,227</u>	<u>10,507,410</u>	<u>6,940,565</u>	<u>10,897,070</u>
<u>\$ 23,050,201</u>	<u>\$ 22,203,492</u>	<u>\$ 20,703,504</u>	<u>\$ 19,111,928</u>	<u>\$ 18,026,438</u>
\$ 31,782,006	\$ 22,859,175	\$ 22,119,376	\$ 24,262,362	\$ 20,447,286
2,956,350	12,077,787	6,552,214	6,875,857	1,153,024
<u>14,806,237</u>	<u>13,262,061</u>	<u>15,285,268</u>	<u>11,029,359</u>	<u>19,578,693</u>
<u>\$ 49,544,593</u>	<u>\$ 48,199,023</u>	<u>\$ 43,956,858</u>	<u>\$ 42,167,578</u>	<u>\$ 41,179,003</u>

CITY OF GRANBURY
Government-wide Changes in Net Assets
Last Nine Fiscal Years
(Unaudited)

	2011	2010	2009	2008
Expenses				
Governmental activities				
General government and administration	\$ 3,207,553	\$ 3,111,790	\$ 3,685,121	\$ 2,720,467
Community development	618,122	750,951	789,544	650,246
Public safety	3,802,080	3,708,098	3,863,039	3,634,534
Highways and streets	2,176,533	2,062,831	1,856,830	2,397,422
Culture and recreation	1,987,545	2,000,545	2,012,465	1,628,634
Airport		533,592	694,373	716,416
Tourism	943,788	200,396	740,413	863,080
Conference Center	776,819	1,480,106	1,052,101	
Interest on long-term debt	1,256,281	1,367,112	1,425,114	1,471,751
Total governmental activities expense	<u>14,768,721</u>	<u>15,215,421</u>	<u>16,119,000</u>	<u>14,082,550</u>
Business-type activities				
Airport	660,769			
Municipal utilities	17,421,382	17,286,113	16,155,179	16,382,222
Total business-type activities net assets	<u>18,082,151</u>	<u>17,286,113</u>	<u>16,155,179</u>	<u>16,382,222</u>
Total primary government expenses	<u>\$ 32,850,872</u>	<u>\$ 32,501,534</u>	<u>\$ 32,274,179</u>	<u>\$ 30,464,772</u>
Program Revenues				
Governmental activities				
Charges for services				
General government and administration	\$ 185,624	\$ 172,760	\$ 160,839	\$ 118,086
Community development	663,553	414,984	435,406	833,711
Public safety	250,230	186,143	344,787	342,064
Culture and recreation	205,935	188,393	180,361	224,158
Airport		508,336	592,698	654,439
Tourism	38,528	40,766	43,824	117,213
Conference Center	419,184	430,178	284,597	
Operating grants and contributions	148,656	158,834	256,316	206,636
Capital grants and contributions	933,906	3,283,441	1,157,262	1,609,694
Total governmental activities program revenues	<u>2,845,616</u>	<u>5,383,835</u>	<u>3,456,090</u>	<u>4,106,001</u>
Business-type activities				
Charges for services				
Water and Sewer	\$ 6,915,407	\$ 5,334,199	\$ 5,488,023	\$ 5,584,102
Electric	11,790,282	11,619,113	10,219,190	8,930,095
Airport	596,505			
Operating grants and contributions	550			
Capital grants and contributions	824,842	1,592,694	1,040,163	719,145
Total business-type activities program revenues	<u>20,127,586</u>	<u>18,546,006</u>	<u>16,747,376</u>	<u>15,233,342</u>
Total primary government program revenues	<u>\$ 22,973,202</u>	<u>\$ 23,929,841</u>	<u>\$ 20,203,466</u>	<u>\$ 19,339,343</u>
Net (Expense) Revenue				
Governmental activities	\$ (11,923,105)	\$ (9,831,586)	\$ (12,662,910)	\$ (9,976,549)
Business-type activities	2,045,435	1,259,893	592,197	(1,148,880)
Total primary government net expense	<u>\$ (9,877,670)</u>	<u>\$ (8,571,693)</u>	<u>\$ (12,070,713)</u>	<u>\$ (11,125,429)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities				
Taxes				
Property	\$ 4,196,466	\$ 4,206,922	\$ 3,949,167	\$ 3,642,715
Sales	5,821,793	5,316,603	5,825,860	6,300,680
Other	2,035,545	1,693,299	1,290,566	1,745,402
Miscellaneous	115,286	158,579	246,530	120,784
Investment earnings	42,066	24,870	135,380	788,628
Transfers	373,830	351,076	18,542	602,373
Total governmental activities	<u>12,584,986</u>	<u>11,751,349</u>	<u>11,466,045</u>	<u>13,200,582</u>
Business-type activities				
Investment earnings	9,384	5,493	39,103	257,345
Miscellaneous		-	151,450	-
Transfers	(373,830)	(423,823)	(18,542)	(602,373)
Total business-type activities	<u>(364,446)</u>	<u>(418,330)</u>	<u>172,011</u>	<u>(345,028)</u>
Total primary government	<u>\$ 12,220,540</u>	<u>\$ 11,333,019</u>	<u>\$ 11,638,056</u>	<u>\$ 12,855,554</u>
Change in Net Assets				
Governmental activities	\$ 661,881	\$ 1,919,763	\$ (1,196,865)	\$ 3,224,033
Business-type activities	1,680,989	841,563	764,208	(1,493,908)
Total primary government	<u>\$ 2,342,870</u>	<u>\$ 2,761,326</u>	<u>\$ (432,657)</u>	<u>\$ 1,730,125</u>

CITY OF GRANBURY
Government-wide Changes in Net Assets
Last Nine Fiscal Years
(Unaudited)

	2007	2006	2005	2004	2003
\$	2,313,719	\$ 3,010,541	\$ 1,811,482	\$ 1,466,203	\$ 1,120,725
	548,239	576,023	385,836	406,451	459,680
	3,296,431	2,289,435	2,198,236	2,115,396	2,093,639
	1,261,447	1,286,261	2,191,238	1,490,952	1,843,610
	1,337,705	664,232	819,096	935,631	746,648
	521,784	620,038	372,638	327,726	299,326
	675,411	708,325	427,289	416,605	428,680
	925,700	1,044,027	1,058,143	1,056,473	684,632
	<u>10,880,436</u>	<u>10,198,882</u>	<u>9,263,958</u>	<u>8,215,437</u>	<u>7,676,940</u>
	<u>13,604,372</u>	<u>12,303,971</u>	<u>11,452,440</u>	<u>8,782,461</u>	<u>8,520,654</u>
	<u>13,604,372</u>	<u>12,303,971</u>	<u>11,452,440</u>	<u>8,782,461</u>	<u>8,520,654</u>
\$	<u>24,484,808</u>	<u>22,502,853</u>	<u>20,716,398</u>	<u>16,997,898</u>	<u>16,197,594</u>
\$	57,994	\$ 41,008	\$ 2,405	\$ -	\$ 385,514
	940,169	624,637	601,736	361,120	370,611
	298,144	228,026	235,681	293,246	520,148
	181,031	126,410	86,617	29,531	-
	474,451	524,451	-	-	-
	96,501	98,889	-	-	-
	124,444	222,645	1,075,895	56,263	-
	695,670	510,000	-	-	-
	<u>2,868,404</u>	<u>2,376,066</u>	<u>2,002,334</u>	<u>740,160</u>	<u>1,276,273</u>
\$	5,063,138	\$ 5,199,608	\$ 4,251,698	\$ 3,861,255	\$ 3,929,554
	8,388,975	8,355,400	7,178,001	6,047,575	6,092,738
	-	-	-	-	-
	<u>13,452,113</u>	<u>13,555,008</u>	<u>11,429,699</u>	<u>9,908,830</u>	<u>10,022,292</u>
\$	<u>16,320,517</u>	<u>15,931,074</u>	<u>13,432,033</u>	<u>10,648,990</u>	<u>11,298,565</u>
\$	(8,012,032)	\$ (7,822,816)	\$ (7,261,624)	\$ (7,475,277)	\$ (6,400,667)
	(152,259)	1,251,037	(22,741)	1,126,369	1,501,638
\$	<u>(8,164,291)</u>	<u>(6,571,779)</u>	<u>(7,284,365)</u>	<u>(6,348,908)</u>	<u>(4,899,029)</u>
\$	2,910,725	\$ 2,364,302	\$ 2,378,219	\$ 2,054,964	\$ 1,921,684
	5,992,656	4,949,332	4,191,539	4,062,171	3,563,173
	1,661,242	1,522,111	1,299,416	524,503	411,969
	-	702,953	447,763	533,012	668,025
	707,063	574,446	245,565	201,077	178,590
	270,499	451,848	(1,103,174)	505,194	293,260
	<u>11,542,185</u>	<u>10,564,992</u>	<u>7,459,328</u>	<u>7,880,921</u>	<u>7,036,701</u>
	511,149	419,681	263,600	260,520	236,352
	-	281,118	247,543	203,795	173,663
	(270,499)	(451,848)	1,103,174	(505,194)	(293,260)
	<u>240,650</u>	<u>248,951</u>	<u>1,614,317</u>	<u>(40,879)</u>	<u>116,755</u>
\$	<u>11,782,835</u>	<u>10,813,943</u>	<u>9,073,645</u>	<u>7,840,042</u>	<u>7,153,456</u>
\$	3,530,153	\$ 2,742,176	\$ 197,704	\$ 405,644	\$ 636,034
	88,391	1,499,988	1,591,576	1,085,490	1,618,393
\$	<u>3,618,544</u>	<u>4,242,164</u>	<u>1,789,280</u>	<u>1,491,134</u>	<u>2,254,427</u>

CITY OF GRANBURY
Fund Balances, Governmental Fund
Last Nine Fiscal Years
(Unaudited)

	2011	2010	2009	2008
General Fund				
Reserved	\$ -	\$ 120,985	\$ 182,845	\$ 92,604
Unreserved, Designated		244,500	237,123	174,887
Unreserved, Undesignated		3,832,279	3,606,454	3,463,563
Nonspendable	881,547			
Restricted	102,630			
Committed	290,148			
Assigned	98,977			
Unassigned	3,830,560			
Total general fund	<u>\$ 5,203,862</u>	<u>\$ 4,197,764</u>	<u>\$ 4,026,422</u>	<u>\$ 3,731,054</u>
All Other Governmental Funds				
Reserved	\$ -	\$ 8,904,460	\$ 10,795,494	\$ 15,523,780
Unreserved, reported in				
Special revenue funds		(159,594)	(130,816)	1,023,434
Capital projects funds			-	-
Debt service funds			-	-
Restricted	8,020,303			
Committed	264,462			
Unassigned	(481,509)			
Total all other governmental funds	<u>\$ 7,803,256</u>	<u>\$ 8,744,866</u>	<u>\$ 10,664,678</u>	<u>\$ 16,547,214</u>

Notes:

The City implemented GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in fiscal year 2011. The following definitions relate to the pre-GASB 54 fund balance categories. Definitions of GASB 54 fund balance categories can be found on pages 31-32 of the notes to the financial statements.

Reserved - Amounts that are not available for appropriation or are legally restricted by an outside party for a specific use.

Designated - Represents management's tentative plans that are subject to change.

Unreserved, undesignated - Fund balance that is not reserved or designated.

CITY OF GRANBURY
Fund Balances, Governmental Fund
Last Nine Fiscal Years
(Unaudited)

2007	2006	2005	2004	2003
\$ 90,778	\$ 102,715	\$ 86,765	\$ 176,292	\$ 136,896
33,549				
4,936,439	4,274,902	4,207,472	3,785,879	3,311,420
<u>\$ 5,060,766</u>	<u>\$ 4,377,617</u>	<u>\$ 4,294,237</u>	<u>\$ 3,962,171</u>	<u>\$ 3,448,316</u>
\$ 5,972,211	\$ 8,155,928	\$ 6,252,944	\$ 4,879,000	\$ 442,328
1,450,466	928,303	403,368	219,471	
	230,410			5,194,397
		525		
<u>\$ 7,422,677</u>	<u>\$ 9,314,641</u>	<u>\$ 6,656,837</u>	<u>\$ 5,098,471</u>	<u>\$ 5,636,725</u>

CITY OF GRANBURY
Changes in Fund Balances, Governmental Funds
Last Nine Fiscal Years
(Unaudited)

	2011	2010	2009
Revenues			
Taxes	\$ 11,999,657	\$ 11,276,922	\$ 11,052,963
Licenses, fees, permits	586,854	413,456	422,064
Fines and penalties	225,678	204,284	301,707
Charges for services	574,503	988,147	950,949
Intergovernmental	148,656	408,834	129,878
Investment earnings	42,066	24,870	135,380
Other revenues	480,697	527,445	832,402
Total revenues	<u>\$ 14,058,111</u>	<u>\$ 13,843,958</u>	<u>\$ 13,825,343</u>
Expenditures			
General government	\$ 2,959,350	\$ 2,963,528	\$ 2,956,474
Police	3,158,866	3,123,521	3,651,120
Fire	268,848	243,174	356,732
Streets	425,147	431,840	575,096
Other public works	257,252	350,734	363,188
Parks and recreation	1,561,616	1,430,571	1,699,408
Tourism	610,847	157,248	709,506
Conference Center	695,673	1,125,080	844,259
Capital projects	889,421	1,949,390	4,116,108
Other	645,256	1,210,061	1,405,567
Debt service:			
Interest	1,213,773	1,313,553	1,371,194
Principal	1,739,187	1,644,804	1,620,116
Other debt service	156,173	-	-
Total expenditures	<u>\$ 14,581,409</u>	<u>\$ 15,943,504</u>	<u>\$ 19,668,768</u>
Excess of revenues over (under) expenditures	<u>\$ (523,298)</u>	<u>\$ (2,099,546)</u>	<u>\$ (5,843,425)</u>
Other Financing Sources (Uses)			
Proceeds from borrowing	\$ 247,504	\$ -	\$ 237,715
Other resources	-	-	-
Transfers in	812,863	1,043,059	2,536,066
Transfers out	(439,033)	(691,983)	(2,517,524)
Total other financing sources (uses)	<u>\$ 621,334</u>	<u>\$ 351,076</u>	<u>\$ 256,257</u>
Net change in fund balances	<u>\$ 98,036</u>	<u>\$ (1,748,470)</u>	<u>\$ (5,587,168)</u>
Debt service as a percentage of noncapital expenditures	22.7%	21.6%	21.9%

CITY OF GRANBURY
Changes in Fund Balances, Governmental Funds
Last Nine Fiscal Years
(Unaudited)

2008	2007	2006	2005	2004	2003
\$ 11,739,003	\$ 10,509,765	\$ 8,801,261	\$ 7,786,126	\$ 6,615,413	\$ 6,139,690
812,582	978,807	601,656	590,607	361,120	385,514
295,328	211,130	213,066	235,681	307,956	370,611
746,650	581,596	105,169	100,150	29,531	-
367,407	464,524	619,531	1,075,894	56,263	98,741
788,628	707,063	574,446	245,564	201,077	163,578
853,062	652,596	851,336	447,764	518,302	423,794
<u>\$ 15,602,660</u>	<u>\$ 14,105,481</u>	<u>\$ 11,766,465</u>	<u>\$ 10,481,786</u>	<u>\$ 8,089,662</u>	<u>\$ 7,581,928</u>
\$ 3,178,311	\$ 2,517,756	\$ 3,404,820	\$ 2,290,606	\$ 1,825,828	\$ 1,841,680
2,918,879	2,701,280	1,993,067	1,886,185	1,815,936	2,569,680
321,180	405,237	273,109	733,988	262,613	-
1,001,539	625,661	503,814	965,702	673,064	1,162,618
526,815	245,104	233,650	223,150	636,115	-
2,873,611	1,881,095	1,573,495	1,702,503	637,519	1,200,520
1,853,946	1,208,596	679,828	408,593	418,576	-
-	-	-	-	-	-
5,891,032	3,662,600	1,778,918	1,581,225	616,859	808,302
1,446,563	1,165,589	1,216,767	1,649,998	276,765	-
					-
1,348,889	894,147	909,130	731,283	727,990	690,021
1,574,803	1,150,115	1,284,442	772,638	727,990	641,538
361,207	30,000	134,897	326,860	-	-
<u>\$ 23,296,775</u>	<u>\$ 16,487,180</u>	<u>\$ 13,985,937</u>	<u>\$ 13,272,731</u>	<u>\$ 8,619,255</u>	<u>\$ 8,914,359</u>
<u>\$ (7,694,115)</u>	<u>\$ (2,381,699)</u>	<u>\$ (2,219,472)</u>	<u>\$ (2,790,945)</u>	<u>\$ (529,593)</u>	<u>\$ (1,332,431)</u>
\$ 17,320,000	\$ 1,220,734	\$ 3,859,500	\$ 4,454,500		\$ 3,701,334
(2,433,432)	-	699,308	1,330,050		380,568
2,212,527	1,145,902	1,647,963	1,074,991	1,038,638	2,050,435
(1,610,154)	(875,403)	(1,246,115)	(2,178,165)	(533,444)	(1,757,175)
<u>\$ 15,488,941</u>	<u>\$ 1,491,233</u>	<u>\$ 4,960,656</u>	<u>\$ 4,681,376</u>	<u>\$ 505,194</u>	<u>\$ 4,375,162</u>
<u>\$ 7,794,826</u>	<u>\$ (890,466)</u>	<u>\$ 2,741,184</u>	<u>\$ 1,890,431</u>	<u>\$ (24,399)</u>	<u>\$ 3,042,731</u>
27.1%	16.2%	19.1%	15.7%	18.2%	16.4%

CITY OF GRANBURY
Principal Sources of Revenue
Government-Wide
Last Ten Years
(Unaudited)

Revenue Source	2011	2010	2009	2008	2007
Principal General Government Revenue Sources					
Sales Tax	\$ 5,810,019	\$ 5,314,801	\$ 5,903,965	\$ 6,299,449	\$ 5,886,474
Ad Valorem Tax	4,204,828	4,198,621	3,932,562	3,679,002	2,941,958
Franchise Taxes	738,682	645,413	705,342	621,152	649,171
Utility Fund Franchise Tax	724,326	647,648	-	549,329	513,574
Hotel Occupancy Tax	521,802	470,439	511,094	590,071	518,588
All Other Sources	2,058,454	2,567,036	2,772,380	3,863,657	3,595,716
Total General Government Revenue	\$ <u>14,058,111</u>	\$ <u>13,843,958</u>	\$ <u>13,825,343</u>	\$ <u>15,602,660</u>	\$ <u>14,105,481</u>

Current and comparative ad valorem tax rates are shown on page 81.

Sales Tax is collected at point of purchase in the City of Granbury at a total rate of 8.25%. Of that total, 6.25% is State tax, .50% is County tax, and 1.5% is City tax.

Hotel Occupancy Tax is collected at a rate of 13%. Of that total, 6% is State tax and 7% is City tax.

Franchise Taxes are charged for business conducted in the City but for which no location is available for ad valorem tax. The tax as a percentage of revenue is set by contractual agreements.

Principal Utility Fund Revenue Sources

Electric Sales	\$ 11,524,273	\$ 11,367,715	\$ 10,021,246	\$ 8,720,371	\$ 8,205,466
Water Sales	4,810,721	3,448,982	3,589,752	3,590,578	3,085,172
Sewer Revenue	1,719,432	1,645,412	1,666,807	1,579,610	1,581,036
All Other	1,248,318	496,696	619,961	880,983	1,091,588
Total Utility Fund Revenue	\$ <u>19,302,744</u>	\$ <u>16,958,805</u>	\$ <u>15,897,766</u>	\$ <u>14,771,542</u>	\$ <u>13,963,262</u>

CITY OF GRANBURY
Principal Sources of Revenue
Government-Wide
Last Ten Years
(Unaudited)

Fiscal Year						Change:
2006	2005	2004	2003	2002	2002-2011	
\$ 4,905,828	\$ 4,191,539	\$ 3,776,501	\$ 3,529,519	\$ 3,351,901	73.3%	
2,306,763	2,215,853	2,043,183	1,864,466	1,595,907	163.5%	
627,468	548,455	490,996	439,687	432,531	70.8%	
522,973	454,297	405,038	395,665	278,900	159.7%	
400,483	328,854	285,670	285,070	295,255	76.7%	
3,002,950	2,742,788	1,088,274	1,067,521	1,219,782	68.8%	
<u>\$ 11,766,465</u>	<u>\$ 10,481,786</u>	<u>\$ 8,089,662</u>	<u>\$ 7,581,928</u>	<u>\$ 7,174,276</u>	<u>96.0%</u>	
\$ 8,337,142	\$ 7,206,813	\$ 6,162,279	\$ 6,070,124	\$ 5,562,465	107.2%	
3,509,350	2,846,714	2,658,445	2,697,922	2,672,582	80.0%	
1,537,969	1,400,063	1,370,548	1,135,158	1,035,189	66.1%	
871,345	487,252	181,873	618,165	696,021	79.4%	
<u>\$ 14,255,807</u>	<u>\$ 11,940,842</u>	<u>\$ 10,373,145</u>	<u>\$ 10,521,369</u>	<u>\$ 9,966,257</u>	<u>93.7%</u>	

CITY OF GRANBURY
 Assessed Value of
 Taxable Property
 Last Ten Years
 (Unaudited)

<u>Tax Year</u>	<u>Fiscal Year</u>	<u>Real Property Assessed Value</u>	<u>Personal Property Assessed Value</u>	<u>Total Assessed Value</u>	<u>Tax Rate per \$100 Valuation</u>
2001	2001-2002	\$ 315,925,140	\$ 56,018,770	\$ 371,943,910	0.44000
2002	2002-2003	\$ 358,426,990	\$ 65,571,160	\$ 423,998,150	0.44000
2003	2003-2004	\$ 398,403,530	\$ 67,863,790	\$ 466,267,320	0.44000
2004	2004-2005	\$ 440,296,379	\$ 63,941,914	\$ 504,238,293	0.44000
2005	2005-2006	\$ 491,629,180	\$ 69,200,360	\$ 560,829,540	0.41500
2006	2006-2007	\$ 625,317,480	\$ 79,122,350	\$ 704,439,830	0.41500
2007	2007-2008	\$ 771,644,714	\$ 100,897,480	\$ 872,539,194	0.41500
2008	2008-2009	\$ 850,869,950	\$ 103,470,110	\$ 954,340,060	0.41500
2009	2009-2010	\$ 946,949,874	\$ 109,656,260	\$ 1,056,606,134	0.40390
2010	2010-2011	\$ 962,289,440	\$ 88,763,600	\$ 1,051,053,040	0.40390

Source: Hood County Appraisal District

Note: Property in the City is reassessed every other year. Property is assessed at actual value; therefore the assessed values are equal to actual values. Tax rates are per \$100 of assessed valuation.

CITY OF GRANBURY
Property Tax Rates
Direct and Overlapping Governments
(Per \$100 of Assessed Value)
Last Ten Years
(Unaudited)

Tax Year	Fiscal Year	City Tax Rate			Hood County	Granbury Independent School District
		Operations	Debt Repayment	City of Granbury Total Tax Rate		
2001	2001-2002	0.25063	0.18937	0.44000	0.343350	1.730000
2002	2002-2003	0.25088	0.18912	0.44000	0.343350	1.730000
2003	2003-2004	0.2505	0.1895	0.44000	0.360500	1.700000
2004	2004-2005	0.2491	0.1909	0.44000	0.370500	1.670000
2005	2005-2006	0.1545	0.2605	0.41500	0.396219	1.670000
2006	2006-2007	0.1658	0.2492	0.41500	0.390000	1.440000
2007	2007-2008	0.0810	0.3340	0.41500	0.36698	1.17115
2008	2008-2009	0.1011	0.3139	0.41500	0.366537	1.17000
2009	2009-2010	0.1198	0.2841	0.40390	0.331091	1.15500
2010	2010-2011	0.1437	0.2602	0.40390	0.343888	1.14000

Source: Hood County Appraisal District (www.hood-cad.org)

CITY OF GRANBURY
Property Tax Levies and Collections
Last Ten Years
(Unaudited)

Tax Year	Fiscal Year	Original Levy	Subsequent Adjustments	Total Levy	Collected within the Fiscal Year of Levy	
					Current Tax Collections	Percent of Total Levy Collected
2001	2001-2002	\$ 1,616,232	\$ (18)	\$ 1,616,214	\$ 1,575,388	97.4740%
2002	2002-2003	\$ 1,860,519	\$ (18)	\$ 1,860,501	\$ 1,819,756	97.8100%
2003	2003-2004	\$ 2,050,508	\$ (581)	\$ 2,049,927	\$ 2,000,053	97.5670%
2004	2004-2005	\$ 2,219,358	\$ (114)	\$ 2,219,244	\$ 2,171,216	97.8358%
2005	2005-2006	\$ 2,320,128	\$ 60	\$ 2,320,188	\$ 2,247,109	96.8503%
2006	2006-2007	\$ 2,906,579	\$ (1,714)	\$ 2,904,865	\$ 2,815,999	96.9408%
2007	2007-2008	\$ 3,582,159	\$ (3,032)	\$ 3,579,127	\$ 3,526,332	98.5249%
2008	2008-2009	\$ 3,908,078	\$ (13,952)	\$ 3,894,126	\$ 3,861,944	99.1736%
2009	2009-2010	\$ 4,199,011	\$ (34,701)	\$ 4,164,310	\$ 4,118,410	98.8978%
2010	2010-2011	\$ 4,168,290	\$ (8,288)	\$ 4,160,002	\$ 4,121,545	99.0756%

Source: Hood County Appraisal District

CITY OF GRANBURY
Property Tax Levies and Collections
Last Ten Years
(Unaudited)

Delinquent Tax Collections	Total Collections to Date		Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Levy
	Total Tax Collections	Total Collections as a Percent of Total Levy		
\$ 38,047	\$ 1,613,435	99.8281%	\$ 2,779	0.1719%
\$ 36,929	\$ 1,856,685	99.7949%	\$ 3,816	0.2051%
\$ 44,731	\$ 2,044,784	99.7491%	\$ 5,143	0.2509%
\$ 43,448	\$ 2,214,664	99.7936%	\$ 4,580	0.2064%
\$ 67,606	\$ 2,314,715	99.7641%	\$ 5,473	0.2359%
\$ 83,060	\$ 2,899,059	99.8001%	\$ 5,806	0.1999%
\$ 46,890	\$ 3,573,222	99.8350%	\$ 5,905	0.1650%
\$ 23,754	\$ 3,885,698	99.7836%	\$ 8,428	0.2164%
\$ 30,716	\$ 4,149,126	99.6354%	\$ 15,185	0.3646%
\$ -	\$ 4,121,545	99.0756%	\$ 38,457	0.9244%

CITY OF GRANBURY
 Classification of Assessed Valuation
 Last Ten Years
 (Unaudited)

<u>Fiscal Year Ending</u> <u>Tax Year</u>	<u>9/30/2011</u> <u>2010</u>	<u>9/30/2010</u> <u>2009</u>	<u>9/30/2009</u> <u>2008</u>	<u>9/30/2008</u> <u>2007</u>	<u>9/30/2007</u> <u>2006</u>
Property use category					
Real, Residential, Single family	448,837,500 \$	448,927,360	386,898,940 \$	342,834,240 \$	281,488,580
Real, Residential, Multi-family	39,659,200	34,153,200	34,299,070	34,652,200	19,613,530
Real, Vacant Lots/Tracts	37,047,630	39,898,620	36,594,990	34,359,450	31,794,560
Real, Acreage (Land Only)	68,820,080	66,823,820	69,059,580	54,352,620	35,652,180
Real, Farm/Ranch Improvements	9,466,970	10,339,670	12,282,520	9,892,190	2,724,190
Real, Commercial	382,230,510	368,468,070	335,115,180	317,791,290	250,900,150
Real, Industrial	2,677,270	2,716,820	2,659,140	2,666,370	865,470
Real/Tangible Personal, Utilities	10,595,480	10,024,860	9,816,040	9,789,270	9,729,550
Tangible Personal, Commercial	84,237,070	104,027,420	97,375,970	94,635,880	76,099,740
Tangible Personal, Industrial	4,078,990	5,120,590	5,595,380	4,873,400	1,392,180
Tangible Personal, Mobile Homes	447,540	508,250	498,760	1,385,200	1,630,430
Tangible Personal, Other	-	-	-	-	-
Real Property, Inventory	15,108,480	19,470,310	14,469,270	7,272,300	4,992,790
Special	9,700,620	12,958,760	11,833,160	12,202,580	12,089,250
Real Minerals/Oil & Gas	10,105,180	12,328,890	4,279,210	7,352,950	14,691,350
Mixed PTD	-10,800	-10,090	-	-	-
Total Appraised Value	\$ 1,123,001,720	\$ 1,135,756,550	1,020,777,210 \$	934,059,940 \$	743,663,950
Less: Exemptions or Deductions:					
Optional > 65 Res. Homestead	13,051,760	12,975,610	12,366,100	11,874,130	11,535,820
Disabled or Deceased Veterans	2,963,560	2,517,800	611,130	656,300	581,300
Agriculture & Unheard Protests	44,396,600	42,124,640	41,314,830	36,083,100	21,740,540
Residential, Capped Value Loss	6,934,390	16,631,700	8,771,870	10,460,130	5,365,890
Other	4,602,370	4,900,666	3,373,220	2,447,086	570
Total Exemptions	\$ 71,948,680	\$ 79,150,416	66,437,150 \$	61,520,746 \$	39,224,120
Net Assessed Valuation	\$ 1,051,053,040	\$ 1,056,606,134	954,340,060 \$	872,539,194 \$	704,439,830
Percent of Fair Market Value	100%	100%	100%	100%	100%

Source: Hood County Appraisal District

CITY OF GRANBURY
 Classification of Assessed Valuation
 Last Ten Years
 (Unaudited)

	9/30/2006 2005	9/30/2005 2004	9/30/2004 2003	9/30/2003 2002	9/30/2002 2001
\$	229,589,790	\$ 204,276,510	\$ 180,729,060	\$ 156,680,420	\$ 148,815,310
	16,805,450	16,795,780	24,479,510	22,575,000	23,670,430
	23,437,500	16,106,490	15,882,000	14,349,370	10,224,770
	28,040,910	20,161,580	16,737,080	15,752,690	11,230,570
	1,973,470	1,918,430	1,776,520	1,586,380	1,850,500
	193,184,770	180,319,950	169,527,690	152,963,860	126,817,910
	690,590	664,510	664,510	658,310	739,240
	8,857,850	9,242,510	9,901,120	12,231,490	11,092,260
	66,168,970	62,086,184	66,367,350	63,938,590	54,486,600
	1,410,560	355,890	100,000	481,480	240,060
	1,620,830	1,499,840	1,396,440	1,151,090	1,208,110
	-	-	-	-	-
	6,641,590	7,972,270	2,485,100	3,391,000	154,500
	13,783,100	10,685,930	-	-	-
	-	-	-	-	-
\$	<u>592,205,380</u>	<u>\$ 532,085,874</u>	<u>\$ 490,046,380</u>	<u>\$ 445,759,680</u>	<u>\$ 390,530,260</u>
	10,823,890	10,038,538	9,257,510	9,107,700	8,964,350
	572,520	524,660	556,390	569,870	572,620
	18,261,310	14,993,010	10,419,000	10,596,770	6,560,390
	1,716,030	2,288,313	3,546,160	1,487,190	2,488,990
	2,090	3,060	-	-	-
\$	<u>31,375,840</u>	<u>\$ 27,847,581</u>	<u>\$ 23,779,060</u>	<u>\$ 21,761,530</u>	<u>\$ 18,586,350</u>
\$	<u>560,829,540</u>	<u>\$ 504,238,293</u>	<u>\$ 466,267,320</u>	<u>\$ 423,998,150</u>	<u>\$ 371,943,910</u>
	100%	100%	100%	100%	100%

CITY OF GRANBURY
Top Ten Ad Valorem Taxpayers
Current Year and Ten Years Ago
(Unaudited)

Taxpayer	Rank	Tax Year 2010		Tax Year 2001		
		Taxable Assessed Valuation	Percent of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percent of Total Assessed Valuation
TCG Granbury Cottages LLC	1	27,660,040	2.63%			-
Hood General Hospital	2	13,486,560	1.28%	8,508,910	3	2.29%
Wal-Mart Real Estate Business	3	9,064,450	0.86%	8,663,280	1	2.33%
Lowes Home Centers INC	4	7,893,910	0.75%			-
Quicksilver Resources	5	7,339,740	0.70%			-
Tapestry Group Lake Granbury	6	7,300,000	0.69%			-
HD Development Properties	7	7,100,000	0.68%			-
The Shops of Granbury LTD	8	7,000,000	0.67%			-
Lake Granbury Medical Center	9	6,567,330	0.62%	4,148,980	9	1.12%
1909 Partners, LP	10	6,445,630	0.61%			-
Wal-Mart Properties INC				8,516,000	2	2.29%
Avalon Granbury, LTD		-	-	8,025,960	4	2.16%
Home Depot USA INC		-	-	7,392,070	5	1.99%
Southwestern Bell Telephone		-	-	6,787,120	6	1.82%
Kroger CO #491		-	-	5,042,560	7	1.36%
Durant Chevrolet		-	-	4,959,460	8	1.33%
Granbury Hospital Corp		-	-	4,093,850	10	1.10%
		<u>\$ 99,857,660</u>	9.50%	<u>\$ 66,138,190</u>		17.78%

Source: Hood County Appraisal District

CITY OF GRANBURY
Sales Tax Revenue by Business Type
(Unaudited)
September 30, 2011

Sales Tax Category	Fiscal Year			
	2011	2010	2009	2008
Retail:				
Motor Vehicle & Parts	\$ 235,380	\$ 219,686	\$ 219,665	\$ 222,984
Home Furnishings	156,146	149,699	160,216	187,161
Electronics & Appliance	81,059	67,424	83,870	109,356
Building Materials	833,216	789,676	796,461	813,732
Apparel Stores	101,695	86,380	81,467	100,730
General Merchandise	1,012,588	1,041,561	1,087,611	1,133,204
All Other Retail	831,478	779,754	884,127	819,297
Total Retail	\$ 3,251,562	\$ 3,134,180	\$ 3,313,417	\$ 3,386,464
Agriculture/Manufacturing/Mining	\$ 481,475	\$ 270,795	\$ 367,376	\$ 710,656
Services	557,085	490,330	542,473	616,777
Wholesalers	247,725	224,838	251,758	275,664
Accommodation & Food	662,558	591,855	625,840	650,970
All Other	609,614	602,803	803,102	658,918
Total Sales Tax Received	\$ <u>5,810,019</u>	\$ <u>5,314,801</u>	\$ <u>5,903,965</u>	\$ <u>6,299,449</u>
City Sales Tax Rate	1.50%	1.50%	1.50%	1.50%

Note: This data will be updated with subsequent information added each year until ten years of history is obtained.

Source: MuniServices Sales Tax Analysis and Reporting Service

CITY OF GRANBURY
Top Ten Utility Rate Payers
by Rate Type
Compared to Ten Years Ago
(Unaudited)
September 30, 2011

Ten Largest Electric Customers

Customers	Annual Kwh Consumed (000)			
	Rank	2011	Rank	2001
Granbury ISD	1	6,007	1	4,074
Lake Granbury Medical Center	2	4,691	3	3,236
City of Granbury	3	3,811	5	1,583
Kroger	4	3,344	2	3,666
Lowe's Home Center	5	3,052		
Brookshire Grocery Co.	6	2,742		
Waterview Point Retirement	7	2,083		
Hood County	8	1,771	4	2,167
AT&T	9	1,221		
Hilton Garden Inn	10	1,072		
Creative Solutions			6	599
Oaks of Granbury			7	457
Hood County News			8	425
Whataburger			9	411
Plantation Inn			10	336

Ten Largest Water Customers

Customers	Annual Gallons Consumed (in hundreds of gallons)			
	Rank	2011	Rank	2001
Aqua Texas	1	140,648		
Lake Granbury Medical Center	2	71,468	3	43,670
Hood County	3	66,368	4	39,859
City of Granbury	4	57,752	5	28,803
Waterview Point Retirement	5	52,114		
Lowe's	6	38,480		
Mike Brown Ford	7	32,962		
Wal-Mart	8	29,514	1	67,437
Quail Park Retirement Village	9	27,922		
Creative Solutions	10	27,638	7	23,847
Granbury ISD			2	48,564
Granbury Heights Apartments			6	25,018
Oaks of Granbury			8	23,745
Fresenius Medical Center			9	21,377
Plantation Inn			10	20,294

CITY OF GRANBURY
Utility Services Rates
Electric, Water and Sewer
September 30, 2011
(Unaudited)

Rates for Electric Service
Effective August 1, 2009

Residential, Commercial, and Governmental (1) Customers

Customer Charge (Minimum)	\$14.53
User Charge per 100 kwh	
0-100 kwh	Included in minimum
Greater than 100	\$0.12690

Rates for Water Service
Effective May 1, 2002

RESIDENTIAL RATES

Defined as a single family living unit where one water meter serves one single family household unit.

Inside City Limits

Customer Charge (Minimum)	\$ 16.40
User Charge per \$1,000 gallons	
0 - 2,000	Included in minimum
Greater than 2,000	\$6.6731

Outside City Limits

Customer Charge (Minimum)	\$ 24.60
User Charge per \$1,000 gallons	
0 - 2,000	Included in minimum
Greater than 2,000	\$10.01

COMMERCIAL RATES

Defined as a single business or industrial unit where one meter serves one single business or industrial unit.

Inside City Limits

Customer Charge (Minimum)	\$ 16.40
User Charge per \$1,000 gallons	
0 - 2,000	Included in minimum
Greater than 2,000	\$6.6731

Outside City Limits

Customer Charge (Minimum)	\$ 24.60
User Charge per \$1,000 gallons	
0 - 2,000	Included in minimum
Greater than 2,000	\$10.01

MULTI-UNIT RATES

Shall be applicable to each home, homes, duplex, triplex, quadriplex, trailer park, apartment complex, offices or other use where more than one user is tied to the same meter.

Inside City Limits

Customer Charge (Minimum)	\$ 3.05
Cost per living unit, space, or office or business unit as a monthly minimum	

CITY OF GRANBURY
 Utility Services Rates
 Electric, Water and Sewer
 September 30, 2011
 (Unaudited)

User Charge per \$1,000 gallons \$6.6731

Outside City Limits

Customer Charge (Minimum) \$ 4.58
 Cost per living unit, space, or office
 or business unit as a monthly minimum

User Charge per \$1,000 gallons \$10.01

Note 1: Services to all City-own facilities are charged at cost as follows:

Electricity: \$0.059 per 100 kwh
 Water: \$4.90 per 1,000 gallons
 Sewer: \$2.94 per 1,000 gallons

RATES FOR SEWER SERVICE
 Effective Oct. 1, 2003

RESIDENTIAL RATES

Defined as a single family living unit where one water meter serves one single family household unit.

Winter Average - Defined as the average monthly water consumption for the three (3) winter months of December, January and February.

Inside City Limits

Customer Charge (Minimum) \$ 20.25

User Charge

Winter Average in Gallons	User charge per 1,000 gallons
0 - 2,000	Included in minimum
Greater than 2,000	\$3.6518

Outside City Limits

Customer Charge (Minimum) \$ 30.38

User Charge

Winter Average in Gallons	User charge per 1,000 gallons
0 - 2,000	Included in minimum
Greater than 2,000	\$5.4777

COMMERCIAL RATES

Defined as a single business or industrial unit where one meter serves one single business or industrial unit.

Commercial customers will be charged sewer consumption rates based on actual monthly water consumption.

Inside City Limits

Customer Charge (Minimum)	\$ 20.25
User Charge per \$1,000 gallons	
0 - 2,000	Included in minimum
Greater than 2,000	\$3.6518

Outside City Limits

CITY OF GRANBURY
 Utility Services Rates
 Electric, Water and Sewer
 September 30, 2011
 (Unaudited)

Customer Charge (Minimum)	\$ 20.38
User Charge per \$1,000 gallons	
0 - 2,000	Included in minimum
Greater than 2,000	\$5.4777

MULTI-UNIT RATES

Shall be applicable to each home, homes, duplex, triplex, quadriplex, trailer park, apartment complex, offices or other use where more than one user is tied to the same meter.

Inside City Limits

Customer Charge (Minimum)	\$ 5.97
Cost per living unit, space, office or business unit as a monthly minimum	
User Charge per \$1,000 gallons	\$3.6518

Outside City Limits

Customer Charge (Minimum)	\$ 8.96
Cost per living unit, space, office or business unit as a monthly minimum	
User Charge per \$1,000 gallons	\$5.4777

FLAT RATES

Flat rates will be assessed only if City water service is not available.

- 1 Customers using water wells for monthly water service shall be allowed to connect to the City's sanitary sewer system only if the City water is not available.
- 2 Customers using water services other than the City's water service will be allowed to connect to the City's sanitary sewer system only if customer's monthly water meter reading is possible by the City's designated persons or if customer's monthly meter readings can be provided to the City's utility customer service office by the customer's water provider.

Inside City Limits:

<u>Customer Charge</u>	\$53.12
Small commercial and residential customers as monthly flat rate	

<u>Outside City Limits:</u>	\$79.68
Small commercial and residential customers as monthly flat rate	

For all commercial customers that are larger than those classified as small commercial customers (business offices, non-restaurant retail businesses), the monthly flat rate will be based on estimated average water usage times the above-stated consumption rate per 1,000 gallons. (I.e., a car wash may average usage of 50,000 gallons of water per month, therefore the flat rate would be \$233.90 for inside the city limits and \$351.00 outside the city limits.)

- Note 1: All City-owned facilities will be charged for City-provided utility service at cost as follows:
- | | |
|--------------|--------------------------|
| Electricity: | \$.0785 per 100 kwh |
| Water: | \$4.90 per 1,000 gallons |
| Sewer: | \$2.94 per 1,000 gallons |

City of Granbury
Electricity and Water Sales
By Type of Customer
Last Ten Years
(Unaudited)

ELECTRICITY SALES

<u>Type of Customer</u>	Fiscal Year				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Residential	3,830,305	3,662,399	3,303,224	3,009,301	2,888,694
Commercial	7,305,734	7,063,527	6,323,593	5,647,582	5,300,267
Other	458,904	468,572	474,674	329,635	319,640
Total	11,594,943	11,194,499	10,101,491	8,986,519	8,508,602

WATER SALES

<u>Type of Customer</u>	Fiscal Year				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Residential	2,281,391	1,802,050	2,051,180	2,160,225	1,723,997
Commercial	1,884,012	1,440,659	1,667,731	1,674,588	1,553,845
Other	42,497	40,958	57,360	36,643	20,254
Total	4,207,899	3,283,666	3,776,271	3,871,456	3,298,097

NOTE: This data is taken from billing registers and does not include billing adjustments. However we believe it fairly represents the trend of growth and proportion of revenue from customer types.

City of Granbury
 Electricity and Water Sales
 By Type of Customer
 Last Ten Years
 (Unaudited)

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
2,830,217	2,524,370	2,118,385	2,160,730	2,035,036
5,022,701	4,244,480	3,702,392	3,635,713	3,389,468
484,225	388,645	341,502	305,746	254,448
8,337,142	7,157,496	6,162,279	6,102,189	5,678,953

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
1,759,120	1,455,765	1,261,491	1,305,080	1,279,481
1,923,854	1,423,096	1,398,953	1,390,422	1,393,431
-	-	-	-	-
3,682,974	2,878,861	2,660,445	2,695,502	2,672,912

CITY OF GRANBURY
Government-wide Outstanding Debt
Last Ten Years
September 30, 2011
(Unaudited)

Fiscal Year	Governmental Activities			Business-type Activities		
	General Obligation Bonds	Combined Tax & Revenue Certificates of Obligation	Notes and Lease/Purchases	Utility Revenue and General Obligation Bonds	Combined Tax & Revenue Certificates of Obligation	Lease/Purchases
2002	\$ 1,577,612	\$ 6,560,500	\$ 471,822	\$ 8,044,000	\$ 9,304,500	\$ -
2003	\$ 1,562,612	\$ 9,990,500	\$ 730,284	\$ 11,529,000	\$ 6,294,500	\$ -
2004	\$ 1,210,000	\$ 10,128,000	\$ 545,889	\$ 10,873,000	\$ 6,197,000	\$ -
2005	\$ 4,262,500	\$ 10,967,500	\$ 1,665,800	\$ 13,412,500	\$ 2,382,500	\$ 131,635
2006	\$ 4,105,000	\$ 13,964,500	\$ 1,401,358	\$ 12,709,000	\$ 3,370,500	\$ 102,290
2007	\$ 3,942,500	\$ 13,977,800	\$ 1,167,728	\$ 11,988,500	\$ 3,237,200	\$ 71,968
2008	\$ 5,822,500	\$ 25,606,750	\$ 1,057,932	\$ 16,413,500	\$ 1,073,250	\$ 345,694
2009	\$ 5,425,000	\$ 24,561,250	\$ 1,127,889	\$ 15,059,000	\$ 1,023,750	\$ 458,033
2010	\$ 5,007,500	\$ 23,486,875	\$ 993,370	\$ 14,682,500	\$ 973,125	\$ 265,563
2011	\$ 9,665,000	\$ 17,154,750	\$ 660,301	\$ 13,869,000	\$ 920,250	\$ 769,390

CITY OF GRANBURY
 Government-wide Outstanding Debt
 Last Ten Years
 September 30, 2011
 (Unaudited)

	Total Government-wide Indebtedness	Estimated Population		Total Debt per Capita	Per Capita Income	Debt as % of Personal Income
\$	25,958,434	6,050	\$	4,290.65	\$ 28,707	14.95%
\$	30,106,896	6,150	\$	4,895.43	\$ 27,981	17.50%
\$	28,953,889	6,450	\$	4,488.98	\$ 29,505	15.21%
\$	32,822,435	6,700	\$	4,898.87	\$ 31,834	15.39%
\$	35,652,648	7,050	\$	5,057.11	\$ 34,253	14.76%
\$	34,385,696	7,400	\$	4,646.72	\$ 36,142	12.86%
\$	50,319,626	7,600	\$	6,621.00	\$ 38,575	17.16%
\$	47,654,922	7,850	\$	6,070.69	\$ 28,963	20.96%
\$	45,408,933	8,200	\$	5,537.67	\$ 29,618	18.70%
\$	43,038,691	8,030	\$	5,359.74	\$ 25,669	20.88%

CITY OF GRANBURY
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA
LAST TEN YEARS
(Unaudited)

Year Ended September 30	Assessed Value (Adjusted)	Gross Bonded Debt	Less Debt Service Fund Balance	Net Bonded Debt
2002	\$371,934,910	\$8,138,112	\$412,621	\$7,725,491
2003	\$423,998,150	\$11,553,112	\$442,328	\$11,110,784
2004	\$466,267,320	\$11,338,000	\$393,092	\$10,944,908
2005	\$503,686,504	\$15,230,000	\$428,935	\$14,801,065
2006	\$560,829,540	\$18,069,500	\$464,599	\$17,604,901
2007	\$704,439,830	\$17,890,300	\$688,822	\$17,201,478
2008	\$872,539,194	\$31,429,250	\$957,812	\$30,471,438
2009	\$954,340,060	\$29,986,250	\$141,370	\$29,844,880
2010	\$1,056,606,134	\$28,494,375	\$182,969	\$28,311,406
2011	\$1,051,053,040	\$26,819,750	\$175,130	\$26,644,620

Year Ended September 30	Ratio Net General Bonded Debt to Assessed Value	Estimated Population	Net General Bonded Debt Per Capita
2002	2.08%	6,050	\$1,277
2003	2.62%	6,150	\$1,807
2004	2.35%	6,450	\$1,697
2005	2.94%	6,700	\$2,209
2006	3.14%	7,050	\$2,497
2007	2.44%	7,400	\$2,325
2008	3.49%	7,600	\$4,009
2009	3.13%	7,850	\$3,802
2010	2.68%	8,200	\$3,453
2011	2.54%	8,030	\$3,318

Gross bonded debt includes general obligation bonds and certificates of obligation payable.

CITY OF GRANBURY
 Estimated Direct and Overlapping Ad Valorem Tax
 Supported Gross Debt Statement
 as of September 30, 2011
 (Unaudited)

Governmental Subdivision	Gross Debt	Estimated Percent Applicable (1)	Direct and Estimated Overlapping Bonded Debt
Direct:			
City of Granbury	\$ 26,819,750	100.00%	\$ <u>26,819,750</u>
Total direct debt			<u>26,819,750</u>
Overlapping:			
Granbury Independent School District	87,823,471	15.45%	13,568,726
Hood County	16,495,000	14.09%	<u>2,324,146</u>
Total overlapping debt			<u>15,892,872</u>
Total Direct and Overlapping Consolidated Gross Debt Outstanding			\$ <u><u>42,712,622</u></u>
Direct and Overlapping Gross Debt Per Capita A.			\$ 5,319.13
Ratio of Direct and Overlapping Gross Debt to 2010 Net Assessed Valuation B.			4.06%

A. Based on population estimate of 8,030 at 9/30/11

B. Based on the assessed valuation of \$1,051,053,040 for tax year 2010.

Note 1: As determined by Hood County Appraisal District.

CITY OF GRANBURY
 Computation of Legal Debt Margin
 September 30, 2011
 (Unaudited)

The City Charter of the City of Granbury, Texas does not provide for a debt limit. Under provisions of state law, the maximum tax rate is limited to \$2.50 for every \$100 of assessed valuation.

Tax Rate Limit	\$	2.500
Current Tax Rate		<u>0.4039</u>
Available Tax Rate	\$	<u><u>2.096</u></u>

No direct bond debt limitation is imposed on the City under current state law or the City's Charter.

Tax Year	Fiscal Year	Assessed Value (Adjusted)	Maximum Allowable Taxable Amount	Actual Tax Levy	Margin
2001	2001-2002	\$ 371,943,910	\$ 9,298,598	\$ 1,616,232	\$ 7,682,366
2002	2002-2003	\$ 423,998,150	\$ 10,599,954	\$ 1,860,519	\$ 8,739,435
2003	2003-2004	\$ 466,267,320	\$ 11,656,683	\$ 2,050,508	\$ 9,606,175
2004	2004-2005	\$ 503,686,504	\$ 12,592,163	\$ 2,219,358	\$ 10,372,805
2005	2005-2006	\$ 560,829,540	\$ 14,020,739	\$ 2,320,128	\$ 11,700,611
2006	2006-2007	\$ 704,439,830	\$ 17,610,996	\$ 2,906,579	\$ 14,704,417
2007	2007-2008	\$ 872,539,194	\$ 21,813,480	\$ 3,582,159	\$ 18,231,321
2008	2008-2009	\$ 954,340,060	\$ 23,858,502	\$ 3,908,078	\$ 19,950,424
2009	2009-2010	\$ 1,056,606,134	\$ 26,415,153	\$ 4,199,011	\$ 22,216,142
2010	2010-2011	\$ 1,051,053,040	\$ 26,276,326	\$ 4,168,290	\$ 22,108,036

CITY OF GRANBURY
Municipal Utility
Revenue Bond Coverage
Last Ten Years
(Unaudited)

Fiscal Year	Total Revenues	Direct Operating Expenses	Net Available for Debt Service	Annual Requirement	Times Coverage
2002	\$ 9,846,384	\$ 7,409,556	\$ 2,436,828	1,475,432	1.65
2003	\$ 10,285,017	\$ 7,977,288	\$ 2,307,729	1,158,680	1.99
2004	\$ 10,373,145	\$ 7,305,580	\$ 3,067,565	1,476,881	2.08
2005	\$ 11,940,842	\$ 8,702,705	\$ 3,238,137	1,496,602	2.16
2006	\$ 14,255,807	\$ 11,794,118	\$ 2,461,689	1,487,971	1.65
2007	\$ 13,670,688	\$ 11,264,609	\$ 2,406,079	1,549,623	1.55
2008	\$ 14,481,970	\$ 13,959,465	\$ 522,505	1,588,726	0.33
2009	\$ 15,618,682	\$ 13,630,141	\$ 1,988,541	1,564,747	1.27
2010	\$ 16,831,663	\$ 14,606,975	\$ 2,224,688	896,608	2.48
2011	\$ 18,480,550	\$ 14,791,791	\$ 3,688,759	901,728	4.09

The City Charter of the City of Granbury, Texas, provides that all sources of Utility Fund revenues are cross-pledged to cover all sources of Utility Fund debt.

CITY OF GRANBURY
Ratio of Annual Debt Service
For General Bonded Debt to
Total General Expenditures
Last Ten Years
(Unaudited)

Fiscal Year	Principal	Interest and Charges	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
2002	\$ 458,035	\$ 427,900	\$ 885,935	\$ 6,401,291	13.8399%
2003	\$ 450,000	\$ 396,928	\$ 846,928	\$ 8,106,057	10.4481%
2004	\$ 437,500	\$ 517,017	\$ 954,517	\$ 8,619,254	11.0742%
2005	\$ 562,500	\$ 493,780	\$ 1,056,280	\$ 8,180,179	12.9127%
2006	\$ 1,020,000	\$ 414,969	\$ 1,434,969	\$ 8,702,584	16.4890%
2007	\$ 859,200	\$ 799,070	\$ 1,658,270	\$ 9,146,567	18.1300%
2008	\$ 1,457,750	\$ 1,258,184	\$ 2,715,934	\$ 11,658,882	23.2950%
2009	\$ 1,443,000	\$ 1,287,367	\$ 2,730,367	\$ 10,464,803	26.0910%
2010	\$ 1,491,875	\$ 1,229,837	\$ 2,721,712	\$ 9,451,642	28.7962%
2011	\$ 1,634,625	\$ 1,183,844	\$ 2,818,469	\$ 9,276,335	30.3834%

CITY OF GRANBURY
PROPERTY VALUE AND CONSTRUCTION
LAST TEN YEARS
(Unaudited)

Year Ended September 30	Assessed Value (Adjusted)	Building Permits Issued	Percent Change	Estimated Value of Construction All Permits	Percent Change
2002	\$ 371,943,910	96	134.15%	\$ 15,170,316	-97.89%
2003	\$ 423,998,150	207	115.63%	\$ 17,993,355	18.61%
2004	\$ 466,267,320	203	-1.93%	\$ 29,004,716	61.20%
2005	\$ 504,238,293	262	29.06%	\$ 52,310,086	80.35%
2006	\$ 560,829,540	254	-3.05%	\$ 39,988,865	-23.55%
2007	\$ 704,439,830	255	0.39%	\$ 59,069,210	47.71%
2008	\$ 872,539,194	221	-13.33%	\$ 68,875,653	16.60%
2009	\$ 954,340,060	156	-29.41%	\$ 31,368,138	-54.46%
2010	\$ 1,056,606,134	221	41.67%	\$ 27,939,407	-10.93%
2011	\$ 1,051,053,040	211	-4.52%	\$ 48,901,275	75.03%

Construction activity data from City of Granbury records

CITY OF GRANBURY
DEMOGRAPHIC STATISTICS
LAST TEN YEARS
(Unaudited)

<u>Year Ended September 30</u>	<u>Estimated Population</u>	<u>Unemployment Rate for Hood County</u>	<u>School Enrollment</u>	<u>Per Capita Income</u>
2002	6,050	5.9%	6,508	\$ 28,707
2003	6,150	6.9%	6,591	\$ 27,981
2004	6,450	5.2%	6,642	\$ 29,505
2005	6,700	4.3%	6,833	\$ 31,834
2006	7,050	4.3%	6,803	\$ 34,253
2007	7,400	4.5%	6,906	\$ 36,142
2008	7,600	4.8%	6,917	\$ 38,575
2009	7,850	7.5%	6,705	\$ 28,963
2010	8,200	6.9%	6,615	\$ 29,618
2011	8,030	6.4%	6,514	\$ 25,669

Sources:

Population estimate by North Central Texas Council of Governments, (www.nctcog.org/ris/demographics/)
Unemployment rates from Texas Workforce Commission web site (www.tracer2.com)
School enrollment from Granbury Independent School District business office.
Per capita income from www.sitereports.com via the Granbury-Hood County Economic Development Corp.

CITY OF GRANBURY
Employers and Selected Statistics
(Unaudited)

Employer	MAJOR EMPLOYERS Line of Business	2011			2010		
		Employees	Rank	Percent of Total Employed	Employees	Rank	Percent of Total Employed
Granbury ISD	School District	1,035	1	4.2%	1,127	1	4.4%
Wal-Mart Supercenter	Retail	420	2	1.7%	420	2	1.7%
Lake Granbury Medical Center	Medical Services	400	3	1.6%	385	3	1.5%
Hood County	County Government	331	4	1.4%	337	4	1.3%
Culberson Construction Inc	Homebuilders	320	5	1.3%			
Texas Transco	Oil and Gas	300	6	1.2%			
City of Granbury	Municipal Government	165	7	0.7%	155	6	0.6%
United Cooperative Svc	Utility Services	154	8	0.6%			
Neighbors Well service	Well Services	150	9	0.6%	125	9	0.5%
Granbury Care Center	Nursing Home	150	10	0.6%	160	5	0.6%
Kroger	Grocery				150	7	0.6%
Lowe's Home Improvement	Retail				145	8	0.6%
Home Depot	Retail				120	10	0.5%
Total		3,425			3,124		

Selected Business Statistics	2011	2010	Estimates				
			2009	2008	2007	2000	1990
Total Number Employed, Hood County	24,454	25,433	25,201	24,828	n/a	n/a	n/a
Number of Business Establishments	818	745	707	647	780	n/a	n/a
Number of Households	3,296	3,763	3,573	2,512	2,469	2,391	1,875

Note: Information on the Top Ten Employers from 2002 is not available. Comparison will be made to the prior year until a ten-year prior comparison can be made. Source: Socrates (www.socrates.cdr.state.tx.us)

Sources: www.demographicsnow.com via Granbury-Hood County Economic Development Corp.; Texas Workforce Solutions, Granbury office; Texas Workforce Commission website (www.tracer2.com); and North Central Texas Council of Governments

CITY OF GRANBURY
City Employees by Job Type
Last Ten Fiscal Years
(Unaudited)

Count of Employees by Year

Job Classification	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Building Inspectors	9	9	9	6	9	8	7	7	7	7
Street & Road Repair	4	7	7	11	9	9	9	8	7	7
Drivers	1	2	2	2	4	4	2	2	-	-
Airport Operations	3	3	4	4	5	5	5	5	6	6
Waterworkers	11	12.5	12.5	15	13	13	14	13	12	12
Electric Distribution	6	6	6	11	8	8	6	7	7	7
Sewage Treatment	7	7	7	14	8	11	12	7	4	4
Firefighters-Paid	-	-	-	-	-	-	-	-	-	-
Firefighters-Volunteer	43	43	60	61	67	67	59	55	55	55
Police Officers	32	33	33	35	32	27	25	27	24	21
Warehouse Operation	2	2	2	2	2	4	2	2	4	4
Automobile Repair	3	3	3	4	3	3	3	3	3	3
Promotional/Development	5	3	3	4	3	3	3	4	3	1
Clerical-Office	38	38.5	43	43	41	41	40	35	31	29
Animal Control	1	1	1	1	1	1	1	1	1	1
Building Maintenance	11	12	12	13	6	6	7	1	5	4
Parks & Recreation	27	24	24	28	27	27	36	36	43	31
Total	203	206	228.5	254	238	237	231	213	212	192

Source: Texas Municipal League Workers Compensation audit figures and current year approved, budgeted positions.

CITY OF GRANBURY
 Capital Assets Information
 September 30, 2011

(Unaudited)

	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>
City-owned Equipment						
Vehicles	147	147	151	138	118	114
Mobile Equipment	105	105	98	69	101	88
Street Department						
Miles of Roadway	51.5 miles	51.3 miles	51.3 miles	48.3 miles	47.5 miles	46.5 miles
City Parks						
Maintained Park Land	57 acres	50 acres				
Athletic Fields:						
Soccer Fields	8	8	8	8	8	8
Ball Fields	9	9	9	9	9	8
Basketball Court	1	1	1	1	1	1
Volleyball Pit	2	2	2	1	1	1
Playgrounds	3	3	3	4	4	2
Boat Ramps	3	3	3	3	3	3
Swimming Pool	1	1	1	1	1	1
Hike & Bike Trail	2.5 miles	2.5 miles	2.5 miles	2.25 miles	2.25 miles	2.25 miles
Splash Park	1	1	1	1	-	-
Airport						
Enclosed Hangars	78	78	78	78	78	78
Open T-Hangars	10	10	10	10	10	10
Commercial Hangars	3	3	3	3	3	3
Water Department						
Water lines (in miles)	51.2	51 miles	51 miles	51 miles	48 miles	45 miles
Wells	23	22	22	21	21	19
Water Plant	1	1	1	1	1	1
Sewer Department						
Lift Stations	43	40	40	37	35	35
Sewer lines (in miles)	41.7	41.5 miles	41.5 miles	41.5 miles	39.5 miles	39 miles
Electric Department						
Overhead line	82 miles	82 miles	82 miles	82 miles	80 miles	80 miles
Underground line	11 miles	11 miles	10.5 miles	10 miles	9 miles	9 miles

Note: This data will be updated with subsequent information added each year.

Source: City of Granbury records

CITY OF GRANBURY
 Operating Indicators
 Current Year and Eight Prior Years
 (Unaudited)

	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>
Municipal Court				
Citations processed	2,680	2,220	3,829	3,542
Police Department				
Calls for Service	20,524	18,387	10,840	13,931
Arrests	733	721	448	968
Accidents	822	838	762	1,131
Fire Department				
Calls for Service: Fire/Rescue	879	659	769	842
Calls for Service: EMS	221	531	282	364
Community Services				
Building Permits Issued	211	221	156	221
Building Permits Value	\$ 48,901,275	\$ 27,939,407	\$ 31,368,138	\$ 68,875,653
Utility Department				
Electric Connections	3,186	3,197	3,156	3,054
Water Connections	4,563	4,406	4,352	4,296
Sewer Connections	3,499	3,365	3,338	3,188
Electric Department				
KWH Sold	93,583,876	89,806,103	86,567,727	87,465,019
Water Department, in Gallons (000)				
Well production	499,348	477,466	440,271	492,375
Water Plant production	77,505	68,439	93,711	71,469
Water purchased	163,325	50,779	57,378	76,795
Wastewater Department, In Gallons (000)				
Discharge Flow	346,509	378,880	354,491	396,066

Source: City of Granbury records from these departments.
 Police department statistics for FY 2009 do not include three months' information (March-May),
 not retrievable during change in software.

CITY OF GRANBURY
 Operating Indicators
 Current Year and Eight Prior Years
 (Unaudited)

<u>FY 2007</u>	<u>FY 2006</u>	<u>FY 2005</u>	<u>FY 2004</u>	<u>FY 2003</u>
2,554	2,414	2,217	3,979	3,419
13,254	11,245	9,808	9,206	8,506
1,010	980	1,179	1,206	1,032
1,120	959	818	667	753
1,425	1,100	1,401	1,433	1,032
n/a	n/a	n/a	n/a	n/a
255	254	262	203	207
\$ 59,069,210	\$ 39,988,865	\$ 52,310,086	\$ 29,004,716	\$ 17,993,355
3,034	3,067	3,013	2,951	2,915
4,090	3,951	3,711	3,490	3,371
3,086	3,002	2,805	2,683	2,585
83,964,190	85,830,313	79,006,473	76,513,192	78,342,827
435,511	437,375	416,605	360,499	337,527
51,359	69,933	66,916	44,347	26,771
27,330	69,668	74,691	24,389	60,276
413,527	345,649	333,916	350,815	290,976

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**OVERALL COMPLIANCE AND INTERNAL CONTROL
SECTION**

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**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 Honorable Mayor and City Council
City of Granbury, Texas

We have audited the financial statements of the City of Granbury, Texas (the “City”) as of and for the year ended September 30, 2011, as listed in the table of contents and have issued our report thereon dated February 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 the 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 we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the management, others within the organization, and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

George, Morgan & Sneed, P.C.

George, Morgan & Sneed, P.C.
Weatherford, Texas
February 27, 2012