

CITY OF GRANBURY
Texas

**Comprehensive Annual Financial Report
for Fiscal Year Ended September 30, 2012**

CITY OF GRANBURY, TEXAS

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Year Ended September 30, 2012

Prepared by the Finance Department.

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CITY OF GRANBURY, TEXAS
Annual Financial Report
For the Year Ended September 30, 2012

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INTRODUCTORY SECTION

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

February 28, 2013

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, 2012.

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.

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).

CITY PROFILE

Location

Granbury is located in Hood County, which is in the heart of north Texas, just southwest of the Dallas-Fort Worth Metroplex. Granbury is home to approximately 8,648 people, and serves as the center of commerce and recreation to over 53,044 county residents (Nielsen). There are currently 13.6 square miles of land within the City's boundaries.



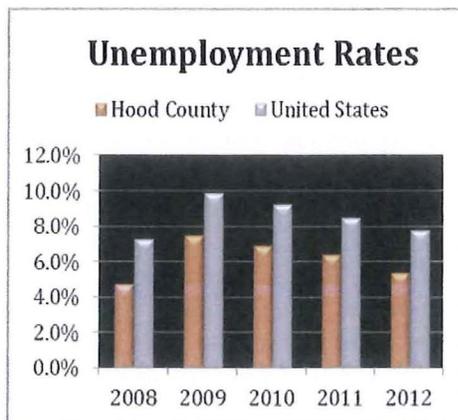
Government Structure

Founded in 1873, 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 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.

Services Provided

The City provides a full-range of services, which have proven to be necessary and meaningful, at the least possible cost to its citizens. Major services provided under the general government and enterprise functions are: police and fire protection, electric, water and sewer utility services, airport facilities, park and recreational facilities, street and sidewalk improvements and administrative services, supported by fleet maintenance, building maintenance operations, and information technology.

ECONOMIC CONDITIONS AND OUTLOOK



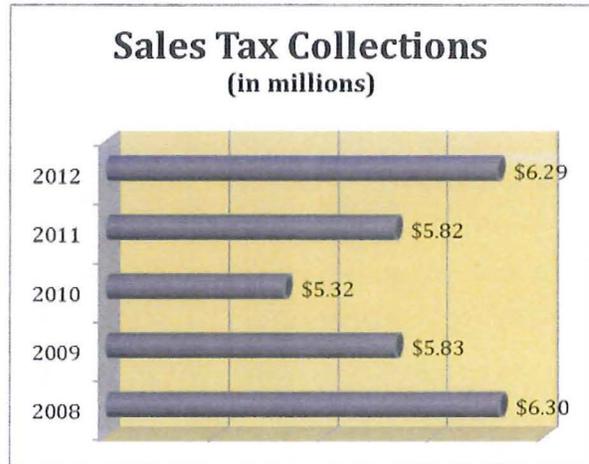
The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Regional Economy

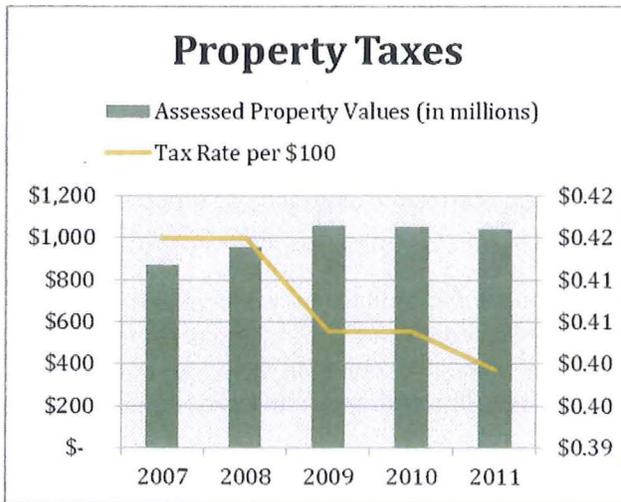
Granbury is only 30 miles from the Dallas-Fort Worth Metroplex, which has shown relatively strong economic growth over the past three years. In the Metroplex, employment has increased and sales tax is expected to exceed the 2008 peak in this coming year. Hood County has also enjoyed a robust economic environment for the past three years; unemployment rates have decreased and sales taxes have increased.

Local Economy

Granbury is the financial hub not only of Hood County but the surrounding area. Customers come from a 30-mile radius to shop in Granbury. 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, H-E-B, Home Depot, and Lowe's Home Improvement Center continues to be a catalyst for growth in the regional economy. These establishments, along with other restaurants, banks, supermarkets, hotels 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. Sales tax collections in Fiscal Year 2011/2012 are up by 8% compared to the prior year. The sales tax revenue for 2012/2013 has been conservatively budgeted to remain constant compared to 2011/2012 collections.



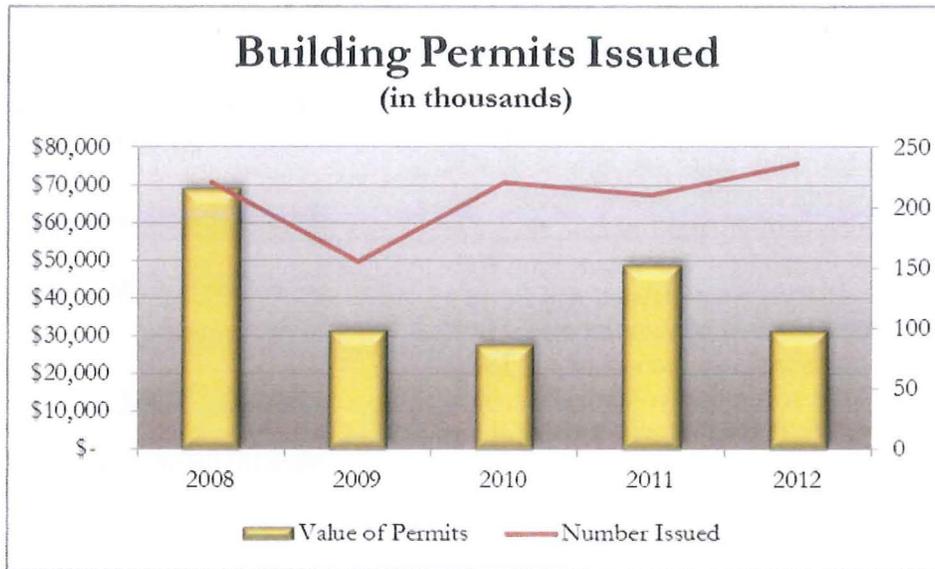
Tourism also helps to maintain the healthy economy of the City, and Granbury's Tourism Department actively and aggressively promotes the City's attractions to the state and even nationally. The historical downtown district, with its shopping, bed and breakfasts, and other attractions, also serves the City well by drawing tourists from outside the region. Additionally, Granbury's 18,000-square-foot Resort Conference Center, which is 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 hotel occupancy tax and sales tax collections that would not have been realized if the city had not developed this beautiful conference center on the lake. The City's historical hometown atmosphere combined with an aggressive development attitude is producing results.



Property valuations increased by \$82,522,916 (8.3%) for the upcoming 2012 Tax Year to \$1,074,657,827. The City's property tax rate decreased from \$.4039 to \$.39926 for Tax Year 2012. 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.

Residential development continues in lakefront areas such as the Harbor Lakes, Catalina Bay, and in other areas. Additionally, there are potential commercial development opportunities that are in process which should help the City of Granbury maintain a stable property valuation; including a

Michaels Craft Store in the Luton Ranch shopping center. This revenue will contribute to the further development of the Highway 377 business area. The value of building permits for new construction decreased from the previous year, despite the slight increase in the number of building permits issued.



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 2011/12 was approximately \$12,141,300. The overall portfolio provided \$14,590 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, Assistant Finance Director and Financial Analyst 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 January 1, 2012, the City issued the Utility System Revenue Bonds, Series 2012 to construct and improve the City's water and wastewater system, including the acquisition of sites.

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, 2012, 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, 2011.

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 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

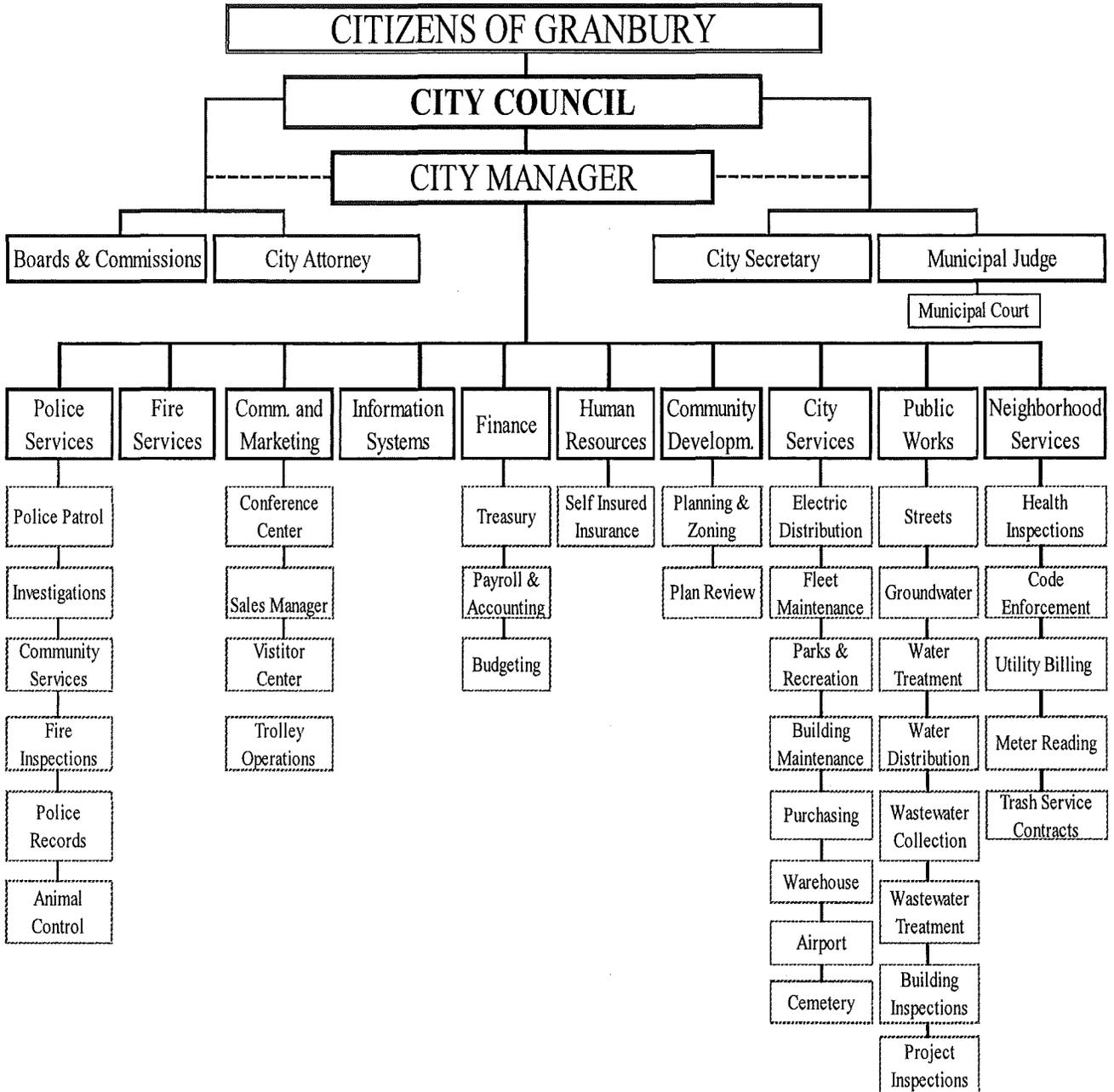
CITY MANAGER
Wayne McKethan

DEPARTMENT DIRECTORS

Wayne McKethan
Dee Arcos
Keith Callahan
Mitch Galvan
Ben Macon
Scott Sopchak
Alva Cox
Tony Tull
Christi Sanders
Shanna Smith-Snyder
Becky Mauldin
Gary Hawkins

Finance
City Secretary
City Services
Police Chief
Municipal Court Judge
Community Development
Public Works
Information Technology
Human Resource
Communication Director
Neighborhood Services
Airport

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, 2011

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



Christopher P. Morrell

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION

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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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 and budgetary comparison schedule – general fund, Texas Municipal Retirement System Schedule of Funding Progress, and Volunteer Fire Fighter's Retirement Fund Schedule of Funding Progress on pages 56 - 60 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 and individual fund statements and 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 and individual fund statements and 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.
Weatherford, Texas
February 28, 2013

CITY OF GRANBURY, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2012

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, 2012. 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 \$57,045,823 (Net Assets). Of this amount \$11,823,541 (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 \$1,099,566.
- As of the close of the current fiscal year, the City of Granbury's governmental funds reported combined ending fund balances of \$12,997,464.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,284,392 or 43% of the total General Fund expenditures.
- At the end of the current fiscal year, unrestricted net assets for the Utility Fund was \$5,211,646, or 36% 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 Exhibits E-1 and E-2 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 28-55 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 \$57,045,823 as of September 30, 2012.

The largest portion of the City’s net assets (75%) 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 (\$11,823,541) may be used to meet the government’s ongoing obligations to citizens and creditors.

As of September 30, 2012, 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 15,463,990	\$ 15,592,520	\$ 13,245,067	\$ 7,995,103	\$ 28,709,057	\$ 23,587,623
Capital assets	42,790,887	43,371,328	33,924,476	34,935,585	76,715,363	78,306,913
Total Assets	<u>58,254,877</u>	<u>58,963,848</u>	<u>47,169,543</u>	<u>42,930,688</u>	<u>105,424,420</u>	<u>101,894,536</u>
Current liabilities	811,146	722,307	1,792,487	1,490,822	2,603,633	2,213,129
Long-term liabilities	26,321,121	28,013,891	19,453,843	15,721,259	45,774,964	43,735,150
Total liabilities	<u>27,132,267</u>	<u>28,736,198</u>	<u>21,246,330</u>	<u>17,212,081</u>	<u>48,378,597</u>	<u>45,948,279</u>
Net Assets:						
Invested in capital assets						
net of related debt	24,079,825	23,554,937	18,713,942	19,309,403	42,793,767	42,864,340
Restricted	373,215	196,278	2,055,300	1,942,666	2,428,515	2,138,944
Unrestricted	6,669,570	6,476,435	5,153,971	4,466,538	11,823,541	10,942,973
Total Net Assets	<u>\$ 31,122,610</u>	<u>\$ 30,227,650</u>	<u>\$ 25,923,213</u>	<u>\$ 25,718,607</u>	<u>\$ 57,045,823</u>	<u>\$ 55,946,257</u>

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

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Program revenues:						
Charges for services	\$ 1,381,735	\$ 1,763,054	\$ 18,429,265	\$ 19,302,194	\$ 19,811,000	\$ 21,065,248
Operating grants and contributions	225,524	148,656	-	550	225,524	149,206
Capital grants and contributions	1,378,236	933,906	242,725	824,842	1,620,961	1,758,748
General revenues:						
Property taxes	4,170,353	4,196,466	-	-	4,170,353	4,196,466
Sales taxes	6,290,017	5,821,793	-	-	6,290,017	5,821,793
Hotel/Motel Occupancy Taxes	516,739	521,802	-	-	516,739	521,802
Franchise taxes	1,433,587	1,513,743	-	-	1,433,587	1,513,743
Investment earnings	50,927	42,066	32,452	9,384	83,379	51,450
Other Revenue	173,681	115,286	-	-	173,681	115,286
Total revenues	15,620,799	15,056,772	18,704,442	20,136,970	34,325,241	35,193,742
Expenses						
City Council	198,980	152,731			198,980	152,731
Legal	208,465	205,008			208,465	205,008
Executive	401,612	499,745			401,612	499,745
Financial Administration	334,433	404,622			334,433	404,622
Purchasing	141,959	137,020			141,959	137,020
Social Services	58,000	41,000			58,000	41,000
Management Information Services	485,899	394,332			485,899	394,332
Economic Development	139,536	67,779	50,000	-	189,536	67,779
Human Resources	186,462	237,602			186,462	237,602
Warehouse	113,644	74,439			113,644	74,439
Fleet Maintenance	151,327	150,357			151,327	150,357
Building Maintenance	133,168	142,075			133,168	142,075
Granbury Public TV Channel 27	89,466	118,649			89,466	118,649
Other governmental functions	716,790	582,194			716,790	582,194
Police	3,190,898	3,139,889			3,190,898	3,139,889
Fire	389,955	438,683			389,955	438,683
Municipal Court	217,676	223,508			217,676	223,508
Streets	2,175,696	1,916,176			2,175,696	1,916,176
Public Works	390,741	260,357			390,741	260,357
Community Development	388,881	618,122			388,881	618,122
Neighborhood Services	165,114	-			165,114	-
Airport			814,026	660,769	814,026	660,769
Cemetery	40,323	49,376			40,323	49,376
Tourism	1,012,067	943,788			1,012,067	943,788
Parks	1,852,181	1,938,169			1,852,181	1,938,169
Conference Center	734,102	776,819			734,102	776,819
Interest and fiscal charges	1,136,676	1,256,281			1,136,676	1,256,281
Water treatment and distribution	-	-	4,320,820	4,115,663	4,320,820	4,115,663
Wastewater collection and treatment	-	-	2,163,270	2,159,833	2,163,270	2,159,833
Electricity	-	-	10,823,508	11,145,886	10,823,508	11,145,886
Total expenses	15,054,051	14,768,721	18,171,624	18,082,151	33,225,675	32,850,872
Increase (decrease) in net assets before transfers	566,748	288,051	532,818	2,054,819	1,099,566	2,342,870
Transfers	328,212	373,830	(328,212)	(373,830)	-	-
Increase (decrease) in net assets	894,960	661,881	204,606	1,680,989	1,099,566	2,342,870
Net Assets October 1	30,227,650	29,565,769	25,718,607	24,037,618	55,946,257	53,603,387
Net Assets September 30	\$ 31,122,610	\$ 30,227,650	\$ 25,923,213	\$ 25,718,607	\$ 57,045,823	\$ 55,946,257

Governmental Activities. Governmental activities increased the City's net assets by \$894,960 compared with a \$661,881 increase in the prior year. Total governmental activities revenues increased \$564,027 (4%) to \$15,620,799. Total governmental activities expenses increased \$285,330 (2%) from the prior year. Key elements of these changes are as follows.

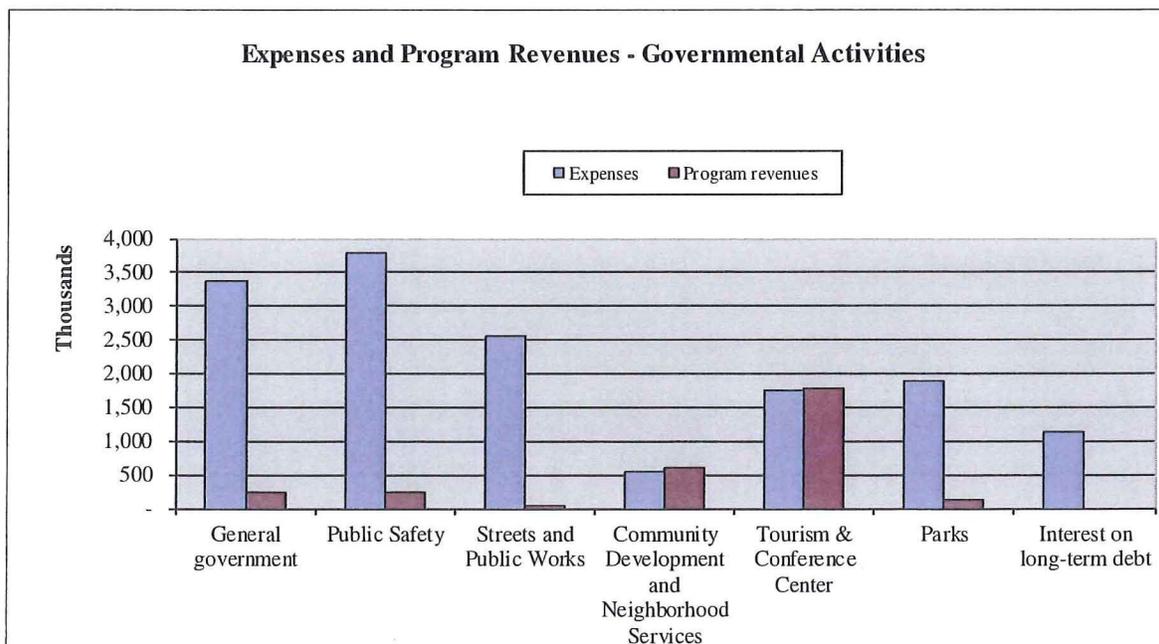
Revenues:

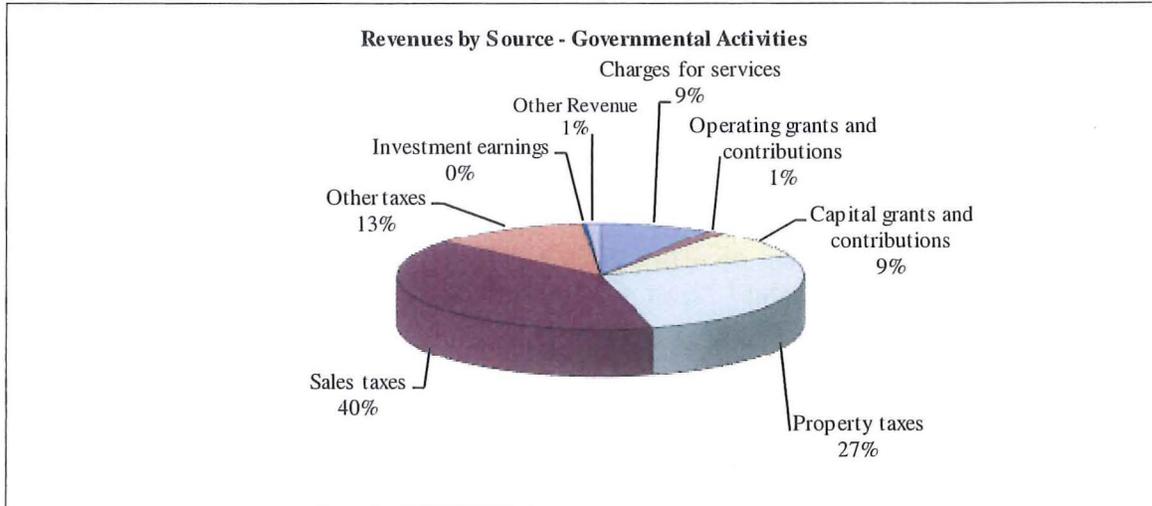
- Charges for service revenue decreased \$381,319 (22%). Park donation and dedication fees, concession revenue, municipal court fines and fees, developer fees and building permits decreased from the prior year.
- Capital grants and contributions increased \$444,330. Current year capital grants and contributions include \$9,000 of street lights from new developments within the City compared to \$933,906 in the prior year for street, storm drainage and street lights. The City was also donated the Langdon Center and art collection with a value of \$1,354,236.
- Sales tax revenue increased \$468,224 (8%) in the current year due to the continued improvement of the economy and addition of new businesses. 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.

Expenses:

- Other governmental functions increased \$134,596 primarily due to expenses related to a 380 economic development agreement.
- Street expenses increased \$259,520 primarily due to an increase in depreciation expense.
- Public works and neighborhood services expenses increased \$130,384 and \$165,114 and community development expenses decreased \$229,241 primarily because the departments were reorganized during the current year. The net increase is due to the addition of a health inspector in neighborhood services.
- Interest and fiscal charges decreased \$119,605 due to the interest payment made in the prior year on the 2003A Series bonds that were refunded.

Below are two graphs summarizing governmental revenue and expense:





Business-type activities. Business-type activities increased the City's net assets by \$204,606 in the current year compared to an increase of \$1,680,989 in the prior year. The business-type activities total revenues decreased \$1,432,528 (7%) to \$18,704,442 and total expenses increased \$89,473 (1%) to \$18,171,624. Key elements of these changes are as follows.

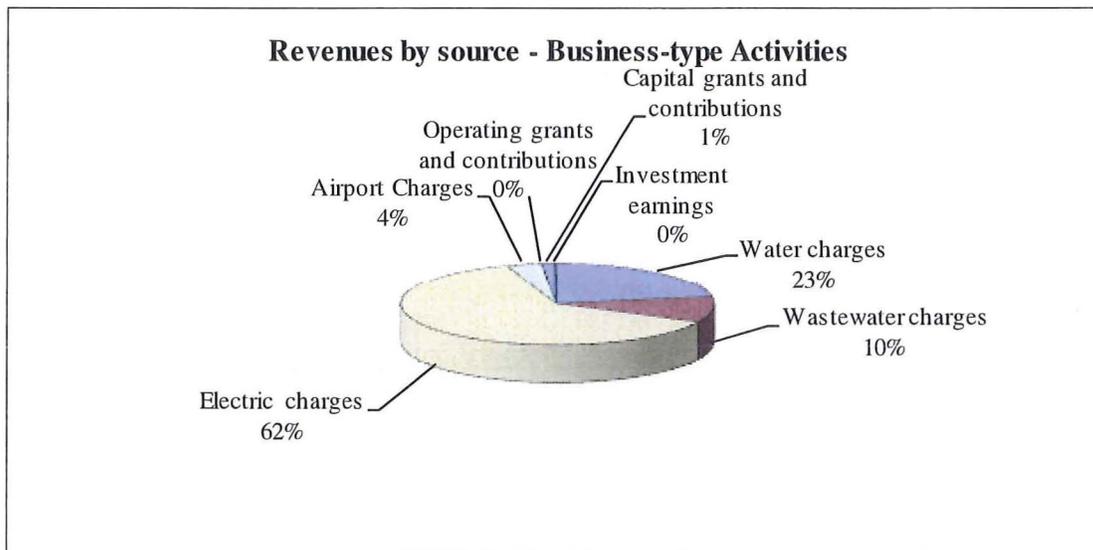
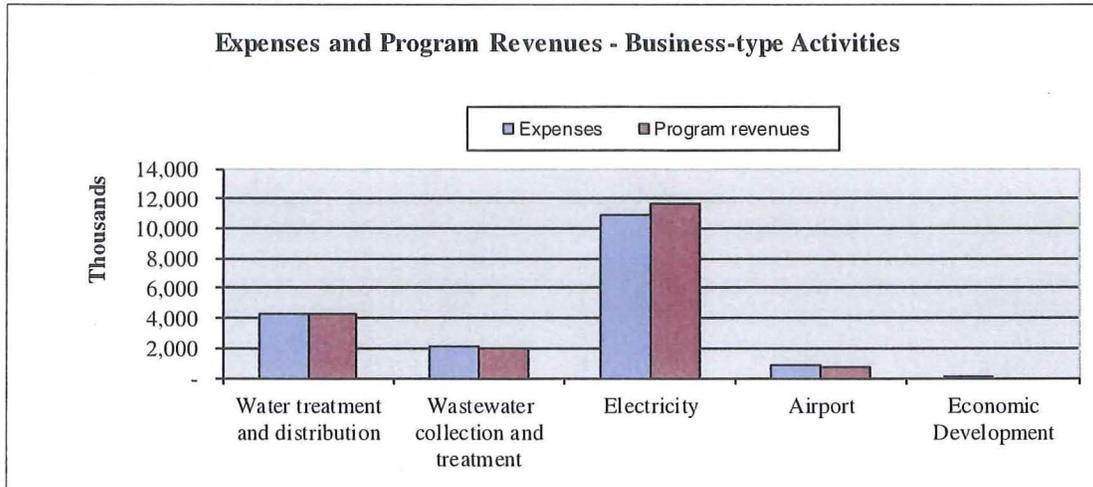
Revenues:

- Charges for services decreased \$872,929 primarily because electricity sales decreased \$150,431 due to a decrease in kwh sold, water revenue decreased \$855,450 because of a decrease in gallons sold and \$560,000 from the sale of raw water to Dow Chemical Co. in prior year, and airport revenues increased \$111,123 due to an increase in the gallons of fuel sold.
- Capital grants and contributions consist of water and sewer improvements from new developments within the City that decreased \$630,467 and a \$48,350 grant used for hangar improvements at the airport.

Expenses:

- Electricity purchased for resale decreased \$310,944 due to a decrease in kwh purchased.
- Airport expenses increased \$153,257 because a full time employee and airport manager were added and there was an increase in the gallons of fuel purchased.
- Interest expense increased \$100,924 because interest on the 2012 revenue bonds was \$122,061.
- Meter reading expenses increased \$80,282 due to meter testing and maintenance and meter reading was contracted out for July – September 2012.
- Economic development expenses increased \$50,000 because no payment was required to the Economic Development Corporation in the prior 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 \$12,997,464. \$3,853,100 (30%) 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 \$4,284,392. The fund balance of the general fund increased \$360,021. Property tax revenue remained steady despite a \$10.5 million decrease in the assessed value of property in the City because of a \$.0014 increase in the M&O tax rate. Sales taxes increased due to the improvement in the local economy and addition of new businesses. Expenditures increased primarily due to the purchase of land (general government), economic development payments (general government),

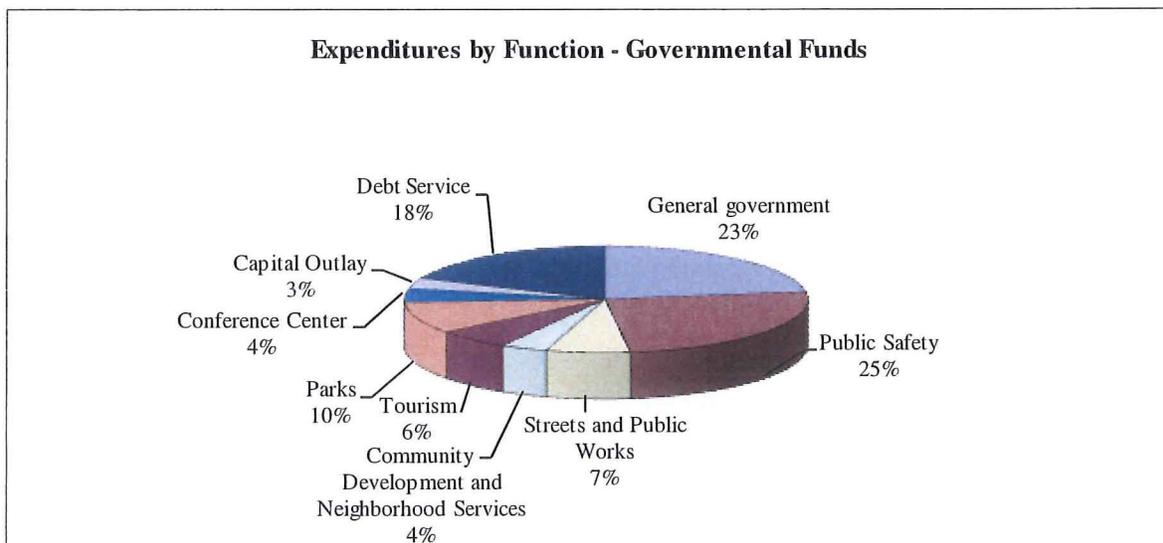
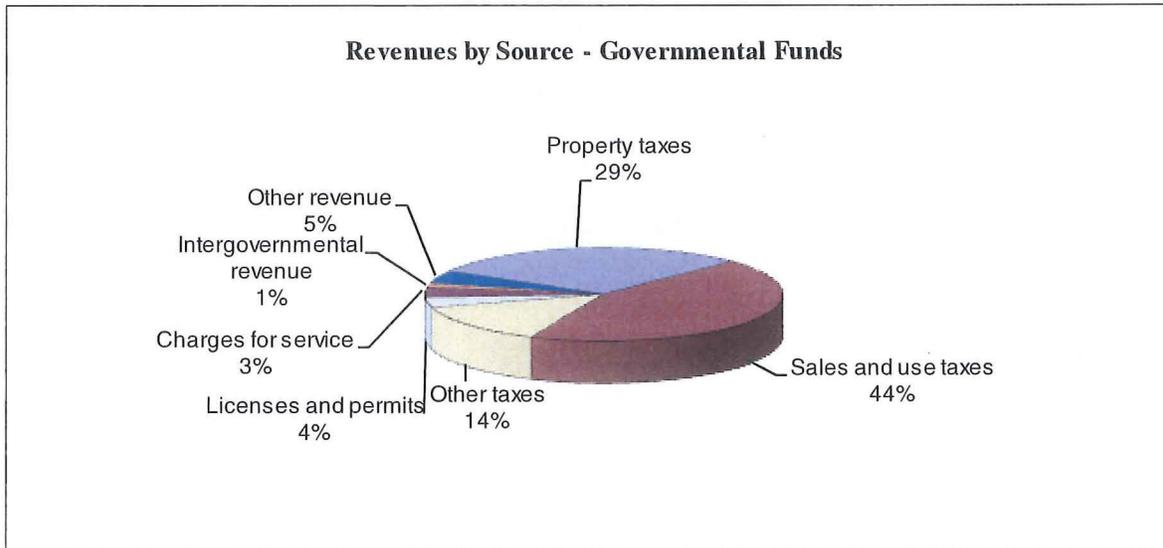
improvement in the local economy and addition of new businesses. Expenditures increased primarily due to the purchase of land (general government), economic development payments (general government), purchase of four automobiles (public safety), additional police officer (public safety), purchase of street sweeper (streets) and addition of health inspector (neighborhood services). Transfers out increased because of transfers to the Tourism fund. Below is a comparison of the general fund's net change in fund balance for 2012 and 2011.

	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Revenues:				
Taxes:				
Property	\$ 1,491,582	\$ 1,496,874	\$ (5,292)	-0.35%
Sales and Use	6,282,851	5,810,019	472,832	8.14%
Franchise	1,433,587	1,463,008	(29,421)	-2.01%
Fines and fees	201,206	225,678	(24,472)	-10.84%
Licenses and permits	521,189	586,854	(65,665)	-11.19%
Charges for service	62,541	122,594	(60,053)	-48.99%
Intergovernmental revenue	204,720	148,656	56,064	37.71%
Park and recreation	108,792	205,935	(97,143)	-47.17%
Interest income	26,832	15,039	11,793	78.42%
Other revenue	271,633	272,979	(1,346)	-0.49%
Total revenues	<u>10,604,933</u>	<u>10,347,636</u>	<u>257,297</u>	<u>2.49%</u>
Expenditures:				
General government	3,339,088	2,959,350	379,738	12.83%
Public Safety:	3,697,344	3,427,714	269,630	7.87%
Streets	587,464	425,147	162,317	38.18%
Public Works	381,797	257,252	124,545	48.41%
Community Development	385,779	604,499	(218,720)	-36.18%
Neighborhood Services	161,227	-	161,227	100.00%
Cemetery	60,283	40,757	19,526	47.91%
Parks	1,337,862	1,561,616	(223,754)	-14.33%
Total expenditures	<u>9,950,844</u>	<u>9,276,335</u>	<u>674,509</u>	<u>7.27%</u>
Other financing sources (uses):				
Transfers in	328,212	373,830	(45,618)	-12.20%
Transfers out	(715,054)	(439,033)	(276,021)	62.87%
Issuance of Capital Lease	92,774	-	92,774	100.00%
Net change in fund balances	<u>\$ 360,021</u>	<u>\$ 1,006,098</u>	<u>\$ (646,077)</u>	<u>-64.22%</u>

The Debt Service fund has a total fund balance of \$273,016, all of which is restricted for the payment of debt service. Debt Service fund balance increased in 2012 by \$97,886.

The fund balance of the capital projects fund decreased \$443,373 because of capital outlay for street improvements, property acquisition, the opera house renovation and conference center lighting. 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 \$5,153,971 comprised of the Utility Fund \$5,211,646 and the Airport Fund negative \$57,675. The Utility Fund had a net assets increase in 2012 of \$296,624 and the Airport had a net assets decrease of \$58,048.

Unrestricted net assets of the self-fund health insurance internal service fund were \$2,710. At August 1, 2012, the City changed its method of providing health insurance to its employees and is no longer self-funded. The City’s self-funded health insurance fund is on responsible for medical claims incurred before the change.

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 5% or \$504,321. The most significant changes to general fund budgeted expenditures were increases of \$90,000 for IT disaster recovery hardware, \$60,000 for economic development salaries, and \$125,000 for the relocation and improvement of the fire training center. These increases were funded with increases to budgeted revenues and beginning fund balance.

General fund actual expenditures budgetary basis were \$393,540 less than budgeted. The largest positive variances were \$53,635 human resources \$129,349 parks. Each of these departments had vacancies that were not filled for most of 2012.

CAPITAL ASSETS

The City of Granbury's investment in capital assets for its governmental and business-type activities as of September 30, 2012 amounts to \$76,715,363 (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:

- Purchased 409 N Houston St for \$201,379.
- Accepted donation of Langdon Center and art collection with a value of \$1,354,236.
- IT disaster recovery network hardware for \$86,401.
- Caterpillar forklift for \$62,735.
- (4) 2012 Chevrolet Tahoe and radio and radar equipment for police department for \$120,221.
- Street sweeper for \$181,040.
- Airport property acquisition for \$56,747 and opera house renovation of \$102,213 funded with the 2006 Tax and Revenue Certificates of Obligation.
- Current year capital asset events funded with the 2007 Tax and Revenue Certificates of Obligation include \$54,974 for conference center lighting and \$163,404 for street improvements.

Business-Type Activities:

- The value of completed water and sewer improvements donated by developers was \$111,495 and \$82,880 respectively.
- \$61,475 worth of new electric and water meters were installed.
- Current year capital asset events funded with the 2012 Utility System Revenue Bonds include \$315,719 for new water wells and \$221,138 for engineering and the pilot study.

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 5,347,623	\$ 4,596,244	\$ 1,033,573	\$ 1,033,573	\$ 6,381,196	\$ 5,629,817
Buildings	10,398,465	10,111,109	43,717	57,879	10,442,182	10,168,988
Improvements other than buildings	22,816,618	25,748,669	31,536,627	33,139,440	54,353,245	58,888,109
Machinery and equipment	2,533,888	1,600,179	584,340	704,693	3,118,228	2,304,872
Construction in progress	1,694,293	1,315,127	726,219	-	2,420,512	1,315,127
Total	\$ 42,790,887	\$ 43,371,328	\$ 33,924,476	\$ 34,935,585	\$ 76,715,363	\$ 78,306,913

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 \$45,491,629. Of this amount, \$9,097,146 comprises bonded debt backed by the full faith and credit of the government, \$21,433,662 are certificates of obligation secured by ad valorem taxes and surplus revenues of the utility fund and \$13,674,187 represents bonds secured solely by electric, water and sewer revenues. The capital leases payable of \$880,759 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	
	2012	2011	2012	2011	2012	2011
Capital Leases Payable	\$ 225,195	\$ 232,820	\$ 655,564	\$ 769,390	\$ 880,759	\$ 1,002,210
Notes Payable	405,875	427,481	-	-	405,875	427,481
Revenue Bonds	-	-	13,674,187	9,474,922	13,674,187	9,474,922
General Obligation	9,097,146	9,978,003	4,183,891	4,461,620	13,281,037	14,439,623
Certificates of Obligation	16,384,646	17,023,260	865,125	920,250	17,249,771	17,943,510
Total Outstanding Debt	\$ 26,112,862	\$ 27,661,564	\$ 19,378,767	\$ 15,626,182	\$ 45,491,629	\$ 43,287,746

During the year the City issued the \$4,700,000 Utility System Revenue Bonds, Series 2012 to construct and improve the City's water and wastewater system, including the acquisition of sites and to pay costs related to the issuance of the bonds.

The City's bond ratings are listed below:

	General Obligation	Utility Revenue
Fitch Ratings	AA	A+
Standard & Poor's Corporation	AA-	A

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

General Fund revenues and transfers in are budgeted to increase by approximately 7% in fiscal year 2012-2013 when compared to the 2011-2012 budget. Granbury has maintained its status as a regional retail and tourism hub, and accordingly, sales tax receipts were up 8% for FY 2011/12 when compared with the previous year's actual receipts. Sales taxes make up about 53% of the General Fund budgeted revenues. Property tax revenue is budgeted to decrease about 5% from the 2011-12 budgeted amounts. Certified assessed property valuations increased approximately \$83 million (8.3%) from the preceding year, but the property tax rate has been decreased from \$.40390 to \$.39926 per \$100. The maintenance and operations portion of the tax rate was decreased from \$.14512 to \$.14294 and the debt service rate decreased from \$.25878 to \$.25632.

General Fund expenditures and transfers out are budgeted to increase approximately 6% from 2011-12 budgeted amounts to \$11,106,036. After several conservative budget years, there was a need for expansion in various departments, whether that was through capital improvements or additional personnel.

Operating revenue in the Utility Fund is budgeted to increase by approximately 12% from 2011-12 budgeted amounts to \$19,110,581. 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. 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 \$81.68 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 increase approximately 13.5% from 2011-12 budgeted amounts to \$18,483,268. As mentioned previously, many departments needed to expand with capital improvements or additional personnel.

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, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 5,982,446	\$ 2,100,125	\$ 8,082,571
Investments	6,760,000	50,000	6,810,000
Receivables (Net of allowances for uncollectibles)			
Property taxes	117,849	-	117,849
Franchise taxes	354,342	-	354,342
Accounts	-	2,101,352	2,101,352
Due from other governments	982,220	-	982,220
Fines and fees receivable	128,844	-	128,844
Miscellaneous receivables	104,157	149,048	253,205
Accrued interest	875	721	1,596
Internal balances	224,873	(224,873)	-
Prepaid items	13,553	-	13,553
Inventories	95,752	1,324,760	1,420,512
Restricted assets:			
Cash and cash equivalents	-	1,285,663	1,285,663
Investments	-	5,558,609	5,558,609
Other assets	699,079	899,662	1,598,741
Capital assets (net of accumulated depreciation):			
Land	5,347,623	1,033,573	6,381,196
Buildings	10,398,465	43,717	10,442,182
Improvements other than buildings	22,816,618	31,536,627	54,353,245
Machinery and equipment	2,533,888	584,340	3,118,228
Construction in progress	1,694,293	726,219	2,420,512
Total Assets	<u>58,254,877</u>	<u>47,169,543</u>	<u>105,424,420</u>
LIABILITIES:			
Accounts payable and accrued liabilities	485,165	1,097,689	1,582,854
Unearned revenue	195,928	74,001	269,929
Current Liabilities Payable from Restricted Assets:			
Accounts payable and accrued liabilities		179,733	179,733
Interest payable	130,053	46,171	176,224
Customer deposits		394,893	394,893
Noncurrent liabilities:			
Due Within One Year	2,133,594	1,287,862	3,421,456
Due in More Than One Year	24,187,527	18,165,981	42,353,508
Total Liabilities	<u>27,132,267</u>	<u>21,246,330</u>	<u>48,378,597</u>
NET ASSETS:			
Investments in Capital Assets, Net of Debt	24,079,825	18,713,942	42,793,767
Restricted Net Assets			
Debt Service (Expendable)	213,292	1,106,710	1,320,002
Impact fees for capital improvements (Expendable)	-	948,590	948,590
Public Safety (expendable)	37,482	-	37,482
Culture and Recreation (expendable)	77,962	-	77,962
Public, educational, and governmental programming	44,479	-	44,479
Unrestricted Net Assets	6,669,570	5,153,971	11,823,541
Total Net Assets	<u>\$ 31,122,610</u>	<u>\$ 25,923,213</u>	<u>\$ 57,045,823</u>

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, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
City Council	\$ 198,980	\$	\$	\$
Legal	208,465			
Executive	401,612			
Financial Administration	334,433			
Purchasing	141,959			
Social Services	58,000			
Management Information Services and City WIFI	485,899	77,148		
Economic Development	139,536		132,554	
Human Resources	186,462			
Warehouse	113,644			
Fleet Maintenance	151,327			
Building Maintenance	133,168			
Granbury Public TV Channel 27	89,466	35,200		
Other governmental functions	716,790	-		
Police	3,190,898	170,648	9,024	-
Fire	389,955		900	15,000
Municipal Court	217,676	44,186		
Streets	2,175,696		20,804	9,000
Public Works	390,741			
Community Development	388,881	486,610	62,242	
Neighborhood Services	165,114	45,150		
Cemetery	40,323			
Tourism	1,012,067	23,505		1,354,236
Parks	1,852,181	111,934		-
Conference Center	734,102	387,354		
Interest and fiscal charges	1,136,676	-		
Total governmental activities	<u>15,054,051</u>	<u>1,381,735</u>	<u>225,524</u>	<u>1,378,236</u>
Business-type activities:				
Water treatment and distribution	4,320,820	4,173,348	-	111,495
Wastewater collection and treatment	2,163,270	1,908,438	-	82,880
Electricity	10,823,508	11,639,851	-	
Airport	814,026	707,628	-	48,350
Economic Development	50,000			
Total business-type activities	<u>- 18,171,624</u>	<u>18,429,265</u>	<u>-</u>	<u>242,725</u>
Total primary government	<u>\$ 33,225,675</u>	<u>\$ 19,811,000</u>	<u>\$ 225,524</u>	<u>\$ 1,620,961</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, 2011

Net Assets, September 30, 2012

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, 2012

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (198,980)	\$	(198,980)
(208,465)		(208,465)
(401,612)		(401,612)
(334,433)		(334,433)
(141,959)		(141,959)
(58,000)		(58,000)
(408,751)		(408,751)
(6,982)		(6,982)
(186,462)		(186,462)
(113,644)		(113,644)
(151,327)		(151,327)
(133,168)		(133,168)
(54,266)		(54,266)
(716,790)		(716,790)
(3,011,226)		(3,011,226)
(374,055)		(374,055)
(173,490)		(173,490)
(2,145,892)		(2,145,892)
(390,741)		(390,741)
159,971		159,971
(119,964)		(119,964)
(40,323)		(40,323)
365,674		365,674
(1,740,247)		(1,740,247)
(346,748)		(346,748)
(1,136,676)		(1,136,676)
<u>(12,068,556)</u>	<u>-</u>	<u>(12,068,556)</u>
	(35,977)	(35,977)
	(171,952)	(171,952)
	816,343	816,343
	(58,048)	(58,048)
	<u>(50,000)</u>	<u>(50,000)</u>
<u>-</u>	<u>500,366</u>	<u>500,366</u>
\$ <u>(12,068,556)</u>	\$ <u>500,366</u>	\$ <u>(11,568,190)</u>
\$ 1,499,064	\$ -	\$ 1,499,064
2,671,289	-	2,671,289
6,290,017	-	6,290,017
516,739	-	516,739
1,433,587	-	1,433,587
50,927	32,452	83,379
173,681	-	173,681
328,212	(328,212)	-
<u>12,963,516</u>	<u>(295,760)</u>	<u>12,667,756</u>
894,960	204,606	1,099,566
<u>30,227,650</u>	<u>25,718,607</u>	<u>55,946,257</u>
\$ <u>31,122,610</u>	\$ <u>25,923,213</u>	\$ <u>57,045,823</u>

City of Granbury, Texas
Balance Sheet
Governmental Funds
September 30, 2012

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Assets:					
Cash and cash equivalents	\$ 3,151,125	\$ 268,131	\$ 2,201,127	\$ 362,063	\$ 5,982,446
Investments	1,560,000	-	5,200,000	-	6,760,000
Receivables (Net of allowances for uncollectibles)					
Property taxes	47,520	70,329	-	-	117,849
Franchise taxes	354,342	-	-	-	354,342
Due from other governments	982,220	-	-	-	982,220
Fines and fees receivable	128,844	-	-	-	128,844
Miscellaneous receivables	40,374	-	-	52,564	92,938
Interest	202	-	673	-	875
Due from other funds	822,097	6,415	-	-	828,512
Inventories	92,730	-	-	3,022	95,752
Prepaid items	13,553	-	-	-	13,553
Total assets	\$ 7,193,007	\$ 344,875	\$ 7,401,800	\$ 417,649	\$ 15,357,331
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 444,974	\$ 1,530	\$ -	\$ 30,152	\$ 476,656
Due to other funds	6,415	-	-	597,224	603,639
Deferred revenue	1,177,735	70,329	-	31,508	1,279,572
Total liabilities	1,629,124	71,859	-	658,884	2,359,867
Fund Balances:					
Nonspendable	908,569	-	-	-	908,569
Restricted	159,923	273,016	7,401,800	-	7,834,739
Committed	91,736	-	-	190,057	281,793
Assigned	119,263	-	-	-	119,263
Unassigned	4,284,392	-	-	(431,292)	3,853,100
Total fund balances	5,563,883	273,016	7,401,800	(241,235)	12,997,464
Total liabilities and fund balances	\$ 7,193,007	\$ 344,875	\$ 7,401,800	\$ 417,649	\$ 15,357,331

City of Granbury, Texas
 Reconciliation of the Governmental Funds Balance Sheet
 To the Statement of Net Assets
 September 30, 2012

Total Fund Balances - Governmental Funds	12,997,464
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 \$76,625,610 and the accumulated depreciation was \$33,834,723.	42,790,887
Capitalized bond issuance costs related to governmental activity debt are not financial resources and therefore are not reported in the governmental funds.	699,079
Long-term liabilities, including \$25,481,792 bonds payable, \$405,875 notes payable, \$225,195 capital leases payable and \$259,669 compensated absences payable are not due and payable in the current period, and, therefore are not reported as liabilities in the fund financial statements.	(26,321,121)
Interest payable is not expected to be liquidated with available financial resources and is not reported as a liability in the fund financial statements.	(130,053)
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.	1,083,644
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 increase net assets.	2,710
Net Assets of Governmental Activities	31,122,610

City of Granbury, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended September 30, 2012

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
Property	\$ 1,491,582	\$ 2,655,608	\$ -	\$ -	\$ 4,147,190
Sales and Use	6,282,851	-	-	-	6,282,851
Hotel/Motel Occupancy	-	-	-	516,739	516,739
Franchise	1,433,587	-	-	-	1,433,587
Fines and fees	201,206	-	-	-	201,206
Licenses and permits	521,189	-	-	-	521,189
Charges for service	62,541	-	-	408,631	471,172
Intergovernmental revenue	204,720	-	-	-	204,720
Park and recreation	108,792	-	-	-	108,792
Interest income	26,832	8,750	14,991	354	50,927
Other revenue	271,633	-	-	2,228	273,861
Total revenues	10,604,933	2,664,358	14,991	927,952	14,212,234
Expenditures:					
Current					
General government					
City Council	398,767	-	-	-	398,767
Legal	208,313	-	-	-	208,313
Executive	402,130	-	-	-	402,130
Financial Administration	335,616	-	-	-	335,616
Purchasing	143,805	-	-	-	143,805
Social Services	58,000	-	-	-	58,000
Management Information Services and City WIFI	500,445	-	-	-	500,445
Economic Development	136,366	-	-	-	136,366
Human Resources	183,900	-	-	-	183,900
Warehouse	173,178	-	-	-	173,178
Fleet Maintenance	151,147	-	-	-	151,147
Building Maintenance	128,332	-	-	-	128,332
Granbury Public TV Channel 27	88,419	-	-	-	88,419
Other governmental functions	430,670	-	-	-	430,670
Public Safety:					
Police	3,148,563	-	-	-	3,148,563
Fire	332,775	-	-	-	332,775
Municipal Court	216,006	-	-	-	216,006
Streets	587,464	-	-	-	587,464
Public Works	381,797	-	-	-	381,797
Community Development	385,779	-	-	-	385,779
Neighborhood Services	161,227	-	-	-	161,227
Cemetery	60,283	-	-	-	60,283
Tourism	-	-	-	899,502	899,502
Parks	1,337,862	-	-	-	1,337,862
Conference Center	-	-	-	620,234	620,234
Capital outlay	-	-	458,364	-	458,364
Debt service:					
Principal	-	1,600,274	-	21,606	1,621,880
Interest and fiscal charges	-	1,078,223	-	13,827	1,092,050
Debit issuance costs	-	-	-	-	-
Total expenditures	9,950,844	2,678,497	458,364	1,555,169	14,642,874
Excess (deficiency) of revenue over (under) expenditures	\$ 654,089	\$ (14,139)	\$ (443,373)	\$ (627,217)	\$ (430,640)
Other financing sources (uses):					
Transfers in	328,212	112,025	-	653,029	1,093,266
Transfers out	(715,054)	-	-	(50,000)	(765,054)
Issuance of Capital Lease	92,774	-	-	-	92,774
Total other financing sources (uses)	(294,068)	112,025	-	603,029	420,986
Net change in fund balances	360,021	97,886	(443,373)	(24,188)	(9,654)
Fund Balance, October 1, 2011	5,203,862	175,130	7,845,173	(217,047)	13,007,118
Fund Balance, September 30, 2012	\$ 5,563,883	\$ 273,016	\$ 7,401,800	\$ (241,235)	\$ 12,997,464

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, 2012

Total Net Change in Fund Balances - Governmental Funds	(9,654)
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 \$1,438,223 of capital outlays and \$1,621,880 of debt principal payments is to increase net assets.	3,060,103
Capital asset donations are revenues in the government-wide financial statements but are not reported in the governmental fund financial statements.	1,378,236
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.	(3,396,900)
Current year issuance of capital lease are other financing sources in the fund financial statements. The effect of the \$92,774 increase in capital leases payable is a decrease in net assets.	(92,774)
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 \$6,077 decrease in interest payable, \$42,543 decrease in compensated absences and \$50,703 amortization of bond issuance costs, premiums and discounts decrease net assets.	(2,083)
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	30,329
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.	(72,297)
Change in Net Assets of Governmental Activities	894,960

City of Granbury, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2012

	Business-type Activities Enterprise Funds			Governmental Activities
	Utility Fund	Airport Fund	Totals	Internal Service Fund
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 2,096,828	\$ 3,297	\$ 2,100,125	\$ -
Investments	50,000	-	50,000	-
Receivables (Net of allowance for uncollectibles):				
Accounts	2,101,352	-	2,101,352	-
Miscellaneous Receivables	-	149,048	149,048	11,219
Interest	721	-	721	-
Supplies inventory	1,281,323	43,437	1,324,760	-
Restricted Assets:				
Cash and cash equivalents	1,285,663	-	1,285,663	-
Investments	5,558,609	-	5,558,609	-
Total current assets	<u>12,374,496</u>	<u>195,782</u>	<u>12,570,278</u>	<u>11,219</u>
Other Assets	<u>899,662</u>	<u>-</u>	<u>899,662</u>	<u>-</u>
Capital assets, at cost:				
Land	885,750	147,823	1,033,573	-
Construction in Progress	599,557	126,662	726,219	-
Buildings	847,713	160,274	1,007,987	-
Improvements other than buildings	46,086,709	3,268,032	49,354,741	-
Machinery and Equipment	3,984,220	93,773	4,077,993	-
Less: accumulated depreciation	(19,864,111)	(2,411,926)	(22,276,037)	-
Capital assets, net	<u>32,539,838</u>	<u>1,384,638</u>	<u>33,924,476</u>	<u>-</u>
Total noncurrent assets	<u>33,439,500</u>	<u>1,384,638</u>	<u>34,824,138</u>	<u>-</u>
Total assets	<u>\$ 45,813,996</u>	<u>\$ 1,580,420</u>	<u>\$ 47,394,416</u>	<u>\$ 11,219</u>

City of Granbury, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2012

	Business-type Activities Enterprise Funds			Governmental Activities
	Utility Fund	Airport Fund	Totals	Internal Service Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LIABILITIES:				
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 1,054,232	\$ 43,457	\$ 1,097,689	\$ 8,509
Compensated absences payable	50,223	-	50,223	-
Due to other funds	14,873	210,000	224,873	-
Unearned Revenue	74,001	-	74,001	-
Current Liabilities Payable from Restricted Assets:				
Accounts payable and accrued liabilities	179,733		179,733	
Current portion of long-term debt	1,180,679	56,960	1,237,639	-
Interest payable	46,171	-	46,171	-
Customer deposits payable	394,893	-	394,893	-
	<u>2,994,805</u>	<u>310,417</u>	<u>3,305,222</u>	<u>8,509</u>
Noncurrent Liabilities:				
Compensated absences payable	24,853	-	24,853	-
Capital leases payable	52,791	516,211	569,002	-
Bonds payable	17,572,126	-	17,572,126	-
	<u>17,649,770</u>	<u>516,211</u>	<u>18,165,981</u>	<u>-</u>
Total liabilities	<u>20,644,575</u>	<u>826,628</u>	<u>21,471,203</u>	<u>8,509</u>
NET ASSETS:				
Investment in capital assets, net of debt	17,902,475	811,467	18,713,942	-
Restricted for debt service (Expendable)	1,106,710	-	1,106,710	-
Restricted impact fees for capital improvements - water (Expendable)	126,671	-	126,671	-
Restricted impact fees for capital improvements - wastewater (Expendable)	821,919	-	821,919	-
Unrestricted	5,211,646	(57,675)	5,153,971	2,710
Total net assets	<u>25,169,421</u>	<u>753,792</u>	<u>25,923,213</u>	<u>\$ 2,710</u>

City of Granbury, Texas
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the year ended September 30, 2012

	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	\$ 5,773,414	\$ -	\$ 5,773,414	\$ -
Charges for Electricity Sales	11,394,217	-	11,394,217	-
Charges for Airport Services	-	699,651	699,651	-
Impact fees	183,911	-	183,911	-
Intergovernmental	-	-	-	-
Other Revenue	370,095	7,977	378,072	1,136,232
Total operating revenue	<u>17,721,637</u>	<u>707,628</u>	<u>18,429,265</u>	<u>1,136,232</u>
Operating expenses:				
Administration	574,521	-	574,521	-
Airport	-	646,153	646,153	-
Water treatment and distribution	2,490,325	-	2,490,325	-
Wastewater collection and treatment	1,072,550	-	1,072,550	-
Electricity	8,986,835	-	8,986,835	-
Management Information Systems	250,967	-	250,967	-
Meter Reading	193,281	-	193,281	-
Fleet Maintenance	48,369	-	48,369	-
Building Maintenance	251,427	-	251,427	-
Self-funded health insurance	-	-	-	1,345,176
Utility Franchise Fees	686,206	-	686,206	-
Depreciation	1,983,844	129,579	2,113,423	-
Total operating expenses	<u>16,538,325</u>	<u>775,732</u>	<u>17,314,057</u>	<u>1,345,176</u>
Operating income	<u>1,183,312</u>	<u>(68,104)</u>	<u>1,115,208</u>	<u>(208,944)</u>
Nonoperating revenues (expenses):				
Interest revenue	32,452	-	32,452	1,152
Gain on OPEB Plan Termination	-	-	-	101,525
Interest expense	(673,570)	(38,294)	(711,864)	-
Amortization of bond issuance costs	(61,733)	-	(61,733)	-
Contribution to Economic Development Corp	(50,000)	-	(50,000)	-
Total nonoperating revenues (expenses)	<u>(752,851)</u>	<u>(38,294)</u>	<u>(791,145)</u>	<u>102,677</u>
Income (loss) before contributions and transfers	<u>430,461</u>	<u>(106,398)</u>	<u>324,063</u>	<u>(106,267)</u>
Capital contributions and transfers:				
Capital contributions	194,375	48,350	242,725	-
Transfers out	(328,212)	-	(328,212)	-
Change in Net Assets	296,624	(58,048)	238,576	(106,267)
Net Assets, October 1, 2011	<u>24,872,797</u>	<u>811,840</u>	<u>25,684,637</u>	<u>108,977</u>
Net Assets, September 30, 2012	<u>\$ 25,169,421</u>	<u>\$ 753,792</u>	<u>\$ 25,923,213</u>	<u>\$ 2,710</u>
Reconciliation to government-wide statement of activities:				
Change in net assets	\$ 296,624	\$ (58,048)	\$ 238,576	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	(33,970)	-	(33,970)	
	<u>\$ 262,654</u>	<u>\$ (58,048)</u>	<u>\$ 204,606</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, 2012

	Business-type Activities Enterprise Funds			Governmental Activities
	Utility Fund	Airport Fund	Totals	Internal Service Fund
Cash flows from operating activities:				
Cash received from customers	\$ 17,692,888	\$ 685,738	\$ 18,378,626	\$ -
Receipts from interfund services provided	-	-	-	1,125,013
Payments to suppliers	(13,020,630)	(516,403)	(13,537,033)	(1,494,957)
Cash paid to employees	(1,343,742)	(84,925)	(1,428,667)	-
Payments for interfund services used	(203,962)	-	(203,962)	-
Net cash provided by operating activities	<u>3,124,554</u>	<u>84,410</u>	<u>3,208,964</u>	<u>(369,944)</u>
Cash flow from noncapital financing activities:				
Increase (decrease) in due to other funds	-	130,000	130,000	-
Transfers out	(328,212)	-	(328,212)	-
Contribution to Economic Development Corp	(50,000)	-	(50,000)	-
Net cash provided (used) by noncapital financing activities	<u>(378,212)</u>	<u>130,000</u>	<u>(248,212)</u>	<u>-</u>
Cash flow from capital and related financing activities:				
Principal payments on long-term debt	(1,146,989)	(53,504)	(1,200,493)	-
Proceeds from issuance of revenue bonds	4,707,977	-	4,707,977	-
Capital expenditures	(548,648)	(126,662)	(675,310)	-
Interest paid on bonds	(668,318)	(38,294)	(706,612)	-
Net cash (used) by capital and related financing activities	<u>2,344,022</u>	<u>(218,460)</u>	<u>2,125,562</u>	<u>-</u>
Cash flow from investing activities:				
Purchase of investments	(4,200,116)	-	(4,200,116)	-
Interest received	31,836	-	31,836	1,152
Net cash provided (used) by investing activities	<u>(4,168,280)</u>	<u>-</u>	<u>(4,168,280)</u>	<u>1,152</u>
Net increase (decrease) in cash and cash equivalents	922,084	(4,050)	918,034	(368,792)
Cash and cash equivalents, October 1, 2011	<u>2,460,407</u>	<u>7,347</u>	<u>2,467,754</u>	<u>368,792</u>
Cash and cash equivalents, September 30, 2012	<u>\$ 3,382,491</u>	<u>\$ 3,297</u>	<u>\$ 3,385,788</u>	<u>\$ -</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 1,183,312	\$ (68,104)	\$ 1,115,208	\$ (208,944)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	1,983,844	129,579	2,113,423	-
(Increase) decrease in accounts receivable	(55,897)	-	(55,897)	-
(Increase) decrease in miscellaneous receivables	-	(21,890)	(21,890)	(11,219)
(Increase) decrease in prepaid items	445	-	445	-
(Increase) decrease in inventory	(48,017)	9,015	(39,002)	-
Increase (decrease) in accounts payable	53,720	35,810	89,530	(149,781)
Increase (decrease) in compensated absences payable	(20,001)	-	(20,001)	-
Increase (decrease) in unearned revenue	24,199	-	24,199	-
Increase (decrease) in customer meter deposits	2,949	-	2,949	-
Total adjustments	<u>1,941,242</u>	<u>152,514</u>	<u>2,093,756</u>	<u>(161,000)</u>
Net cash provided by operating activities	<u>\$ 3,124,554</u>	<u>\$ 84,410</u>	<u>\$ 3,208,964</u>	<u>\$ (369,944)</u>
Noncash Investing, Capital and Financing Activities				
Contribution of capital assets from developers	\$ 194,375	\$ -	\$ 194,375	\$ -
Capital assets purchased with capital lease	46,543	-	46,543	-
	<u>\$ 240,918</u>	<u>\$ -</u>	<u>\$ 240,918</u>	<u>\$ -</u>

City of Granbury, Texas
Statement of Fiduciary Net Assets
Fiduciary Fund
September 30, 2012

	<u>Future Construction Escrow Agency Fund</u>	<u>Employee Benefits Trust</u>
ASSETS:		
Assets:		
Cash and cash equivalents	\$ <u>47,347</u>	\$ <u>94,677</u>
Total assets	\$ <u><u>47,347</u></u>	\$ <u><u>94,677</u></u>
LIABILITIES		
Liabilities:		
Accounts payable	\$ 2,126	\$ -
Escrow liability	<u>45,221</u>	<u>-</u>
Total liabilities	\$ <u><u>47,347</u></u>	<u>-</u>
NET ASSETS		
Unrestricted Net Assets		\$ <u><u>94,677</u></u>

City of Granbury, Texas
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the year ended September 30, 2012

	<u>Employee Benefits Trust</u>
Additions	
Contributions	
Employer	\$ 259,443
Employees	21,783
Interest Income	<u>13</u>
Total additions	<u>281,239</u>
Deductions	
Insurance Premiums	<u>186,562</u>
Change in Net Assets	<u>94,677</u>
Net Assets, October 1, 2011	-
Net Assets, September 30, 2011	<u>\$ 94,677</u>

City of Granbury, Texas
Notes to Financial Statements
September 30, 2012

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, 2012

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

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 *employee benefits trust* is used to account for employer and employee contributions for health insurance premiums and the payment of those premiums.

City of Granbury, Texas
Notes to Financial Statements
September 30, 2012

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, 2012

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 \$711,864. 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, 2012

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 - 40 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. When an employee leaves City employment the employee is only paid for vacation in an amount equal to their annual vacation allowance based on their years of service. Sick time grandfathered from the previous policy and accumulated vacation time equal to the employee's annual vacation allowance are accrued 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, 2012

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).

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 delegated the authority to assign fund balance to itself.

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	\$ 104,569	\$ -	\$ -	\$ -	\$ 104,569
Due from other funds	804,000				804,000
Restricted:					
Debt Service		273,016			273,016
Construction			7,401,800		7,401,800
Public Safety	37,482				37,482
Culture and Recreation	77,962				77,962
Public, educational and governmental programming	44,479				44,479
Committed:					
Culture and Recreation				190,057	190,057
Encumbrances	91,736				91,736
Assigned					
Cemetery Gas Well	119,263				119,263
Unassigned	4,284,392			(431,292)	3,853,100
	<u>\$ 5,563,883</u>	<u>\$ 273,016</u>	<u>\$ 7,401,800</u>	<u>\$ (241,235)</u>	<u>\$ 12,997,464</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, 2012

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)	\$ 7,834,739
 Adjustments	
Unspent proceeds from bonds reclassified to investment in capital assets, net of debt	(7,401,800)
Accrued interest payable restricted for debt service	(130,053)
Deferred property tax revenue restricted for debt service	70,329
Total adjustments	<u>(7,461,524)</u>
Restricted Net Assets (Exhibit A-1)	 <u><u>\$ 373,215</u></u>

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 \$431,292. 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, 2012

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, 2012, 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, 2012, the City's deposits were 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, 2012 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	81 days	57.40%	\$ 7,040,043	\$ 7,040,043
TexStar Pool	AAAm	46 days	42.60%	5,225,018	5,225,018
			100.00%	<u>\$ 12,265,061</u>	<u>\$ 12,265,061</u>

Reconciliation to financial statements

Investments from Exhibit A-1	\$ 12,368,609
Less: Certificate of Deposit	<u>(103,548)</u>
	<u>\$ 12,265,061</u>

City of Granbury, Texas
Notes to Financial Statements
September 30, 2012

NOTE 3: RESTRICTED ASSETS

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

	<u>Cash</u>	<u>Investments</u>
Business-type Activities		
Customer deposits	\$ 394,893	\$ -
Impact fees restricted for capital improvements	474,985	473,548
Interest and sinking funds	113,119	-
Revenue bond reserve	105,135	885,061
Bond construction fund	197,531	4,200,000
Total	<u>\$ 1,285,663</u>	<u>\$ 5,558,609</u>

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:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>	<u>Total Enterprise Funds</u>
Receivables:						
Property taxes	\$ 54,164	\$ 82,740	\$ -	\$ -	\$ 136,904	\$ -
Franchise taxes	354,342				354,342	
Accounts receivable						1,501,520
Earned income not billed						776,279
Fines and fees receivable	368,105				368,105	
Due from other governments	982,220				982,220	
Miscellaneous	40,374	-	-	52,564	92,938	149,048
Interest	202	-	673	-	875	721
Gross Receivables	1,799,407	82,740	673	52,564	1,935,384	2,427,568
Less: Allowance for Uncollectibles	(245,905)	(12,411)	-	-	(258,316)	(176,447)
Net Total Receivables	<u>\$ 1,553,502</u>	<u>\$ 70,329</u>	<u>\$ 673</u>	<u>\$ 52,564</u>	<u>\$ 1,677,068</u>	<u>\$ 2,251,121</u>

City of Granbury, Texas
Notes to Financial Statements
September 30, 2012

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	Utility Fund
Deferred property taxes receivable	\$ 37,651	\$ 70,329	\$ -	\$ 107,980	\$ -
Deferred sales tax receivable	492,478	-	-	492,478	-
Deferred franchise tax receivable	354,342	-	-	354,342	-
Deferred fines and fees receivable	128,844	-	-	128,844	-
Other unearned revenue	164,420	-	31,508	195,928	74,001
Total deferred revenue	<u>\$ 1,177,735</u>	<u>\$ 70,329</u>	<u>\$ 31,508</u>	<u>\$ 1,279,572</u>	<u>\$ 74,001</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, 2012, 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	597,224	Borrowings through pooled cash
	Airport Fund	210,000	Borrowings through pooled cash
Debt Service	General Fund	6,415	Debt service
Total Governmental Funds		<u>\$ 828,512</u>	

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2012, is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Enterprise	\$ 328,212	Unrestricted revenues of utility fund used to finance various general fund programs
Debt Service	General Fund	112,025	Debt service
Nonmajor Funds	General	563,029	Conference Center and tourism
	General	40,000	Historic Properties
	Nonmajor	50,000	Opera house improvements
Total Governmental Funds Transfers In		<u>\$ 1,093,266</u>	

City of Granbury, Texas
Notes to Financial Statements
September 30, 2012

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012 was as follows:

Governmental activities:

	Beginning Balance	Increases	Decreases	Transfers & Adjustments	Ending Balance
Non - Depreciable Assets:					
Land	\$ 4,596,244	\$ 751,379	\$ -	\$ -	\$ 5,347,623
Construction in Progress	1,315,127	658,252		(279,086)	1,694,293
Total non-depreciable assets	<u>5,911,371</u>	<u>1,409,631</u>	<u>-</u>	<u>(279,086)</u>	<u>7,041,916</u>
Depreciable Assets:					
Buildings	13,103,455	811,387		54,974	13,969,816
Improvements other than buildings	47,402,752	9,000		224,112	47,635,864
Machinery and equipment	7,391,573	586,441			7,978,014
Total capital assets being depreciated	<u>67,897,780</u>	<u>1,406,828</u>	<u>-</u>	<u>279,086</u>	<u>69,583,694</u>
Accumulated Depreciation:					
Buildings	(2,992,346)	(579,005)			(3,571,351)
Improvements other than buildings	(21,624,693)	(2,209,735)		(984,818)	(24,819,246)
Machinery and equipment	(5,820,784)	(608,160)		984,818	(5,444,126)
Total accumulated depreciation	<u>(30,437,823)</u>	<u>(3,396,900)</u>	<u>-</u>	<u>-</u>	<u>(33,834,723)</u>
Governmental activities capital assets, net	<u>\$ 43,371,328</u>	<u>\$ (580,441)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,790,887</u>

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

Governmental activities:

City Council	1,583
Executive	1,599
Management Information Services	88,292
Warehouse	8,019
Building maintenance	5,500
Other governmental functions	293,271
Police	147,440
Fire	152,356
Streets	1,765,514
Community Development	3,043
Cemetery	7,781
Tourism	272,032
Parks	540,934
Conference Center	109,536
Total depreciation expense - governmental activities	<u>\$3,396,900</u>

City of Granbury, Texas
Notes to Financial Statements
September 30, 2012

NOTE 6: CAPITAL ASSETS (Continued)

Business-type activities:

	Beginning Balance	Increases	Decreases	Transfers & Adjustments	Ending Balance
Non - Depreciable Assets:					
Land	\$ 1,033,573	\$ -			\$ 1,033,573
Construction in Progress	-	726,219			726,219
Total non-depreciable assets	<u>1,033,573</u>	<u>726,219</u>	<u>-</u>	<u>-</u>	<u>1,759,792</u>
Depreciable Assets:					
Buildings	1,007,987				1,007,987
Improvements other than buildings	49,105,000	249,741			49,354,741
Machinery and equipment	3,957,991	120,002			4,077,993
Total capital assets being depreciated	<u>54,070,978</u>	<u>369,743</u>	<u>-</u>	<u>-</u>	<u>54,440,721</u>
Accumulated Depreciation:					
Buildings	(950,108)	(14,162)			(964,270)
Improvements other than buildings	(15,965,560)	(1,852,554)			(17,818,114)
Machinery and equipment	(3,253,298)	(240,355)			(3,493,653)
Total accumulated depreciation	<u>(20,168,966)</u>	<u>(2,107,071)</u>	<u>-</u>	<u>-</u>	<u>(22,276,037)</u>
Business-type activities capital assets, net	<u>\$ 34,935,585</u>	<u>\$ (1,011,109)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,924,476</u>

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

Business-type activities:	
Water treatment and distribution	\$ 1,109,110
Wastewater collection and treatment	613,040
Electricity	261,694
Airport	129,579
Total depreciation expense - business-type activities	<u>\$ 2,113,423</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 \$198,282 and tourism fund \$9,977.

City of Granbury, Texas
Notes to Financial Statements
September 30, 2012

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

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

	9/30/2011	Additions	Retirements	9/30/2012	Due Within One Year
General Obligation Bonds					
\$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.	2,647,500		142,500	2,505,000	210,000
\$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.	1,777,500		132,500	1,645,000	110,000
Series 2008 unamortized bond premium	35,482		2,730	32,752	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	5,240,000		580,000	4,660,000	790,000
Series 2011 unamortized bond premium	277,521	-	23,127	254,394	23,127
Total General Obligation Bonds	9,978,003	-	880,857	9,097,146	1,135,857
Certificates of Obligation					
\$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.	3,169,750		189,875	2,979,875	197,625
\$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.	505,000		40,000	465,000	45,000
\$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.	13,480,000		415,000	13,065,000	430,000
Series 2007 unamortized bond discount	(131,490)	-	(6,261)	(125,229)	(6,261)
Total Certificates of Obligation	17,023,260	-	638,614	16,384,646	666,364

City of Granbury, Texas
Notes to Financial Statements
September 30, 2012

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

	9/30/2011	Additions	Retirements	9/30/2012	Due Within One Year
Notes Payable					
\$483,450; Promissory Note to OmniAmerican Bank payable in 12 monthly installments of interest only beginning on December 14, 2006 at 5.69%, thereafter, equal monthly principal and interest installments of \$3,048. On November 14, 2009 and every third year thereafter, until maturity the loan rate will change. At each change date the rate will be the lessor of the Prime Rate minus 2.56% or the maximum rate allowed by law. Note is secured by opera house and related properties This note was refinanced through First Financial Bank New amortization schedule shown (and in Perm File)	427,481		21,606	405,875	22,367
Total Notes Payable	427,481	-	21,606	405,875	22,367
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. Now First Finaical Bank, NA	97,300	-	47,422	49,878	49,878
\$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	135,520		39,980	95,540	41,484
\$100,709.80 Lease payable to Kansas State Bank in 20 quarterly payments of \$5,035.49 including interest at 3.179% until November 2016. Secured by Forklift and Fire Chevy.	-	92,774	12,997	79,777	17,817
Total Capital Leases	232,820	92,774	100,399	225,195	109,180
Compensated Absences Payable	250,802	200,956	243,499	208,259	199,826
Total Governmental Activities	27,912,366	293,730	1,884,975	26,321,121	2,133,594

City of Granbury, Texas
Notes to Financial Statements
September 30, 2012

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
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	657,500	186,748	844,248	787,500	594,530	1,382,030
2018-2022	3,770,000	542,202	4,312,202	4,380,875	2,468,388	6,849,263
2023-2027	340,000	20,500	360,500	4,105,625	1,534,281	5,639,906
2028-2032	-	-	-	4,380,000	625,764	5,005,764
Debt Service Requirements	8,810,000	1,792,160	10,602,160	16,509,875	7,894,468	24,404,343
Add: Unamortized Premium	287,146					
Less: Unamortized Discount				(125,229)		
	<u>\$ 9,097,146</u>	<u>\$ 1,792,160</u>	<u>\$ 10,602,160</u>	<u>\$ 16,384,646</u>	<u>\$ 7,894,468</u>	<u>\$ 24,404,343</u>

	Notes Payable		
	Principal	Interest	Total
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	25,513	9,889	35,402
2018-2022	138,536	35,860	174,396
2023-2027	147,623	11,434	159,057
	<u>\$ 405,875</u>	<u>\$ 104,556</u>	<u>\$ 510,431</u>

City of Granbury, Texas
Notes to Financial Statements
September 30, 2012

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:

	9/30/2011	Additions	Retirements	9/30/2012	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.	2,824,000		55,000	2,769,000	57,000
\$270,000; Utility System Subordinated Lien Revenue Bonds - Series 1999 - dated 6/28/99, due in annual installments at 4.50% to 2038.	225,000		5,000	220,000	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.	740,000		240,000	500,000	245,000
\$5,910,000; Utility Systems Revenue Refunding Bonds Series 2010 due in annual installments at 2% to 3.625% to 9/15/2022	5,655,000	-	260,000	5,395,000	270,000
2010 Series unamortized bond premium	30,922	-	2,811	28,111	2,811
\$4,700,000; Utility Systems Revenue Bonds Series 2012 due in annual installments at 3.0% to 4.0% to 9/15/2031	-	4,700,000	150,000	4,550,000	180,000
2012 Series unamortized bond premium	-	223,238	11,162	212,076	11,162
Total Revenue Bonds	9,474,922	4,923,238	723,973	13,674,187	770,973

City of Granbury, Texas
Notes to Financial Statements
September 30, 2012

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

	9/30/2011	Additions	Retirements	9/30/2012	Due Within One Year
General Obligation and 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.	2,647,500		142,500	2,505,000	210,000
\$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.	920,250		55,125	865,125	57,375
\$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.	1,777,500	-	132,500	1,645,000	110,000
2008 Series unamortized bond premium	36,620	-	2,729	33,891	2,729
Total General Obligation and Certificates of Obligation	5,381,870	-	332,854	5,049,016	380,104
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.	62,043	-	19,672	42,371	20,664
\$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.	626,675		53,504	573,171	56,960
\$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..	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.	28,460	-	28,460	-	-
\$50,524.40 Lease payable to Kansas State Bank in 20 quarterly payments of \$2,526.22 including interest at 3.179% until November 2016. Secured by Electric Chevy.	-	46,543	6,520	40,023	8,938
	769,390	46,543	160,368	655,564	86,562
Compensated Absences Payable	95,077	47,873	67,874	75,076	50,223
Total Business-type Activities	15,721,259	5,017,654	1,285,069	19,453,843	1,287,862

City of Granbury, Texas
Notes to Financial Statements
September 30, 2012

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
2013	\$ 757,000	\$ 490,523	\$ 1,247,523	377,375	196,029	\$ 573,404
2014	775,000	469,153	1,244,153	389,625	182,534	572,159
2015	798,000	446,277	1,244,277	406,875	168,380	575,255
2016	821,000	421,317	1,242,317	412,750	153,374	566,124
2017	849,000	395,623	1,244,623	435,000	137,905	572,905
2018-2022	4,675,000	1,528,052	6,203,052	2,479,125	417,933	2,897,058
2023-2027	1,832,000	861,770	2,693,770	514,375	31,425	545,800
2028-2032	1,902,000	449,080	2,351,080	-	-	-
2033-2037	834,000	159,030	993,030	-	-	-
2038	191,000	8,595	199,595	-	-	-
Debt Service Requirements	13,434,000	5,229,420	18,663,420	5,015,125	1,287,580	6,302,705
Add: Unamortized Premium	240,187			33,891		
	<u>\$ 13,674,187</u>	<u>\$ 5,229,420</u>	<u>\$ 18,663,420</u>	<u>\$ 5,049,016</u>	<u>\$ 1,287,580</u>	<u>\$ 6,302,705</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, 2012 was as follows:

Revenues(1)	\$ 17,570,178
Operating expenses excluding depreciation	14,554,481
Net revenues available for debt service	<u>\$ 3,015,697</u>
Maximum annual debt service payment for the business-type activities revenue bonds	<u>\$ 1,247,523</u>
Debt Coverage Ratio (net revenues available for debt service divided by maximum debt service requirement)	<u>2.42</u>

(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, 2012

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>
2013	117,061	124,284	241,345
2014	64,598	124,284	188,882
2015	31,256	101,902	133,158
2016	20,142	101,901	122,043
2017	5,035	94,323	99,358
2018-2021	-	275,411	275,411
	<hr/>	<hr/>	<hr/>
Total debt service requirements	238,092	822,105	1,060,197
Less: Interest Portion	<u>12,897</u>	<u>166,541</u>	<u>179,438</u>
Debt Principal	\$ <u>225,195</u>	\$ <u>655,564</u>	\$ <u>880,759</u>

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	484,185	145,143	629,328
Less: Accumulated Depreciation	<u>(545,539)</u>	<u>(384,787)</u>	<u>(930,326)</u>
Net	\$ <u>176,361</u>	\$ <u>645,929</u>	\$ <u>822,290</u>

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, 2012

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 2012 and 2011 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:

	2012	2011	2010
Annual required contribution (ARC)	\$ 1,033,122	\$ 1,039,586	\$ 968,824
Interest on Net Pension Obligation	-	-	-
Adjustment to the ARC	-	-	-
Annual pension cost	1,033,122	1,039,586	968,824
Contributions Made	1,033,122	1,039,586	968,824
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, 2012

NOTE 11: RETIREMENT PLAN (continued)

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2010 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

General System-wide Actuarial Assumptions

Actuarial Valuation Date	<u>12/31/11</u>	<u>12/31/10</u>	<u>12/31/09</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of payroll	Level Percent of payroll	Level Percent of payroll
GASB 25 Equivalent Single Amortization Period	26.2 Years-Closed	27.2 Years-Closed	28.1 Years-Closed
Amortization period for new gains/losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return	7.0%	7.0%	7.5%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation At	3.0%	3.0%	3.0%
Cost of Living Adjustments	2.1%	2.1%	2.1%

Funded Status and Funding Progress

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
12/31/2011	20,189,061	26,435,927	76.4%	6,246,866	6,228,913	100.3%

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.

City of Granbury, Texas
Notes to Financial Statements
September 30, 2012

NOTE 11: RETIREMENT PLAN (continued)

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, 2012, there were 214 member fire or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

At August 31, 2012, TESRS membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	2,758
Terminated Participants Entitled to Benefits but Not Yet Receiving Them	2,260
Active Participants (Vested and Nonvested)	4,230

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.

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.

City of Granbury, Texas
Notes to Financial Statements
September 30, 2012

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

Approximately 85% of these costs of administering the plan for fiscal year 2012 were financed through general revenue appropriations, the other 15% being funded through TESRS.

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, and there is no maximum contribution rate. For the fiscal year ending August 31, 2012 total contributions (dues and prior service, and interest on financing of prior service) of \$3,517,455 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state did not appropriate any state contribution for the fiscal years ending August 31, 2011 and 2012. The City's contributions for the years ended September 30, 2012, 2011 and 2010 were \$39,905, \$49,450 and \$47,955 respectively.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. The actuarial assumptions made include level dollar, open amortization method, and a 30 year amortization period. Relating to the Actuarial Value of Assets – all assets are valued at market value as determined by the System Board of Trustees, with an adjustment made to uniformly spread the recognition of actuarial gains or losses (as measured by actual market value investment return vs. assumed market value investment return) over a five-year period. The total adjustment amount shall be limited as necessary such that the actuarial value of assets shall not be less than 80% of market value or greater than 120% of market value.

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 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. The last actuarial valuation was conducted as of August 31, 2010, and revised in April of 2011, thus the numbers in this Annual Financial Report are different from those presented in 2010. On August 31, 2010 the actuarial liabilities exceeded the actuarial assets by \$17,150,427. The actuarial valuation for fiscal year ending August 31, 2012 is currently being conducted; however, the results are not available at the time of issuance of this financial report.

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.

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.

City of Granbury, Texas
Notes to Financial Statements
September 30, 2012

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (Continued)

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.

The city's contributions to the TMRS SDBF for the years ended 2012, 2011 and 2010 were \$10,898, \$13,084 and \$12,438, respectively, which equaled the required contributions for each year.

Schedule of Contribution Rates:
(retiree-only portion of rate)

Plan/ Calendar Year	Annual Required Contribution Rate	Actual Contribution Made Rate	Percentage of ARC Contributed
2010	0.03%	0.03%	100%
2011	0.03%	0.03%	100%
2012	0.03%	0.03%	100%

B. Retiree Health Care Plan

The City maintained 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 retired after October 1, 2005 were eligible to participate in the retiree health care plan. Retirees could elect to continue coverage into retirement at their own expense. Retirees could also purchase retiree health care coverage for eligible spouses and dependents. The City of Granbury did not pay or subsidize any portion of the premium for retiree coverage. The retiree health benefits met the definition of an OPEB plan. The City paid for retiree health care benefits on a pay-as-you-go basis rather than prefunding its OPEB obligation by contributing the annual required contribution.

Effective August 1, 2012 the City changed its method of furnishing health insurance to its employees and retired employees. The City created the employee benefit trust and contracted with a third party to administer the health benefits. Retirees can still purchase health insurance through the trust. The City does not subsidize retiree health insurance premiums and is not responsible for health benefit claims for services rendered after August 1, 2012; therefore, the City no longer has an OPEB obligation. Estimated claims incurred before August 1, 2012 that have not been paid as of September 30, 2012, have been accrued in the internal service fund.

At September 30, 2011, a net OPEB obligation of \$101,525 had been reported in the internal service fund. The change in providing health care coverage resulted in a gain of \$101,525 which has been reported as nonoperating revenue in the statement of revenues, expenses and changes in fund net assets of the proprietary funds.

City of Granbury, Texas
Notes to Financial Statements
September 30, 2012

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, 2012 was \$8,000,621.

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, 2012 was \$691,100.

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's payments are adjusted annually by the BRA for the City's water consumption in the preceding year.

City of Granbury, Texas
Notes to Financial Statements
September 30, 2012

NOTE 15: CONTRACTS AND COMMITMENTS (Continued)

In 2012 Acton Municipal Utility District (“AMUD”) and Johnson County Special Utility District (“JCSUD”) formed the Brazos Regional Public Utility Agency (“BRPUA”) and purchased the SWATS Plant from BRA. As of June 1, 2012, the BRPUA assumed ownership and operational control of the SWATS Plant from BRA. 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’s payments are adjusted annually by the BRA for the City’s water consumption in the preceding year.

The total cost to purchase water from the SWATS Plant for the year ended September 30, 2012 was \$571,925.

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.

E. Engineering Services

June 19, 2012, the City approved a contract for \$1,363,000 for the design of a new reverse osmosis water treatment plant. The contract will be funded with the Utility System Revenue Refunding Bonds, Series 2012. As of September 30, 2012, \$221,138 has been expended on the project.

NOTE 16: SELF-INSURANCE

The City maintained 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, 2012 a liability of \$8,509 has been recorded, which represents estimated claims incurred but not yet reported. Changes in this claims liability during the year were as follows:

	<u>Beginning Balance</u>	<u>Current-year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
2011	\$ 90,299	\$ 1,617,474	\$ 1,549,483	\$ 158,290
2012	\$ 158,290	\$ 1,075,238	\$ 1,225,019	\$ 8,509

NOTE 17: ECONOMIC DEVELOPMENT AGREEMENTS

A. Chapter 380 Agreement

The City entered into a Chapter 380 Economic Development Agreement with a developer and grocery store. Upon the construction of a grocery store, the City agrees to pay fifty percent of real and personal property taxes and fifty percent of 1 cent sales taxes collected from within the development property to the developer and grocery store. Payments will continue annually until either the maximum reimbursement amount is paid or December 31, 2021, even if the maximum reimbursement amount has not been paid. The maximum reimbursement amount is \$1,154,787. \$68,327 was been recorded as an expense for September 30, 2012.

City of Granbury, Texas
Notes to Financial Statements
September 30, 2012

NOTE 17: ECONOMIC DEVELOPMENT AGREEMENTS (Continued)

B. Property Lease

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, 2012 the City received \$66,000 in rents under this agreement.

NOTE 18: SUBSEQUENT EVENTS

October 16, 2012, the City approved a \$2,325,000 contract for the renovation of the Granbury Opera House. This project will be funded from bonds that have already been issued and surplus revenues of the general fund.

November 27, 2012, the City approved refunding the \$574,094 T-hangar capital lease for 8 years at 3.00%. Payments would be \$17,940 due quarterly. The City also approved financing the \$284,790 100'x100' storage hangar and \$188,705 100'x100' maintenance hangar for 15 years at 3.35%. Payments would be \$6,077 and \$4,027 due quarterly.

Subsequent events were evaluated through February 28, 2013, which is the date the financial statements were available to be issued.

NOTE 19: NEW PRONOUNCEMENTS

In November 2010, the GASB issued Statement No. 61, *Financial Reporting Entity: Omnibus – an amendment to GASB Statements No. 14 and No. 34*. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. The provisions of the Statement are effective for financial statement periods beginning after June 15, 2012. The City has not yet determined the effect this Statement will have on its financial statements.

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 periods beginning after December 31, 2011. The City has not yet determined the effect this Statement will have on its financial statements.

City of Granbury, Texas
Notes to Financial Statements
September 30, 2012

NOTE 19: NEW PRONOUNCEMENTS (Continued)

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The City has not yet determined the effect this Statement will have on its financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – and amendment of GASB Statement No. 27*. This Statement is to improve the accounting and financial reporting by state and local governments for pensions. This Statement will require government-wide and proprietary fund statements to recognize a liability equal to the net pension liability and that changes in the net pension liability be included in pension expense in the period of the change. The Statement is effective for fiscal years beginning after June 15, 2014. 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, 2012

	Budgeted Amounts		Actual	Budget to	Actual	Variance with
	Original	Final	Amounts GAAP Basis	Budget to GAAP Differences	Amounts Budgetary Basis	Final Budget Positive (Negative)
REVENUES:						
Taxes:						
General property	\$ 1,479,858	1,507,971	\$ 1,491,582	\$	\$ 1,491,582	\$ (16,389)
Sales and use	5,580,541	6,009,805	6,282,851		6,282,851	273,046
Franchise	1,400,530	1,395,795	1,433,587		1,433,587	37,792
Fines and fees	217,623	218,223	201,206		201,206	(17,017)
Licenses and permits	528,500	536,900	521,189		521,189	(15,711)
Charges for service	81,500	81,500	62,541		62,541	(18,959)
Intergovernmental revenue	134,908	217,001	204,720		204,720	(12,281)
Park and recreation	147,000	155,000	108,792		108,792	(46,208)
Interest income	24,000	24,000	26,832		26,832	2,832
Other revenue	222,165	276,947	271,633		271,633	(5,314)
Total revenues	<u>9,816,625</u>	<u>10,423,142</u>	<u>10,604,933</u>	<u>-</u>	<u>10,604,933</u>	<u>181,791</u>
EXPENDITURES:						
Current						
General government						
City Council	384,122	431,146	398,767		398,767	32,379
Legal	188,083	203,083	208,313		208,313	(5,230)
Executive	429,744	435,215	402,130		402,130	33,085
Financial Administration	353,656	350,156	335,616		335,616	14,540
Purchasing	141,348	141,348	143,805		143,805	(2,457)
Social Services	43,000	58,000	58,000		58,000	-
Management Information Services and City WIFI	360,328	499,594	500,445		500,445	(851)
Economic Development	53,349	135,442	136,366		136,366	(924)
Human Resources	226,035	237,535	183,900		183,900	53,635
Warehouse	94,379	127,609	173,178	(69,705)	103,473	24,136
Fleet Maintenance	152,227	154,727	151,147		151,147	3,580
Building Maintenance	158,520	158,520	128,332	350	128,682	29,838
Granbury Public TV Channel 27	52,826	83,111	88,419		88,419	(5,308)
Other governmental functions	418,787	398,425	430,670		430,670	(32,245)
Public Safety:						
Police	3,091,991	3,069,552	3,148,563	(105,549)	3,043,014	26,538
Fire	305,832	386,325	332,775	14,650	347,425	38,900
Municipal Court	213,787	213,787	216,006	(236)	215,770	(1,983)
Streets	364,642	394,642	587,464	(181,040)	406,424	(11,782)
Public Works	294,730	395,030	381,797		381,797	13,233
Community Development	713,736	462,494	385,779	1,000	386,779	75,715
Neighborhood Services	-	156,442	161,227		161,227	(4,785)
Cemetery	43,700	44,460	60,283		60,283	(15,823)
Parks	1,464,081	1,516,581	1,337,862	49,370	1,387,232	129,349
Total expenditures	<u>9,548,903</u>	<u>10,053,224</u>	<u>9,950,844</u>	<u>(291,160)</u>	<u>9,659,684</u>	<u>393,540</u>
Excess (deficiency) of revenue over (under) expenditures	<u>267,722</u>	<u>369,918</u>	<u>654,089</u>	<u>291,160</u>	<u>945,249</u>	<u>575,331</u>
Other financing sources (uses):						
Transfers in	328,212	328,212	328,212		328,212	-
Transfers out	(537,029)	(703,748)	(715,054)		(715,054)	(11,306)
Issuance of capital lease			92,774	(92,774)	-	-
Total other financing sources (uses)	<u>(208,817)</u>	<u>(375,536)</u>	<u>(294,068)</u>	<u>(92,774)</u>	<u>(386,842)</u>	<u>(11,306)</u>
Net change in fund balance	58,905	(5,618)	360,021	198,386	558,407	564,025
Fund Balance, October 1, 2011	<u>5,203,862</u>	<u>5,203,862</u>	<u>5,203,862</u>		<u>5,203,862</u>	<u>-</u>
Fund Balance, September 30, 2012	<u>\$ 5,262,767</u>	<u>\$ 5,198,244</u>	<u>\$ 5,563,883</u>	<u>\$ 198,386</u>	<u>\$ 5,762,269</u>	<u>\$ 564,025</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
12/31/2009	12,048,438	19,078,114	63.2%	7,029,676	6,879,023	102.2%
12/31/2010	18,646,410	25,011,390	74.6%	6,364,980	6,655,206	95.6%
12/31/2011	20,189,061	26,435,927	76.4%	6,246,866	6,228,913	100.3%

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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
Notes to Required Supplementary Information
September 30, 2012

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.

The capital lease was not budgeted however was recorded in the general fund as an other financing source and expenditure for GAAP purposes.

3. Excess of Expenditures over Appropriations

In the general fund the legal, purchasing, management information services and city wifi, economic development, other governmental functions, municipal court, streets and cemetery department actual expenditures budgetary basis exceeded appropriations. Total expenditures were \$393,540 less than budgeted.

City of Granbury, Texas
Notes to Required Supplementary Information
September 30, 2012

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

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.

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City of Granbury, Texas
 Nonmajor Funds
 Combining Balance Sheet
 September 30, 2012

	Special Revenue			Total Nonmajor Funds
	Tourism Fund	Granbury Historic Properties	Total Special Revenue Funds	
Assets:				
Cash	\$ 169,340	\$ 192,723	\$ 362,063	\$ 362,063
Receivables (Net of allowances for uncollectibles)				
Miscellaneous receivables	52,564	-	52,564	52,564
Inventories	3,022	-	3,022	3,022
Total assets	\$ 224,926	\$ 192,723	\$ 417,649	\$ 417,649
Liabilities and fund balance:				
Liabilities:				
Accounts payable	\$ 27,486	\$ 2,666	\$ 30,152	\$ 30,152
Due to other funds	597,224	-	597,224	597,224
Deferred revenue	31,508	-	31,508	31,508
Total liabilities	656,218	2,666	658,884	658,884
Fund Balance:				
Committed Fund Balance		190,057	190,057	190,057
Unassigned Fund Balance	(431,292)		(431,292)	(431,292)
Total fund balances	(431,292)	190,057	(241,235)	(241,235)
Total liabilities and fund balances	\$ 224,926	\$ 192,723	\$ 417,649	\$ 417,649

City of Granbury, Texas
Nonmajor Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended September 30, 2012

	Special Revenue			Total Nonmajor Funds
	Tourism Fund	Granbury Historic Properties	Total Special Revenue Funds	
Revenues:				
Hotel/Motel Occupancy Tax	\$ 516,739	\$ -	\$ 516,739	\$ 516,739
Charges for service	408,631	-	408,631	408,631
Interest	-	354	354	354
Other Revenue	2,228	-	2,228	2,228
Total revenue	927,598	354	927,952	927,952
Expenditures:				
Current:				
Tourism	870,176	29,326	899,502	899,502
Conference Center	620,234		620,234	620,234
Debt Service:				
Principal		21,606	21,606	21,606
Interest and fiscal charges		13,827	13,827	13,827
Total expenditures	1,490,410	64,759	1,555,169	1,555,169
Excess (deficiency) of revenues over (under) expenditures	(562,812)	(64,405)	(627,217)	(627,217)
Other financing sources (uses):				
Transfers in	613,029	40,000	653,029	653,029
Transfers out		(50,000)	(50,000)	(50,000)
Total other financing sources (uses):	613,029	(10,000)	603,029	603,029
Net change in fund balances	50,217	(74,405)	(24,188)	(24,188)
Fund Balance, October 1, 2011	(481,509)	264,462	(217,047)	(217,047)
Fund Balance, September 30, 2012	\$ (431,292)	\$ 190,057	\$ (241,235)	\$ (241,235)

INDIVIDUAL FUND SCHEDULES

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City of Granbury, Texas
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the year ended September 30, 2012
(With comparative totals for September 30, 2011)

	Budgeted Amounts		Actual	Variance with	Prior Year
	Original	Final	Amounts	Final Budget	Actual
			Budgetary	Positive	Budgetary
			Basis	(Negative)	Basis
REVENUES:					
Taxes:					
General property	\$ 1,479,858	\$ 1,507,971	\$ 1,491,582	\$ (16,389)	\$ 1,496,874
Sales and use	5,580,541	6,009,805	6,282,851	273,046	5,810,019
Franchise	1,400,530	1,395,795	1,433,587	37,792	1,463,008
Fines and fees	217,623	218,223	201,206	(17,017)	225,678
Licenses and permits	528,500	536,900	521,189	(15,711)	586,854
Charges for service	81,500	81,500	62,541	(18,959)	122,594
Intergovernmental revenue	134,908	217,001	204,720	(12,281)	148,656
Park and recreation	147,000	155,000	108,792	(46,208)	205,935
Interest income	24,000	24,000	26,832	2,832	15,039
Other revenue	222,165	276,947	271,633	(5,314)	272,979
Total revenues	<u>9,816,625</u>	<u>10,423,142</u>	<u>10,604,933</u>	<u>181,791</u>	<u>10,347,636</u>
EXPENDITURES:					
Current					
General government					
City Council	384,122	431,146	398,767	32,379	150,508
Legal	188,083	203,083	208,313	(5,230)	204,163
Executive	429,744	435,215	402,130	33,085	542,274
Financial Administration	353,656	350,156	335,616	14,540	409,960
Purchasing	141,348	141,348	143,805	(2,457)	135,330
Social Services	43,000	58,000	58,000	-	41,000
Management Information Services	360,328	499,594	500,445	(851)	360,220
Economic Development	53,349	135,442	136,366	(924)	66,788
Human Resources	226,035	237,535	183,900	53,635	235,923
Warehouse	94,379	127,609	103,473	24,136	69,398
Fleet Maintenance	152,227	154,727	151,147	3,580	147,822
Building Maintenance	158,520	158,520	128,682	29,838	152,661
Granbury Public TV Channel 27	52,826	83,111	88,419	(5,308)	118,079
Other governmental functions	418,787	398,425	430,670	(32,245)	325,224
Public Safety:					
Police	3,091,991	3,069,552	3,043,014	26,538	3,044,103
Fire	305,832	386,325	347,425	38,900	268,848
Municipal Court	213,787	213,787	215,770	(1,983)	221,206
Streets	364,642	394,642	406,424	(11,782)	606,187
Public Works	294,730	395,030	381,797	13,233	257,252
Community Development	713,736	462,494	386,779	75,715	605,799
Neighborhood Services	-	156,442	161,227	(4,785)	-
Cemetery	43,700	44,460	60,283	(15,823)	40,757
Parks	1,464,081	1,516,581	1,387,232	129,349	1,562,981
Total expenditures	<u>9,548,903</u>	<u>10,053,224</u>	<u>9,659,684</u>	<u>393,540</u>	<u>9,566,483</u>
Excess (deficiency) of revenue over (under) expenditures	<u>267,722</u>	<u>369,918</u>	<u>945,249</u>	<u>575,331</u>	<u>781,153</u>
Other financing sources (uses):					
Transfers in	328,212	328,212	328,212	-	373,830
Transfers out	<u>(537,029)</u>	<u>(703,748)</u>	<u>(715,054)</u>	<u>(11,306)</u>	<u>(439,033)</u>
Total other financing sources (uses)	<u>(208,817)</u>	<u>(375,536)</u>	<u>(386,842)</u>	<u>(11,306)</u>	<u>(65,203)</u>
Net change in fund balance	58,905	(5,618)	558,407	564,025	715,950
Fund Balance, October 1, 2011	<u>5,203,862</u>	<u>5,203,862</u>	<u>5,203,862</u>	<u>-</u>	<u>4,197,764</u>
Fund Balance, September 30, 2012	<u>\$ 5,262,767</u>	<u>\$ 5,198,244</u>	<u>\$ 5,762,269</u>	<u>\$ 564,025</u>	<u>\$ 4,913,714</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, 2012
 (With comparative totals for September 30, 2011)

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive (Negative)	Prior Year Actual GAAP Basis
	Original	Final			
Revenues:					
Hotel/Motel Occupancy Tax	\$ 500,000	500,000	\$ 516,739	\$ 16,739	\$ 521,802
Charges for Service	508,700	508,700	408,631	(100,069)	451,909
Other Revenue	12,000	12,000	2,228	(9,772)	1,783
Total revenues	<u>1,020,700</u>	<u>1,020,700</u>	<u>927,598</u>	<u>(93,102)</u>	<u>975,494</u>
Expenditures:					
Current:					
Tourism	910,558	996,558	870,176	126,382	599,897
Conference Center	607,171	637,171	620,234	16,937	695,673
Total expenditures	<u>1,517,729</u>	<u>1,633,729</u>	<u>1,490,410</u>	<u>143,319</u>	<u>1,295,570</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(497,029)</u>	<u>(613,029)</u>	<u>(562,812)</u>	<u>50,217</u>	<u>(320,076)</u>
Other financing sources (uses):					
Transfers in	<u>497,029</u>	<u>613,029</u>	<u>613,029</u>	<u>-</u>	<u>302,115</u>
Total other financing sources (uses):	<u>497,029</u>	<u>613,029</u>	<u>613,029</u>	<u>-</u>	<u>302,115</u>
Net change in fund balance	-	-	50,217	50,217	(17,961)
Fund Balance, October 1, 2011	<u>(481,509)</u>	<u>(481,509)</u>	<u>(481,509)</u>	<u>-</u>	<u>(463,548)</u>
Fund Balance, September 30, 2012	<u><u>\$ (481,509)</u></u>	<u><u>\$ (481,509)</u></u>	<u><u>\$ (431,292)</u></u>	<u><u>\$ 50,217</u></u>	<u><u>\$ (481,509)</u></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, 2012
 (With comparative totals for September 30, 2011)

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive (Negative)	Prior Year Actual GAAP Basis
	Original	Final			
Revenues:					
Interest	\$ -	\$ -	\$ 354	\$ 354	\$ 501
Total revenues	-	-	354	354	501
Expenditures:					
Current:					
Tourism	-	-	29,326	(29,326)	10,950
Debt Service:					
Principal	21,606	21,606	21,606	-	20,944
Interest and fiscal charges	18,394	18,394	13,827	4,567	14,551
Total expenditures	40,000	40,000	64,759	(24,759)	46,445
Excess (deficiency) of revenues over (under) expenditures	(40,000)	(40,000)	(64,405)	(24,405)	(45,944)
Other financing sources (uses):					
Transfers in	40,000	40,000	40,000	-	40,000
Transfers out		(50,000)	(50,000)	-	-
Total other financing sources (uses):	40,000	(10,000)	(10,000)	-	40,000
Net change in fund balance	-	(50,000)	(74,405)	(24,405)	(5,944)
Fund Balance, October 1, 2011	264,462	264,462	264,462	-	270,406
Fund Balance, September 30, 2012	\$ 264,462	\$ 214,462	\$ 190,057	\$ (24,405)	\$ 264,462

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, 2012
(With comparative totals for September 30, 2011)

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive (Negative)	Prior Year Actual GAAP Basis
	Original	Final			
Revenues:					
Property tax revenue	\$ 2,567,453	\$ 2,567,453	\$ 2,655,608	\$ 88,155	\$ 2,707,954
Interest income	-	-	8,750	8,750	13,423
Total revenues	<u>2,567,453</u>	<u>2,567,453</u>	<u>2,664,358</u>	<u>96,905</u>	<u>2,721,377</u>
Expenditures:					
Debt Service					
Principal	1,499,875	1,499,875	1,600,274	(100,399)	1,718,243
Interest and fiscal charges	1,067,578	1,067,578	1,078,223	(10,645)	1,199,222
Debt issuance costs	-	-	-	-	156,173
Total expenditures	<u>2,567,453</u>	<u>2,567,453</u>	<u>2,678,497</u>	<u>(111,044)</u>	<u>3,073,638</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(14,139)</u>	<u>(14,139)</u>	<u>(352,261)</u>
Other financing sources (uses):					
Transfers in	-	-	112,025	112,025	96,918
Issuance of Debt			-	-	5,845,000
Payment to refunded bond escrow agent			-	-	(5,885,000)
Bond (Discount)/Premium			-	-	287,504
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>112,025</u>	<u>112,025</u>	<u>344,422</u>
Net change in fund balance	-	-	97,886	97,886	(7,839)
Fund Balance, October 1, 2011	<u>175,130</u>	<u>175,130</u>	<u>175,130</u>	<u>-</u>	<u>182,969</u>
Fund Balance, September 30, 2012	<u>\$ 175,130</u>	<u>\$ 175,130</u>	<u>\$ 273,016</u>	<u>\$ 97,886</u>	<u>\$ 175,130</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, 2012
 (With comparative totals for September 30, 2011)

	Budgeted Amounts		Actual	Variance with	Prior Year
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)	Amounts Budgetary Basis
Operating revenues:					
Charges for sales and services:					
Charges for Water and Sewer Sales	\$ 5,339,500	5,334,500	\$ 5,773,414	\$ 438,914	\$ 6,530,153
Charges for Electricity Sales	11,180,382	11,216,383	11,394,217	177,834	11,524,273
Impact fees	-	39,498	183,911	144,414	234,521
Other Revenue	509,617	520,567	370,095	(150,472)	416,742
Total operating revenue	17,029,499	17,110,948	17,721,637	610,690	18,705,689
Operating expenses:					
Administration	552,429	525,929	574,521	(48,592)	502,364
Water treatment and distribution	2,522,904	2,522,904	2,490,325	32,579	2,613,023
Wastewater collection and treatment	1,047,150	1,086,648	1,072,550	14,098	1,171,854
Electricity	8,523,485	8,523,485	9,042,200	(518,715)	9,405,260
Management Information Systems	243,939	243,939	250,967	(7,028)	217,067
Meter Reading	160,790	229,240	266,739	(37,499)	191,658
Fleet Maintenance	47,015	47,015	48,369	(1,354)	45,198
Building Maintenance	244,385	244,385	251,427	(7,042)	258,061
Utility Franchise Fees	660,795	660,795	686,206	(25,411)	724,326
Total operating expenses	14,002,892	14,084,340	14,683,304	(598,965)	15,128,811
Operating income	3,026,607	3,026,608	3,038,333	11,725	3,576,878
Nonoperating revenues (expenses):					
Interest revenue	6,000	6,000	32,452	26,452	9,384
Debt Service					
Principal	(1,146,989)	(1,146,989)	(1,146,989)		(989,223)
Interest expense	(743,846)	(743,846)	(673,570)	70,276	(572,646)
Contribution to Economic Development Corp	(50,000)	(50,000)	(50,000)	-	-
Total nonoperating revenues (expenses)	(1,934,835)	(1,934,835)	(1,838,107)	96,728	(1,552,485)
Income before contributions and transfers	1,091,772	1,091,773	1,200,226	108,453	2,024,393
Transfers (to) from other funds:					
Transfers out	(346,332) x	(346,332)	(328,212)	18,120	(373,830)
Change in Net Assets	745,440	745,441	872,014	126,573	1,650,563
Net Assets, October 1, 2011	24,872,797	24,872,797	24,872,797	-	23,103,729
Net Assets, September 30, 2012	\$ 25,618,237	\$ 25,618,238	\$ 25,744,811	\$ 126,573	\$ 24,754,292
Reconciliation from budgetary basis to GAAP Basis					
Principal payments on long-term debt			1,146,989		989,223
Capitalized expenses			128,823		337,020
Noncash capital contributions			194,375		824,842
Amortization of bond issuance costs			(61,733)		(62,132)
Depreciation expense			(1,983,844)		(1,970,448)
Net Assets, September 30, 2012 (GAAP Basis)			\$ 25,169,421		\$ 24,872,797

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, 2012
 (With comparative totals for September 30, 2011)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)	Prior Year Amounts Budgetary Basis
	Original	Final			
Operating revenues:					
Charges for sales and services:					
Charges for Airport Services	\$ 533,880	671,450	\$ 699,651	\$ 28,201	\$ 587,370
Intergovernmental	-	-	-	-	550
Other Revenue	15,332	15,332	7,977	(7,355)	9,135
Total operating revenue	549,212	686,782	707,628	20,846	597,055
Operating expenses:					
Airport	414,661	552,231	646,153	(93,922)	487,846
Total operating expenses	414,661	552,231	646,153	(93,922)	487,846
Operating income	134,551	134,551	61,475	(73,076)	109,209
Nonoperating revenues (expenses):					
Debt Services:					
Principal	(53,503)	(53,503)	(53,504)		(50,256)
Interest expense	(38,294)	(38,294)	(38,294)	-	(41,541)
Total nonoperating revenues (expenses)	(91,797)	(91,797)	(91,798)	-	(91,797)
Income before contributions and transfers	42,754	42,754	(30,323)	(73,076)	17,412
Capital contributions and transfers:					
Capital contributions			48,350	48,350	
Change in Net Assets	42,754	42,754	18,027	(24,726)	17,412
Net Assets, October 1, 2011	811,840	811,840	811,840	-	875,554
Net Assets, September 30, 2012	\$ 854,594	\$ 854,594	\$ 829,867	\$ (24,726)	\$ 892,966
Reconciliation from budgetary basis to GAAP Basis					
Principal payments on long-term debt			53,504		50,256
Depreciation expense			(129,579)		(131,382)
Net Assets, September 30, 2012 (GAAP Basis)			\$ 753,792		\$ 811,840

STATISTICAL SECTION
(Unaudited)

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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 Ten Fiscal Years
(Unaudited)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 24,079,825	\$ 23,554,937	\$ 24,835,034	\$ 22,960,635
Restricted	373,215	196,278	124,151	146,421
Unrestricted	<u>6,669,570</u>	<u>6,476,435</u>	<u>5,482,138</u>	<u>5,414,504</u>
Total governmental activities net assets	<u>\$ 31,122,610</u>	<u>\$ 30,227,650</u>	<u>\$ 30,441,323</u>	<u>\$ 28,521,560</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 18,713,942	\$ 19,309,403	\$ 18,342,485	\$ 17,715,818
Restricted	2,055,300	1,942,666	1,885,682	1,347,878
Unrestricted	<u>5,153,971</u>	<u>4,466,538</u>	<u>2,933,897</u>	<u>3,256,805</u>
Total business-type activities net assets	<u>\$ 25,923,213</u>	<u>\$ 25,718,607</u>	<u>\$ 23,162,064</u>	<u>\$ 22,320,501</u>
Primary government				
Invested in capital assets, net of related debt	\$ 42,793,767	\$ 42,864,340	\$ 43,177,519	\$ 40,676,453
Restricted	2,428,515	2,138,944	2,009,833	1,494,299
Unrestricted	<u>11,823,541</u>	<u>10,942,973</u>	<u>8,416,035</u>	<u>8,671,309</u>
Total primary government net assets	<u>\$ 57,045,823</u>	<u>\$ 55,946,257</u>	<u>\$ 53,603,387</u>	<u>\$ 50,842,061</u>

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

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 22,600,463	\$ 18,059,848	\$ 12,198,367	\$ 12,135,787	\$ 13,911,564	\$ 14,028,614
908,594	708,320	9,333,330	6,339,709	5,055,292	442,328
<u>6,209,368</u>	<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>\$ 29,718,425</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>
\$ 16,555,077	\$ 13,722,158	\$ 10,660,808	\$ 9,983,589	\$ 10,350,798	\$ 6,418,672
1,780,529	2,248,030	2,744,457	212,505	1,820,565	710,696
<u>3,220,687</u>	<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>\$ 21,556,293</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>
\$ 39,155,540	\$ 31,782,006	\$ 22,859,175	\$ 22,119,376	\$ 24,262,362	\$ 20,447,286
2,689,123	2,956,350	12,077,787	6,552,214	6,875,857	1,153,024
<u>9,430,055</u>	<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>\$ 51,274,718</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 Ten Fiscal Years
(Unaudited)

	2012	2011	2010	2009
Expenses				
Governmental activities				
General government and administration	\$ 3,359,741	\$ 3,207,553	\$ 3,111,790	\$ 3,685,121
Community development & neighborhood services	553,995	618,122	750,951	789,544
Public safety	3,798,529	3,802,080	3,708,098	3,863,039
Highways and streets	2,566,437	2,176,533	2,062,831	1,856,830
Culture and recreation	1,892,504	1,987,545	2,000,545	2,012,465
Airport			533,592	694,373
Tourism	1,012,067	943,788	200,396	740,413
Conference Center	734,102	776,819	1,480,106	1,052,101
Interest on long-term debt	1,136,676	1,256,281	1,367,112	1,425,114
Total governmental activities expense	15,054,051	14,768,721	15,215,421	16,119,000
Business-type activities				
Airport	814,026	660,769		
Economic Development	50,000			
Municipal utilities	17,307,598	17,421,382	17,286,113	16,155,179
Total business-type activities net assets	18,171,624	18,082,151	17,286,113	16,155,179
Total primary government expenses	\$ 33,225,675	\$ 32,850,872	\$ 32,501,534	\$ 32,274,179
Program Revenues				
Governmental activities				
Charges for services				
General government and administration	\$ 112,348	\$ 185,624	\$ 172,760	\$ 160,839
Community development & neighborhood services	531,760	663,553	414,984	435,406
Public safety	214,834	250,230	186,143	344,787
Culture and recreation	111,934	205,935	188,393	180,361
Airport			508,336	592,698
Tourism	23,505	38,528	40,766	43,824
Conference Center	387,354	419,184	430,178	284,597
Operating grants and contributions	225,524	148,656	158,834	256,316
Capital grants and contributions	1,378,236	933,906	3,283,441	1,157,262
Total governmental activities program revenues	2,985,495	2,845,616	5,383,835	3,456,090
Business-type activities				
Charges for services				
Water and Sewer	\$ 6,081,786	\$ 6,915,407	\$ 5,334,199	\$ 5,488,023
Electric	11,639,851	11,790,282	11,619,113	10,219,190
Airport	707,628	596,505		
Operating grants and contributions	-	550		
Capital grants and contributions	242,725	824,842	1,592,694	1,040,163
Total business-type activities program revenues	18,671,990	20,127,586	18,546,006	16,747,376
Total primary government program revenues	\$ 21,657,485	\$ 22,973,202	\$ 23,929,841	\$ 20,203,466
Net (Expense) Revenue				
Governmental activities	\$ (12,068,556)	\$ (11,923,105)	\$ (9,831,586)	\$ (12,662,910)
Business-type activities	500,366	2,045,435	1,259,893	592,197
Total primary government net expense	\$ (11,568,190)	\$ (9,877,670)	\$ (8,571,693)	\$ (12,070,713)
General Revenues and Other Changes in Net Assets				
Governmental activities				
Taxes				
Property	\$ 4,170,353	\$ 4,196,466	\$ 4,206,922	\$ 3,949,167
Sales	6,290,017	5,821,793	5,316,603	5,825,860
Other	1,950,326	2,035,545	1,693,299	1,290,566
Miscellaneous	173,681	115,286	158,579	246,530
Investment earnings	50,927	42,066	24,870	135,380
Transfers	328,212	373,830	351,076	18,542
Total governmental activities	12,963,516	12,584,986	11,751,349	11,466,045
Business-type activities				
Investment earnings	32,452	9,384	5,493	39,103
Miscellaneous			-	151,450
Transfers	(328,212)	(373,830)	(423,823)	(18,542)
Total business-type activities	(295,760)	(364,446)	(418,330)	172,011
Total primary government	\$ 12,667,756	\$ 12,220,540	\$ 11,333,019	\$ 11,638,056
Change in Net Assets				
Governmental activities	\$ 894,960	\$ 661,881	\$ 1,919,763	\$ (1,196,865)
Business-type activities	204,606	1,680,989	841,563	764,208
Total primary government	\$ 1,099,566	\$ 2,342,870	\$ 2,761,326	\$ (432,657)

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

2008	2007	2006	2005	2004	2003
\$ 2,720,467	\$ 2,313,719	\$ 3,010,541	\$ 1,811,482	\$ 1,466,203	\$ 1,120,725
650,246	548,239	576,023	385,836	406,451	459,680
3,634,534	3,296,431	2,289,435	2,198,236	2,115,396	2,093,639
2,397,422	1,261,447	1,286,261	2,191,238	1,490,952	1,843,610
1,628,634	1,337,705	664,232	819,096	935,631	746,648
716,416	521,784	620,038	372,638	327,726	299,326
863,080	675,411	708,325	427,289	416,605	428,680
1,471,751	925,700	1,044,027	1,058,143	1,056,473	684,632
<u>14,082,550</u>	<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>16,382,222</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>16,382,222</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>\$ 30,464,772</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>
\$ 118,086	\$ 57,994	\$ 41,008	\$ 2,405	\$ -	\$ 385,514
833,711	940,169	624,637	601,736	361,120	370,611
342,064	298,144	228,026	235,681	293,246	520,148
224,158	181,031	126,410	86,617	29,531	-
654,439	474,451	524,451	-	-	-
117,213	96,501	98,889	-	-	-
206,636	124,444	222,645	1,075,895	56,263	-
1,609,694	695,670	510,000	-	-	-
<u>4,106,001</u>	<u>2,868,404</u>	<u>2,376,066</u>	<u>2,002,334</u>	<u>740,160</u>	<u>1,276,273</u>
\$ 5,584,102	\$ 5,063,138	\$ 5,199,608	\$ 4,251,698	\$ 3,861,255	\$ 3,929,554
8,930,095	8,388,975	8,355,400	7,178,001	6,047,575	6,092,738
719,145	-	-	-	-	-
15,233,342	13,452,113	13,555,008	11,429,699	9,908,830	10,022,292
<u>\$ 19,339,343</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>
\$ (9,976,549)	\$ (8,012,032)	\$ (7,822,816)	\$ (7,261,624)	\$ (7,475,277)	\$ (6,400,667)
(1,148,880)	(152,259)	1,251,037	(22,741)	1,126,369	1,501,638
<u>\$ (11,125,429)</u>	<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>
\$ 3,642,715	\$ 2,910,725	\$ 2,364,302	\$ 2,378,219	\$ 2,054,964	\$ 1,921,684
6,300,680	5,992,656	4,949,332	4,191,539	4,062,171	3,563,173
1,745,402	1,661,242	1,522,111	1,299,416	524,503	411,969
120,784	-	702,953	447,763	533,012	668,025
788,628	707,063	574,446	245,565	201,077	178,590
602,373	270,499	451,848	(1,103,174)	505,194	293,260
<u>13,200,582</u>	<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>
257,345	511,149	419,681	263,600	260,520	236,352
-	-	281,118	247,543	203,795	173,663
(602,373)	(270,499)	(451,848)	1,103,174	(505,194)	(293,260)
(345,028)	240,650	248,951	1,614,317	(40,879)	116,755
<u>\$ 12,855,554</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>
\$ 3,224,033	\$ 3,530,153	\$ 2,742,176	\$ 197,704	\$ 405,644	\$ 638,034
(1,493,908)	88,391	1,499,988	1,591,576	1,085,490	1,618,393
<u>\$ 1,730,125</u>	<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 Ten Fiscal Years
(Unaudited)

	2012	2011	2010	2009
General Fund				
Reserved	\$ -	\$ -	\$ 120,985	\$ 182,845
Unreserved, Designated			244,500	237,123
Unreserved, Undesignated			3,832,279	3,606,454
Nonspendable	908,569	881,547		
Restricted	159,923	102,630		
Committed	91,736	290,148		
Assigned	119,263	98,977		
Unassigned	4,284,392	3,830,560		
Total general fund	<u>\$ 5,563,883</u>	<u>\$ 5,203,862</u>	<u>\$ 4,197,764</u>	<u>\$ 4,026,422</u>
All Other Governmental Funds				
Reserved	\$ -	\$ -	\$ 8,904,460	\$ 10,795,494
Unreserved, reported in				
Special revenue funds			(159,594)	(130,816)
Capital projects funds				-
Debt service funds				-
Restricted	7,674,816	8,020,303		
Committed	190,057	264,462		
Unassigned	(431,292)	(481,509)		
Total all other governmental funds	<u>\$ 7,433,581</u>	<u>\$ 7,803,256</u>	<u>\$ 8,744,866</u>	<u>\$ 10,664,678</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 32-33 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 Ten Fiscal Years
(Unaudited)

2008	2007	2006	2005	2004	2003
\$ 92,604	\$ 90,778	\$ 102,715	\$ 86,765	\$ 176,292	\$ 136,896
174,887	33,549				
3,463,563	4,936,439	4,274,902	4,207,472	3,785,879	3,311,420
<u>\$ 3,731,054</u>	<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>
\$ 15,523,780	\$ 5,972,211	\$ 8,155,928	\$ 6,252,944	\$ 4,879,000	\$ 442,328
1,023,434	1,450,466	928,303	403,368	219,471	
-		230,410			5,194,397
-			525		
<u>\$ 16,547,214</u>	<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 Ten Fiscal Years
(Unaudited)

	2012	2011	2010	2009
Revenues				
Taxes	\$ 12,380,367	\$ 11,999,657	\$ 11,276,922	\$ 11,052,963
Licenses, fees, permits	521,189	586,854	413,456	422,064
Fines and penalties	201,206	225,678	204,284	301,707
Charges for services	471,172	574,503	988,147	950,949
Intergovernmental	204,720	148,656	408,834	129,878
Investment earnings	50,927	42,066	24,870	135,380
Other revenues	382,653	480,697	527,445	832,402
Total revenues	<u>\$ 14,212,234</u>	<u>\$ 14,058,111</u>	<u>\$ 13,843,958</u>	<u>\$ 13,825,343</u>
Expenditures				
General government	\$ 3,339,088	\$ 2,959,350	\$ 2,963,528	\$ 2,956,474
Police	3,364,569	3,158,866	3,123,521	3,651,120
Fire	332,775	268,848	243,174	356,732
Streets	587,464	425,147	431,840	575,096
Other public works	381,797	257,252	350,734	363,188
Parks and recreation	1,337,862	1,561,616	1,430,571	1,699,408
Tourism	899,502	610,847	157,248	709,506
Conference Center	620,234	695,673	1,125,080	844,259
Capital projects	458,364	889,421	1,949,390	4,116,108
Other	607,289	645,256	1,210,061	1,405,567
Debt service:				
Interest	1,092,050	1,213,773	1,313,553	1,371,194
Principal	1,621,880	1,739,187	1,644,804	1,620,116
Other debt service	-	156,173	-	-
Total expenditures	<u>\$ 14,642,874</u>	<u>\$ 14,581,409</u>	<u>\$ 15,943,504</u>	<u>\$ 19,668,768</u>
Excess of revenues over (under) expenditures	<u>\$ (430,640)</u>	<u>\$ (523,298)</u>	<u>\$ (2,099,546)</u>	<u>\$ (5,843,425)</u>
Other Financing Sources (Uses)				
Proceeds from borrowing	\$ 92,774	\$ 247,504	\$ -	\$ 237,715
Other resources	-	-	-	-
Transfers in	1,093,266	812,863	1,043,059	2,536,066
Transfers out	(765,054)	(439,033)	(691,983)	(2,517,524)
Total other financing sources (uses)	<u>\$ 420,986</u>	<u>\$ 621,334</u>	<u>\$ 351,076</u>	<u>\$ 256,257</u>
Net change in fund balances	<u>\$ (9,654)</u>	<u>\$ 98,036</u>	<u>\$ (1,748,470)</u>	<u>\$ (5,587,168)</u>
Debt service as a percentage of noncapital expenditures	20.6%	22.1%	21.6%	21.9%

CITY OF GRANBURY
Changes in Fund Balances, Governmental Funds
Last Ten 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	2012	2011	2010	2009	2008
Principal General Government Revenue Sources					
Sales Tax	\$ 6,282,851	\$ 5,810,019	\$ 5,314,801	\$ 5,903,965	\$ 6,299,449
Ad Valorem Tax	4,147,190	4,204,828	4,198,621	3,932,562	3,679,002
Franchise Taxes	747,381	738,682	645,413	705,342	621,152
Utility Fund Franchise Tax	686,206	724,326	647,648	-	549,329
Hotel Occupancy Tax	516,739	521,802	470,439	511,094	590,071
All Other Sources	1,831,867	2,058,454	2,567,036	2,772,380	3,863,657
Total General Government Revenue	\$ <u>14,212,234</u>	\$ <u>14,058,111</u>	\$ <u>13,843,958</u>	\$ <u>13,825,343</u>	\$ <u>15,602,660</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 Enterprise Funds Revenue Sources

Electric Sales	\$ 11,394,217	\$ 11,524,273	\$ 11,367,715	\$ 10,021,246	\$ 8,720,371
Water Sales	3,999,322	4,810,721	3,448,982	3,589,752	3,590,578
Sewer Revenue	1,774,092	1,719,432	1,645,412	1,666,807	1,579,610
All Other	1,261,634	1,248,318	496,696	619,961	880,983
Total Utility Fund Revenue	\$ <u>18,429,265</u>	\$ <u>19,302,744</u>	\$ <u>16,958,805</u>	\$ <u>15,897,766</u>	\$ <u>14,771,542</u>

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

Fiscal Year					Change:	
2007	2006	2005	2004	2003		2003-2012
\$ 5,886,474	\$ 4,905,828	\$ 4,191,539	\$ 3,776,501	\$ 3,529,519		78.0%
2,941,958	2,306,763	2,215,853	2,043,183	1,864,466		122.4%
649,171	627,468	548,455	490,996	439,687		70.0%
513,574	522,973	454,297	405,038	395,665		73.4%
518,588	400,483	328,854	285,670	285,070		81.3%
3,595,716	3,002,950	2,742,788	1,088,274	1,067,521		71.6%
<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>		<u>87.4%</u>
\$ 8,205,466	\$ 8,337,142	\$ 7,206,813	\$ 6,162,279	\$ 6,070,124		87.7%
3,085,172	3,509,350	2,846,714	2,658,445	2,697,922		48.2%
1,581,036	1,537,969	1,400,063	1,370,548	1,135,158		56.3%
1,091,588	871,345	487,252	181,873	618,165		104.1%
<u>\$ 13,963,262</u>	<u>\$ 14,255,807</u>	<u>\$ 11,940,842</u>	<u>\$ 10,373,145</u>	<u>\$ 10,521,369</u>		<u>75.2%</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>
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
2011	2011-2012	\$ 943,563,119	\$ 96,971,860	\$ 1,040,534,979	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		
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
2011	2011-2012	0.1451	0.2588	0.40390	0.348888	1.15000

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
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%
2011	2011-2012	\$ 4,141,351	\$ (9,736)	\$ 4,131,615	\$ 4,067,391	98.4455%

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		
\$ 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%
\$ 29,948	\$ 4,151,493	99.7955%	\$ 8,509	0.2045%
-	4,067,391	98.4455%	64,224	1.5545%

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

<i>Fiscal Year Ending</i>	9/30/2012	9/30/2011	9/30/2010	9/30/2009
<i>Tax Year</i>	2011	2010	2009	2008
<i>Property use category</i>				
Real, Residential, Single family	\$ 446,958,430	\$ 448,837,500	\$ 448,927,360	\$ 386,898,940
Real, Residential, Multi-family	39,046,300	39,659,200	34,153,200	34,299,070
Real, Vacant Lots/Tracts	43,122,120	37,047,630	39,898,620	36,594,990
Real, Acreage (Land Only)	64,708,830	68,820,080	66,823,820	69,059,580
Real, Farm/Ranch Improvements	8,006,060	9,466,970	10,339,670	12,282,520
Real, Commercial	357,495,960	382,230,510	368,468,070	335,115,180
Real, Industrial	2,216,760	2,677,270	2,716,820	2,659,140
Real/Tangible Personal, Utilities	10,506,340	10,595,480	10,024,860	9,816,040
Tangible Personal, Commercial	91,924,550	84,237,070	104,027,420	97,375,970
Tangible Personal, Industrial	4,679,350	4,078,990	5,120,590	5,595,380
Tangible Personal, Mobile Homes	367,960	447,540	508,250	498,760
Tangible Personal, Other	-	-	-	-
Real Property, Inventory	18,153,540	15,108,480	19,470,310	14,469,270
Special	13,204,650	9,700,620	12,958,760	11,833,160
Real Minerals/Oil & Gas	10,769,990	10,105,180	12,328,890	4,279,210
Mixed PTD	-44,472	-10,800	-10,090	-
Total Appraised Value	\$ 1,111,116,368	\$ 1,123,001,720	\$ 1,135,756,550	\$ 1,020,777,210
Less: Exemptions or Deductions:				
Optional > 65 Res. Homestead	\$ 13,421,820	\$ 13,051,760	\$ 12,975,610	\$ 12,366,100
Disabled or Deceased Veterans	3,800,520	2,963,560	2,517,800	611,130
Agriculture & Unheard Protests	43,821,370	44,396,600	42,124,640	41,314,830
Residential, Capped Value Loss	4,606,300	6,934,390	16,631,700	8,771,870
Other	4,931,379	4,602,370	4,900,666	3,373,220
Total Exemptions	\$ 70,581,389	\$ 71,948,680	\$ 79,150,416	\$ 66,437,150
Net Assessed Valuation	\$ 1,040,534,979	\$ 1,051,053,040	\$ 1,056,606,134	\$ 954,340,060
Percent of Fair Market Value	100%	100%	100%	100%

Source: Hood County Appraisal District

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

	<u>9/30/2008</u>	<u>9/30/2007</u>	<u>9/30/2006</u>	<u>9/30/2005</u>	<u>9/30/2004</u>	<u>9/30/2003</u>
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$	342,834,240	\$ 281,488,580	\$ 229,589,790	\$ 204,276,510	\$ 180,729,060	\$ 156,680,420
	34,652,200	19,613,530	16,805,450	16,795,780	24,479,510	22,575,000
	34,359,450	31,794,560	23,437,500	16,106,490	15,882,000	14,349,370
	54,352,620	35,652,180	28,040,910	20,161,580	16,737,080	15,752,690
	9,892,190	2,724,190	1,973,470	1,918,430	1,776,520	1,586,380
	317,791,290	250,900,150	193,184,770	180,319,950	169,527,690	152,963,860
	2,666,370	865,470	690,590	664,510	664,510	658,310
	9,789,270	9,729,550	8,857,850	9,242,510	9,901,120	12,231,490
	94,635,880	76,099,740	66,168,970	62,086,184	66,367,350	63,938,590
	4,873,400	1,392,180	1,410,560	355,890	100,000	481,480
	1,385,200	1,630,430	1,620,830	1,499,840	1,396,440	1,151,090
	-	-	-	-	-	-
	7,272,300	4,992,790	6,641,590	7,972,270	2,485,100	3,391,000
	12,202,580	12,089,250	13,783,100	10,685,930	-	-
	7,352,950	14,691,350	-	-	-	-
	-	-	-	-	-	-
\$	<u>934,059,940</u>	<u>\$ 743,663,950</u>	<u>\$ 592,205,380</u>	<u>\$ 532,085,874</u>	<u>\$ 490,046,380</u>	<u>\$ 445,759,680</u>
\$	11,874,130	\$ 11,535,820	\$ 10,823,890	\$ 10,038,538	\$ 9,257,510	\$ 9,107,700
	656,300	581,300	572,520	524,660	556,390	569,870
	36,083,100	21,740,540	18,261,310	14,993,010	10,419,000	10,596,770
	10,460,130	5,365,890	1,716,030	2,288,313	3,546,160	1,487,190
	2,447,086	570	2,090	3,060	-	-
\$	<u>61,520,746</u>	<u>\$ 39,224,120</u>	<u>\$ 31,375,840</u>	<u>\$ 27,847,581</u>	<u>\$ 23,779,060</u>	<u>\$ 21,761,530</u>
\$	<u>872,539,194</u>	<u>\$ 704,439,830</u>	<u>\$ 560,829,540</u>	<u>\$ 504,238,293</u>	<u>\$ 466,267,320</u>	<u>\$ 423,998,150</u>
	100%	100%	100%	100%	100%	100%

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

Taxpayer	Rank	Tax Year 2011		Tax Year 2001		
		Taxable Assessed Valuation	Percent of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percent of Total Assessed Valuation
Health Care Reit Inc	1	23,437,130	2.25%			-
Hood General Hospital	2	13,300,080	1.28%	8,508,910	3	2.29%
Wal-Mart Real Estate Business Trust	3	8,600,000	0.83%	8,663,280	1	2.33%
Wal-Mart Properties Inc	4	7,918,200	0.76%	8,516,000	2	2.29%
Lowes Home Centers Inc	5	6,917,200	0.66%			-
Lake Granbury Medical Center	6	6,835,380	0.66%	4,148,980	9	1.12%
HD Development Properties LP	7	6,816,000	0.66%			-
The Shops of Granbury LTD	8	6,800,000	0.65%			-
Tapestry Group Lake Granbury LLC	9	6,500,000	0.62%			-
1909 Partners LP	10	9,295,920	0.89%			-
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>\$ 96,419,910</u>	9.27%	<u>\$ 66,138,190</u>		17.78%

Source: Hood County Appraisal District

CITY OF GRANBURY
Sales Tax Revenue by Business Type
(Unaudited)
September 30, 2012

Sales Tax Category	Fiscal Year				
	2012	2011	2010	2009	2008
Retail:					
Motor Vehicle & Parts	\$ 252,640	\$ 235,380	\$ 219,686	\$ 219,665	\$ 222,984
Furniture & Home Furnishings	171,575	156,146	149,699	160,216	187,161
Electronics & Appliance	90,322	81,059	67,424	83,870	109,356
Building Materials	878,580	833,216	789,676	796,461	813,732
Apparel Stores	114,634	101,695	86,380	81,467	100,730
General Merchandise	992,909	1,012,588	1,041,561	1,087,611	1,133,204
All Other Retail	1,290,870	831,478	779,754	884,127	819,297
Total Retail	\$ 3,791,531	\$ 3,251,562	\$ 3,134,180	\$ 3,313,416	\$ 3,386,464
Agriculture/Manufacturing/Mining	\$ 390,398	\$ 481,475	\$ 270,795	\$ 367,376	\$ 710,656
Services	660,682	557,085	490,330	542,473	616,777
Wholesalers	267,459	247,725	224,838	251,758	275,664
Accommodation & Food	739,506	662,558	591,855	625,840	650,970
All Other	440,440	609,614	602,803	803,102	658,918
Total Sales Tax Received	\$ 6,290,017	\$ 5,810,019	\$ 5,314,801	5,903,965	6,299,449
City Sales Tax Rate	1.50%	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, 2012

Ten Largest Electric Customers

Customers	Annual Kwh Consumed (000)			
	Rank	2012	Rank	2002
Granbury ISD	1	6,119	1	4,678
Lake Granbury Medical Center	2	4,639	3	3,074
City of Granbury	3	3,954	5	1,436
Lowe's Home Center	4	3,083		
Brookshire Grocery Co.	5	2,934	7	1,014
Hood County	6	2,362	4	2,326
Waterview Point Retirement	7	1,614		
Waterview Cove	8	1,264		
AT&T	9	1,152	8	1,013
Creative Solutions	10	1,068	6	1,096
Kroger			2	3,286
Oaks of Granbury			9	437
Hood County News			10	423

Ten Largest Water Customers

Customers	Annual Gallons Consumed (in hundreds of gallons)			
	Rank	2012	Rank	2002
City of Granbury	1	64,669	9	24,133
Hood County	2	47,139	4	42,342
Lake Granbury Medical Center	3	42,446	1	48,381
Bella Firma Dev.	4	36,158		
Creative Solutions	5	33,206	3	44,578
Granbury Heights Apartments	6	32,091	7	29,744
Jerry Durant Toyota	7	31,907		
Mike Brown Dodge	8	30,390		
Courtyard	9	24,999		
Mike Brown Ford	10	24,721		
GISD			2	48,011
Tecon/Monarch Utilities			5	36,775
Home Depot			6	29,763
Classic Car Wash			8	25,214
Besgo Co.			10	22,504

CITY OF GRANBURY
Utility Services Rates
Electric, Water and Sewer
September 30, 2012
(Unaudited)

Rates for Electric Service
Effective August 1, 2009

Residential, Commercial, and Governmental (1) Customers

<u>Customer Charge (Minimum)</u>	\$14.53
<u>User Charge per 100 kwh</u>	
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, 2012
 (Unaudited)

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

Outside City Limits

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

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

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

Customer Charge (Minimum)	\$ 30.38
User Charge per \$1,000 gallons	
0 - 2,000	Included in minimum
Greater than 2,000	\$5.4777

CITY OF GRANBURY
Utility Services Rates
Electric, Water and Sewer
September 30, 2012
(Unaudited)

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:	\$0.785 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

ELECTRICITY SALES

Type of Customer	2012	2011	2010	2009
Residential	\$ 3,594,577	\$ 3,830,305	\$ 3,662,399	\$ 3,303,224
Commercial	7,383,818	7,305,734	7,063,527	6,323,593
Other	464,866	458,904	468,572	474,674
Total	\$ <u>11,443,261</u>	\$ <u>11,594,943</u>	\$ <u>11,194,499</u>	\$ <u>10,101,491</u>

WATER SALES

Type of Customer	2012	2011	2010	2009
Residential	\$ 2,185,014	\$ 2,281,391	\$ 1,802,050	\$ 2,051,180
Commercial	1,850,843	1,884,012	1,440,659	1,667,731
Other	86,303	42,497	40,958	57,360
Total	\$ <u>4,122,160</u>	\$ <u>4,207,899</u>	\$ <u>3,283,666</u>	\$ <u>3,776,271</u>

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

	2008		2007		2006		2005		2004		2003
\$	3,009,301	\$	2,888,694	\$	2,830,217	\$	2,524,370	\$	2,118,385	\$	2,160,730
	5,647,582		5,300,267		5,022,701		4,244,480		3,702,392		3,635,713
	329,635		319,640		484,225		388,645		341,502		305,746
\$	<u>8,986,519</u>	\$	<u>8,508,602</u>	\$	<u>8,337,142</u>	\$	<u>7,157,496</u>	\$	<u>6,162,279</u>	\$	<u>6,102,189</u>

	2008		2007		2006		2005		2004		2003
\$	2,160,225	\$	1,723,997	\$	1,759,120	\$	1,455,765	\$	1,261,491	\$	1,305,080
	1,674,588		1,553,845		1,923,854		1,423,096		1,398,953		1,390,422
	36,643		20,254		-		-		-		-
\$	<u>3,871,456</u>	\$	<u>3,298,097</u>	\$	<u>3,682,974</u>	\$	<u>2,878,861</u>	\$	<u>2,660,445</u>	\$	<u>2,695,502</u>

CITY OF GRANBURY
Government-wide Outstanding Debt
Last Ten Years
September 30, 2012

Fiscal Year	Governmental Activities			Business-	
	General Obligation Bonds	Combined Tax & Revenue Certificates of Obligation	Notes and Lease/Purchases	Utility Revenue Bonds	General Obligation Bonds
2003	\$ 1,562,612	\$ 9,990,500	\$ 730,284	\$ 11,529,000	\$ -
2004	\$ 1,210,000	\$ 10,128,000	\$ 545,889	\$ 10,873,000	\$ -
2005	\$ 4,262,500	\$ 10,967,500	\$ 1,665,800	\$ 10,145,000	\$ 3,267,500
2006	\$ 4,105,000	\$ 13,964,500	\$ 1,401,358	\$ 9,514,000	\$ 3,195,000
2007	\$ 3,942,500	\$ 13,977,800	\$ 1,167,728	\$ 8,816,000	\$ 3,172,500
2008	\$ 5,822,500	\$ 25,606,750	\$ 1,057,932	\$ 11,216,000	\$ 5,197,500
2009	\$ 5,425,000	\$ 24,561,250	\$ 1,127,889	\$ 10,109,000	\$ 4,950,000
2010	\$ 5,007,500	\$ 23,486,875	\$ 993,370	\$ 9,990,000	\$ 4,692,500
2011	\$ 9,665,000	\$ 17,154,750	\$ 660,301	\$ 9,444,000	\$ 4,425,000
2012	\$ 8,810,000	\$ 16,509,875	\$ 631,070	\$ 13,434,000	\$ 4,150,000

CITY OF GRANBURY
Government-wide Outstanding Debt
Last Ten Years
September 30, 2012

type Activities

	Combined Tax & Revenue Certificates of Obligation	Lease/ Purchases	Total Government-wide Indebtedness	Estimated Population	Total Debt per Capita	Per Capita Income	Debt as Percent of Personal Income
\$	6,294,500	\$ -	\$ 30,106,896	6,150	\$ 4,895.43	\$ 27,981	17.50%
\$	6,197,000	\$ -	\$ 28,953,889	6,450	\$ 4,488.98	\$ 29,505	15.21%
\$	2,382,500	\$ 131,635	\$ 32,822,435	6,700	\$ 4,898.87	\$ 31,834	15.39%
\$	3,370,500	\$ 102,290	\$ 35,652,648	7,050	\$ 5,057.11	\$ 34,253	14.76%
\$	3,237,200	\$ 71,968	\$ 34,385,696	7,400	\$ 4,646.72	\$ 36,142	12.86%
\$	1,073,250	\$ 345,694	\$ 50,319,626	7,600	\$ 6,621.00	\$ 38,575	17.16%
\$	1,023,750	\$ 458,033	\$ 47,654,922	7,850	\$ 6,070.69	\$ 28,963	20.96%
\$	973,125	\$ 265,563	\$ 45,408,933	8,200	\$ 5,537.67	\$ 29,618	18.70%
\$	920,250	\$ 769,380	\$ 43,038,681	8,030	\$ 5,359.74	\$ 25,669	20.88%
\$	865,125	\$ 655,564	\$ 45,055,634	8,648	\$ 5,209.95	\$ 26,688	19.52%

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
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
2012	\$1,040,534,979	\$25,319,875	\$273,016	\$25,046,859

Year Ended September 30	Ratio Net General Bonded Debt to Assessed Value	Estimated Population	Net General Bonded Debt Per Capita
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
2012	2.41%	8,648	\$2,896

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, 2012
 (Unaudited)

Governmental Subdivision	Gross Debt	Estimated Percent Applicable (1)	Direct and Estimated Overlapping Bonded Debt
Direct:			
City of Granbury	\$ 25,950,945	100.00%	\$ <u>25,950,945</u>
Total direct debt			<u>25,950,945</u>
Overlapping:			
Granbury Independent School District	83,409,656	21.07%	17,578,042
Hood County	16,550,000	19.34%	<u>3,200,164</u>
Total overlapping debt			<u>20,778,206</u>
Total Direct and Overlapping Consolidated Gross Debt Outstanding			\$ <u>46,729,151</u>
Direct and Overlapping Gross Debt Per Capita	A.		\$ 5,403.46
Ratio of Direct and Overlapping Gross Debt to 2011 Net Assessed Valuation	B.		4.49%

A. Based on population estimate of 8,648 at 9/30/12

B. Based on the assessed valuation of \$1,040,534,979 for tax year 2011.

Note 1: As determined by Hood County Appraisal District.

CITY OF GRANBURY
 Computation of Legal Debt Margin
 September 30, 2012
 (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>0.40390</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
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
2011	2011-2012	\$ 1,040,534,979	\$ 26,013,374	\$ 4,141,351	\$ 21,872,023

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
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
2012	\$ 17,570,178	\$ 14,554,481	\$ 3,015,697	\$ 1,247,523	2.42

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
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%
2012	\$ 1,499,875	\$ 1,065,362	\$ 2,565,237	\$ 9,950,844	25.7791%

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
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%
2012	\$ 1,040,534,979	237	12.32%	\$ 31,518,255	-35.55%

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>
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
2012	8,648	5.4%	6,590	\$ 26,688

Sources:

Population estimate by The Nielsen Company, provided by Lake Granbury Area EDC.

Unemployment rates from Texas Workforce Commission web site (www.tracer2.com)

School enrollment from 2011-12 AEIS District Reports. (<http://ritter.tea.state.tx.us/perfreport/aeis/>)

Per capita income from <http://factfinder2.census.gov>

CITY OF GRANBURY
Employers and Selected Statistics
(Unaudited)

MAJOR EMPLOYERS		2012			2011		
		Employees	Rank	Percent of Total Employed	Employees	Rank	Percent of Total Employed
Granbury ISD	School District	921	1	3.9%	1,035	1	4.4%
Wal-Mart Supercenter	Retail	411	2	1.8%	420	2	1.8%
Hood County	County Government	350	3	1.5%	331	4	1.4%
Lake Granbury Medical Center	Medical Services	323	4	1.4%	400	3	1.7%
H - E - B	Retail	250	5	1.1%			
Culberson Construction Inc	Homebuilders	228	6	1.0%	320	5	1.4%
Equibrand Corp		200	7	0.9%			
Granbury Care Center	Nursing Home	178	8	0.8%	150	10	0.6%
City of Granbury	Municipal Government	175	9	0.8%	165	7	0.7%
United Cooperative Svc	Utility Services	153	10	0.7%	154	8	0.7%
Texas Transco	Oil and Gas				300	6	1.3%
Neighbors Well service	Well Services				150	9	0.6%
Total		3,189			3,425		

Selected Business Statistics	2012	2011	Estimates				
			2010	2009	2008	2000	1990
Total Number Employed, Hood County	23,324	24,454	25,433	25,201	24,828	n/a	n/a
Number of Business Establishments, Hood County	1,277	818	745	707	647	n/a	n/a
Number of Households, Granbury	3,775	3,296	3,763	3,573	2,512	2,391	1,875

Note: Information on the Top Ten Employers from 1997 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 www.sitereports.com via Granbury-Hood County Economic Development Corp.

CITY OF GRANBURY
Capital Assets Information
Last Seven Fiscal Years
(Unaudited)

	FY 2012	FY 2011	FY 2010	FY 2009
City-owned Equipment				
Vehicles	151	147	147	151
Mobile Equipment	120	105	105	98
Street Department				
Miles of Roadway	51.5 miles	51.5 miles	51.3 miles	51.3 miles
City Parks				
Maintained Public Parks	110 acres	57 acres	57 acres	57 acres
Athletic Fields:				
Soccer Fields	8	8	8	8
Ball Fields	9	9	9	9
Basketball Court	1	1	1	1
Volleyball Pit	2	2	2	2
Playgrounds	3	3	3	3
Boat Ramps	2	3	3	3
Swimming Pool	1	1	1	1
Hike & Bike Trail	2.5 miles	2.5 miles	2.5 miles	2.5 miles
Splash Park	1	1	1	1
Airport				
Enclosed Hangars	75	78	78	78
Open T-Hangars	9	10	10	10
Commercial Hangars	3	3	3	3
Water Department				
Water lines (in miles)	52.1	51.2	51 miles	51 miles
Wells	29	23	22	22
Water Plant	1	1	1	1
Sewer Department				
Lift Stations	44	43	40	40
Sewer lines (in miles)	41.8	41.7	41.5 miles	41.5 miles
Electric Department				
Overhead line	82 miles	82 miles	82 miles	82 miles
Underground line	11 miles	11 miles	11 miles	10.5 miles

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

Source: City of Granbury records

CITY OF GRANBURY
Capital Assets Information
Last Seven Fiscal Years
(Unaudited)

FY 2008	FY 2007	FY 2006
138	118	114
69	101	88
48.3 miles	47.5 miles	46.5 miles
57 acres	57 acres	50 acres
8	8	8
9	9	8
1	1	1
1	1	1
4	4	2
3	3	3
1	1	1
2.25 miles	2.25 miles	2.25 miles
1	-	-
78	78	78
10	10	10
3	3	3
51 miles	48 miles	45 miles
21	21	19
1	1	1
37	35	35
41.5 miles	39.5 miles	39 miles
82 miles	80 miles	80 miles
10 miles	9 miles	9 miles

CITY OF GRANBURY
 Operating Indicators
 Last Ten Fiscal Years
 (Unaudited)

	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>
Municipal Court				
Citations processed	2,296	2,680	2,220	3,829
Police Department				
Calls for Service	22,022	20,524	18,387	10,840
Arrests	790	733	721	448
Accidents	738	822	838	762
Fire Department				
Calls for Service: Fire/Rescue	766	879	659	769
Calls for Service: EMS	181	221	531	282
Community Services				
Building Permits Issued	237	211	221	156
Building Permits Value	\$ 31,518,255	\$ 48,901,275	\$ 27,939,407	\$ 31,368,138
Utility Department				
Electric Connections	3,223	3,186	3,197	3,156
Water Connections	4,615	4,563	4,406	4,352
Sewer Connections	3,672	3,499	3,365	3,338
Electric Department				
KWH Sold	91,762,161	93,583,876	89,806,103	86,567,727
Water Department, in Gallons (000)				
Well production	493,386	499,348	477,466	440,271
Water Plant production	73,957	77,505	68,439	93,711
Water purchased	108,965	163,325	50,779	57,378
Wastewater Department, In Gallons (000)				
Discharge Flow	361,060	346,509	378,880	354,491

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
 Last Ten Fiscal Years
 (Unaudited)

<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>	<u>FY 2005</u>	<u>FY 2004</u>	<u>FY 2003</u>
3,542	2,554	2,414	2,217	3,979	3,419
13,931	13,254	11,245	9,808	9,206	8,506
968	1,010	980	1,179	1,206	1,032
1,131	1,120	959	818	667	753
842	1,425	1,100	1,401	1,433	1,032
364	n/a	n/a	n/a	n/a	n/a
221	255	254	262	203	207
\$68,875,653	\$ 59,069,210	\$ 39,988,865	\$ 52,310,086	\$ 29,004,716	\$ 17,993,355
3,054	3,034	3,067	3,013	2,951	2,915
4,296	4,090	3,951	3,711	3,490	3,371
3,188	3,086	3,002	2,805	2,683	2,585
87,465,019	83,964,190	85,830,313	79,006,473	76,513,192	78,342,827
492,375	435,511	437,375	416,605	360,499	337,527
71,469	51,359	69,933	66,916	44,347	26,771
76,795	27,330	69,668	74,691	24,389	60,276
396,066	413,527	345,649	333,916	350,815	290,976

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

Count of Employees by Year

Job Classification	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Building Inspectors	9	9	9	9	6	9	8	7	7	7
Street & Road Repair	4.5	4	7	7	11	9	9	9	8	7
Drivers	1.5	1	2	2	2	4	4	2	2	-
Airport Operations	3	3	3	4	4	5	5	5	5	6
Waterworkers	13	11	12.5	12.5	15	13	13	14	13	12
Electric Distribution	7	6	6	6	11	8	8	6	7	7
Sewage Treatment	8	7	7	7	14	8	11	12	7	4
Firefighters-Paid	-	-	-	-	-	-	-	-	-	-
Firefighters-Volunteer	42	43	43	60	61	67	67	59	55	55
Police Officers	29	32	33	33	35	32	27	25	27	24
Warehouse Operation	2	2	2	2	2	2	4	2	2	4
Automobile Repair	2	3	3	3	4	3	3	3	3	3
Promotional/Development	8.5	5	3	3	4	3	3	3	4	3
Clerical-Office	39.25	38	38.5	43	43	41	41	40	35	31
Animal Control	1	1	1	1	1	1	1	1	1	1
Building Maintenance	12.5	11	12	12	13	6	6	7	1	5
Parks & Recreation	31	27	24	24	28	27	27	36	36	43
Total	213.25	203	206	228.5	254	238	237	231	213	212

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

**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 governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Granbury, Texas (the “City”) as of and for the year ended September 30, 2012, which collectively comprise the City’s basic financial statements and have issued our report thereon dated February 28, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective 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.
Weatherford, Texas
February 28, 2013