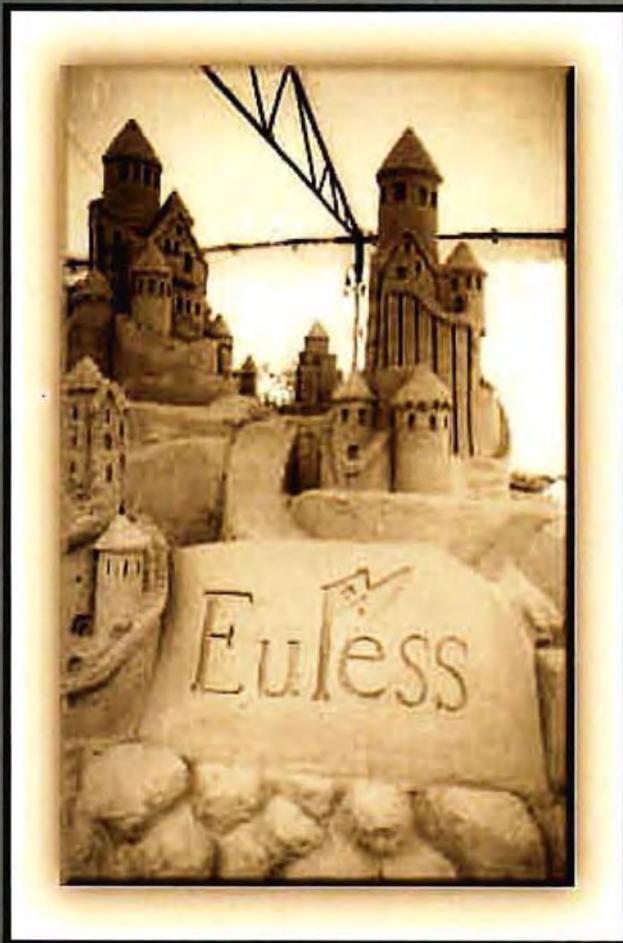


City of Euless, Texas

Comprehensive Annual Financial Report
Fiscal Year Ending September 30, 2012



201 N. Ector Drive

Euless, TX 76039

Phone (817) 685-1626

Fax (817) 685-1459

www.eulesstx.gov

City of Euless, Texas
Comprehensive Annual Financial Report
Fiscal Year Ending
September 30, 2012

Prepared by
City of Euless
Finance Department

201 North Ector Drive
Euless, TX 76039

**CITY OF EULESS, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED SEPTEMBER 30, 2012**

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**CITY OF EULESS, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED SEPTEMBER 30, 2012**

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INTRODUCTORY SECTION



January 21, 2013

To the Honorable Mayor,
Members of the City Council, and
Citizens of the City of Euless, Texas

The Finance Department and City Manager's Office are pleased to submit the Comprehensive Annual Financial Report ("CAFR") for the City of Euless, Texas ("City") for the fiscal year ended September 30, 2012. This report complies with State law which requires that all local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America ("GAAP") and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

This report is published to provide the City Council, City staff, citizens, bondholders, and other interested parties with detailed information concerning the financial condition and activities of the City. The report consists of City management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the accuracy, completeness, and reliability of all of the information presented in the report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh the benefits derived from them, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Weaver, L.L.P., a firm of licensed, certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management;

and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified (“clean”) opinion that the City’s financial statements for the fiscal year ended September 30, 2012, are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the Financial Section of this report.

This report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter, a listing of City Officials, and an organizational chart of the City. The Financial Section includes the independent auditor’s report on the basic financial statements, Management’s Discussion and Analysis (“MD&A”), basic financial statements, the notes to the basic financial statements, and combining and individual fund statements and schedules. The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement, and should be read in conjunction with, the MD&A. The City of Euless’ MD&A can be found immediately following the independent auditor’s report. The Statistical Section includes financial and demographic information relevant to readers of the City’s financial statements. The statistical data is generally presented on a multi-year basis.

Profile of the City of Euless, Texas

The City of Euless is located in North Central Texas in Northeast Tarrant County approximately 16 miles west of Dallas and 16 miles east of Fort Worth. Euless is readily accessible by State Highway 183 which is a six-lane expressway linking Dallas to Fort Worth. Other major highways through the City include State Highway 121, State Highway 360, State Highway 10 and Farm-to-Market Road 157. Euless’ centralized location provides quick access to both Dallas and Fort Worth metropolitan areas and is adjacent to Dallas-Fort Worth International Airport (“DFW Airport”) in east Tarrant County, one of the world’s busiest airports. The City is approximately 16.9 square miles and serves a population of approximately 51,500.

The City of Euless was incorporated February 24, 1953 and is a home rule city operating under a Council/Manager form of government. The City Council is comprised of the mayor and six council members who are elected at large. The Council has the authority to enact local legislation, levy taxes, adopt budgets, determine policies, incur debt, and appoint the City Secretary, City Attorney, Municipal Court Judge, and the City Manager. The City Manager reports directly to the City Council, and is responsible for the daily management of the various City departments. Council members serve three-year staggered terms, with two council members elected each year. The Mayor is elected to serve a three-year term. In addition, several boards and commissions were created to assist the City Council in deciding matters of policy and procedure and meet on various issues throughout the year.

The City of Euless provides a full range of services to its citizens including: police and fire protection; emergency ambulance services; municipal court operations; development and code services; construction and maintenance of streets and highways, parks, and

recreational facilities; water service and wastewater collection and treatment; and library operations. The City also operates a top-ranked, 18-hole golf course and conference center, an adult softball facility, and a youth athletic complex. Internal services of the City account for risk management, equipment replacement, and employee insurance coverage activities on a cost reimbursement basis. A private contractor, through a franchise agreement, provides solid waste collection and disposal services for the City.

Three component units of the City, the Eules Development Corporation, the Eules Crime Control and Prevention District, and Tax Increment Reinvestment Zone #3 – Glade Parks, are presented in the financial statements of the City as blended component units. Data for these organizations is recorded and presented in special revenue funds of the City’s financial statements. Additional information on these component units can also be found in Note 1 in the Notes to the Basic Financial Statements.

The annual budget serves as the foundation for the City of Eules’ financial planning and control. Per the City Charter, the City Manager provides to the City Council the proposed budget by August 1st each year. The budget is filed with the City Secretary and is open for public inspection. Upon receipt of the budget, the City Council sets a date for a public hearing at which time interested citizens may express their opinions regarding the proposed budget. The Charter requires the Council to adopt the budget by a favorable majority vote at least ten days prior to the beginning of the next fiscal year.

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 level. Financial reports are produced showing budget to actual expenditures by line item and are distributed monthly to City departments for review.

Economic Condition

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

The City of Eules is located in Tarrant County, one of the fastest-growing counties in Texas, in the heart of the Dallas/Fort Worth (“DFW”) Metroplex and adjacent to DFW Airport. Thus, the economic vitality of the region significantly impacts the economic health of Eules. DFW’s strategic central location and diverse economy are major factors contributing to businesses relocating to the area. As a result, DFW is one of the fastest-growing economic regions in the country. Due to the tremendous growth experienced over the last decade, DFW has become the largest metropolitan area in Texas. DFW’s highly-diversified economy includes more than 141,000 business, 1,500 regional and corporate headquarters, 24 Fortune 500 Companies, and a total workforce topping 3.2 million. Such economic diversity has helped the region weather economic downturns in key sectors better than other regions of the nation (U.S. Census Bureau County Business

Patterns). For September 2012, the City's unemployment rate of 6.6% compares favorably with the state rate of 6.8% and a national rate of 7.8%.

DFW Airport is the world's fourth-busiest airport in terms of operations and eighth in terms of passengers. DFW currently operates daily passenger flights to 191 destinations worldwide, including 144 nonstop domestic destinations and 47 nonstop international destinations, offering more than 1,750 flights per day and serving more than 57.8 million passengers a year. DFW provides in excess of 305,000 jobs and contributes \$16.6 billion annually to the regional economy (SOURCE: DFW website www.dfwairport.com Fast Facts and DFW Airport 2011 Comprehensive Annual Financial Report).

The AllianceTexas development in north Fort Worth is a 17,000-acre master-planned, mixed-use community which is home to 300 companies, 31,000 employees, 7,700 single-family homes, and is anchored by the inland port known as the Alliance Global Logistics Hub. The development includes Fort Worth's Alliance Airport, the first purely industrial airport in the Western Hemisphere, which serves as the cornerstone for the nation's fastest-growing industrial complex. The area offers a variety of commercial real estate options as well as industrial, office, and retail space. Additionally, the AllianceTexas development contributes an estimated \$2.1 billion annually to the local economy (SOURCE: Alliance website www.allianceairport.com, AllianceTexas Facts).

Although the DFW Metroplex has fared better than other areas of the nation during the recession, the local economy did experience a downturn. During FY2012, Euless realized significant improvement in local revenues, but has not yet experienced a full recovery. Close monitoring of revenues has allowed the City to fill some of the vacant positions that have been held for a number of years. Euless continues to look for new, innovative revenue opportunities in an effort to minimize the tax burden to its citizens. Throughout the economic difficulties faced the last several years, City staff has made every effort to ensure service levels to citizens were preserved. Many of the budgetary reductions and other cost-saving measures enacted in prior fiscal years were carried over into the current fiscal year to minimize the City's risk. In the upcoming fiscal year, management will continue to closely monitor revenue collections in conjunction with expenditure patterns to ensure the City maintains a healthy financial position.

Taxable value for all residential and commercial property in the City of Euless totaled approximately \$2.7 billion for fiscal year 2012, which represents a 5.9% increase over the prior year. For fiscal year 2012, sales tax collections, another significant revenue source for the City, exceeded budget expectations by close to 10% and prior year collections by almost 13%.

The City receives significant revenues from a consolidated rental car facility at DFW Airport. While a portion is used to fund general operations to reduce the tax burden on citizens, the City Council has chosen to utilize the majority of this funding source to build reserves and to cash flow capital projects in lieu of debt issuance. Doing so has allowed the City to refrain from becoming overly dependent on a volatile resource, while providing much needed improvements within the community.

The City of Euless has approximately 958 acres of undeveloped land outside of DFW Airport and another 1,700 developable acres within the airport boundaries. Euless continues to focus on attracting quality, sustainable development to the area, to pursue redevelopment opportunities, and to renew the emphasis on business retention. As a result, over the last several years, Euless has experienced new commercial, industrial, residential, and multi-family growth. The Glade Parks mixed-use development consisting of major retail, restaurants, neighborhood pedestrian-oriented retail uses and residential neighborhoods is currently under construction. During 2012, the City welcomed the opening of several new businesses including Airport Freeway Animal Hospital, Service Master and Furniture Restoration, Monarch Dental Clinic, Wok Express and Bayou Twist. Over 100,000 square feet of industrial space was occupied in 2012 bringing over 135 jobs to the City. New home construction added approximately \$15 million in assessed valuation to the tax rolls.

The Dallas Cowboys Stadium and Texas Rangers Ballpark in Arlington, within minutes of Euless, continue to attract additional tourism to the City by hosting major concerts and sporting events, including Super Bowl XLV in 2011 and the World Series.

During the fiscal year, various capital improvement projects located throughout the City were completed. The projects included miscellaneous street improvements, infrastructure improvements meeting Americans with Disabilities Act (ADA), and street overlay projects throughout the City. Additionally, street reconstruction projects completed this year include Baze Road and the bridge at South Pipeline Road. In addition, the City completed the replacement of several wastewater lines along Collin Drive (CDBG project), and along East Huitt Lane, Ascot Drive, Dunaway Court, and Dunaway Drive.

The City benefits from a well-educated workforce, with approximately 80% of graduating seniors in the Hurst-Euless-Bedford School District pursuing further education. In addition, Euless' median household income of \$53,629 (source: Claritas Site Reports) compares favorably to \$50,920 for the State of Texas.

Long-Term Financial Planning

The City of Euless has developed a comprehensive capital improvements document as well as a multi-year financial plan. Such strategic planning has allowed the City Council to fund several major infrastructure upgrades, park enhancements, and capital purchases in a systematic manner while considering the full impact to the operating budget and tax requirements. Many of these projects have been completed on a pay-as-you-go basis by utilizing operating revenues, excess reserves, and rental car taxes, thereby avoiding the issuance of additional debt.

The City Council and citizens of Euless have determined that debt issuance is a viable method of financing major capital projects. Analysis of potential debt issuance includes the operating impact the repayment thereof will have on citizens, property tax rates, and enterprise fund service fee revenues. Per the City's fiscal policies, long-term debt will

not be used for operating purposes and the life of the debt instruments will not exceed the useful life of the projects financed. Policy also specifies that bonds with an average life of 20 years or less will be issued to reduce net interest cost and maintain future flexibility by paying off debt earlier. The majority of the City's existing long-term debt was used to finance infrastructure needs and traditional government facilities such as streets, fire stations, libraries, and development of parks and open spaces.

The City's fiscal policies state current expenditures will be paid with current revenues. Deferrals, short-term loans, or one-time sources will be avoided as budget balancing techniques. Reserves will be used for emergencies or nonrecurring expenditures, except when balances can be reduced because levels exceed guidelines or legally-required minimums.

Fiscal policies provide for a General Fund reserve equal to between 30 and 60 days of working capital. At no time shall the reserve fall below 8.3% of the General Fund expenditure budget (i.e. 30-day level). The current reserve is maintained at 60 days which equates to approximately 16.4% of next year's budgeted expenditures. At the end of the current year, the City was in compliance with this policy.

The City's fiscal policies for the Water and Wastewater Fund require the maintenance of a minimum reserve of 45 to 75 days of working capital. The City currently maintains a 75-day reserve. Water and Wastewater revenue bond covenants require the City to maintain reserve amounts sufficient to cover the average annual debt service requirements. This revenue bond reserve is in addition to the working capital required by the City's fiscal policies and is maintained in a separate fund. As of September 30, 2012, the revenue bond reserve totaled \$304,774 which is equal to the average annual debt service on the outstanding debt.

Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. rates the City's general obligation debt and sales tax revenue debt at AA and the water and wastewater revenue debt at AA+. Moody's Investor Service, Inc. rates the general obligation debt and water and wastewater revenue debt at Aa2 and the sales tax revenue debt at A1. Additional information about the rating agencies or the significance of the ratings provided may be obtained from each agency's web site.

Major Initiatives

The City has partnered with Tarrant County, surrounding cities, local churches and businesses to renovate qualifying homes in the community through the Tarrant County Home Program and the Community Powered Revitalization Program ("CPR"). Through this partnership, the cities of Hurst, Euless, and Bedford have joined forces to assist qualifying residents in all three communities.

The City's updated Facility Master Plan addresses the remaining facility needs of the City. The Parks Master Plan, which focuses on improving the quality of life for the

community, includes additional hike/bike trails, park amenities and upgrades, and additional aquatic features for citizens of every age.

Construction of the Euless Family Life Center Aquatic Facilities at Midway Park is currently underway. This multi-purpose facility will be adjacent to the senior center and will offer aquatic programs for the senior population and the general public. The indoor facility includes a lap/leisure pool, current channel, slide, and therapy pool. The outdoor aquatic center will include various play components such as a leisure pool, slides, aqua play features, shade structures, a bath house, and all necessary filtration systems. The outdoor portion of this project is expected to be operational for the 2013 summer season. These facilities are financed from cash reserves and do not require the issuance of debt.

The City's Capital Improvement Plan addresses the infrastructure needs throughout the City. With the reconstruction of State Highway 183, the City executed a Master Utility Adjustment Agreement with the Texas Department of Transportation, North Tarrant Express ("NTE") Mobility Partners, and Bluebonnet Contractors to relocate existing water and wastewater mains along this thoroughfare. In the upcoming fiscal year, the design and right-of-way acquisition is anticipated to begin for Cullum Drive. The street will be reconstructed to a concrete roadway with underground drainage, sidewalks, and wastewater main replacement. ADA Infrastructure Improvements (CDBG); county overlay projects; and several wastewater line replacement projects are also anticipated to begin in the upcoming year.

The City of Euless, along with the City of Arlington and the DFW International Airport, contracted with the City of Fort Worth for the purchase of reclaimed water from the Village Creek Wastewater Plant. The City uses reclaimed water to irrigate over 300 acres of City property including Texas Star Golf Course and the Texas Star Sports Complex. The use of reclaimed water for irrigation is a viable alternative to potable water that allows the City to protect valuable assets by continuing to water during drought conditions.

The first phase of the extension of the reclaimed water line is anticipated to begin next fiscal year. Phase I includes the installation of a booster pump station located at Midway Road and Bear Creek Drive and service extension 1700 feet north of Harwood Road. Ultimately, with the completion of all phases of the extension, the availability of reclaimed water will extend to multiple multi-family properties from Harwood Road to Mid Cities Boulevard as well as the City's Bear Creek Park. Additional system expansion is possible in the future as well.

Over the last several years, the City has worked with a developer on a major, mixed-use center located along the southwest corner of Glade Road and Highway 121. This center will ultimately provide approximately 1.2 million square feet of retail/office and includes a unique residential component. The City expects the sales tax benefit from this center to be significant. In an effort to promote development in this area, the City created a Tax Increment Reinvestment Zone ("TIRZ") for this development (Glade Parks) and approved the related project and financing plan. This plan authorizes the City to

undertake certain public improvements associated with the Glade Parks development. The City also executed a development agreement with Glade 121 L.P., which specifies the extent to which the City will provide the improvements and provides for the conditions under which these improvements will be constructed. Additionally, the City created the Glade Parks Public Improvement District (“PID”) which is funded from assessments within the district. At the 2012 fiscal year-end, a portion of phase two infrastructure improvements were significantly complete. Permits have been issued for an additional restaurant site and the urban loft development.

To further promote development, the City also executed a development agreement in 2011 with Realty Capital Corporation, LLC, related to a planned Riverwalk Development. In addition, the City approved a planned development relating to this project which includes approximately 200 acres located at the northwest corner of Airport Freeway and State Highway 360 extending north to Harwood Road. This project will be developed as a mixed use development designed around a central river walk amenity that will serve as its focal point. The development agreement details the timing for the construction of the initial and subsequent phases of the riverwalk amenity.

Awards and Acknowledgements

The Government Finance Officers Association (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Euless for its Comprehensive Annual Financial Report (“CAFR”) for the fiscal year ended September 30, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such report 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 has been awarded a Certificate of Achievement for the last 25 consecutive years. We believe that the current CAFR meets the Certificate of Achievement program requirements and are submitting it to GFOA for review.

In addition, the City of Euless also received the GFOA’s Distinguished Budget Presentation Award for its annual budget document. The City of Euless has received the Distinguished Budget Award for the last 22 years. In order to qualify for the award, the City’s budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

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 who were instrumental in the successful completion of this report.

We would like to thank the Mayor and members of the City Council for their support in planning and conducting the financial operations of the City in a responsible, professional, and progressive manner.

Respectfully Submitted,



Gary McKamie
City Manager



Vicki Rodriguez
Director of Finance

CITY OFFICIALS

Fiscal Year 2011-2012



MARY LIB SALEH, MAYOR

Tim Stinneford, Council Member — Place One

Leon Hogg, Council Member — Place Two

Linda Martin, Council Member — Place Three

Donna Mickan, Council Member — Place Four, Mayor Pro Tem

Glenn Porterfield, Council Member — Place Five

Perry Bynum, Council Member — Place Six

Gary McKamie, City Manager

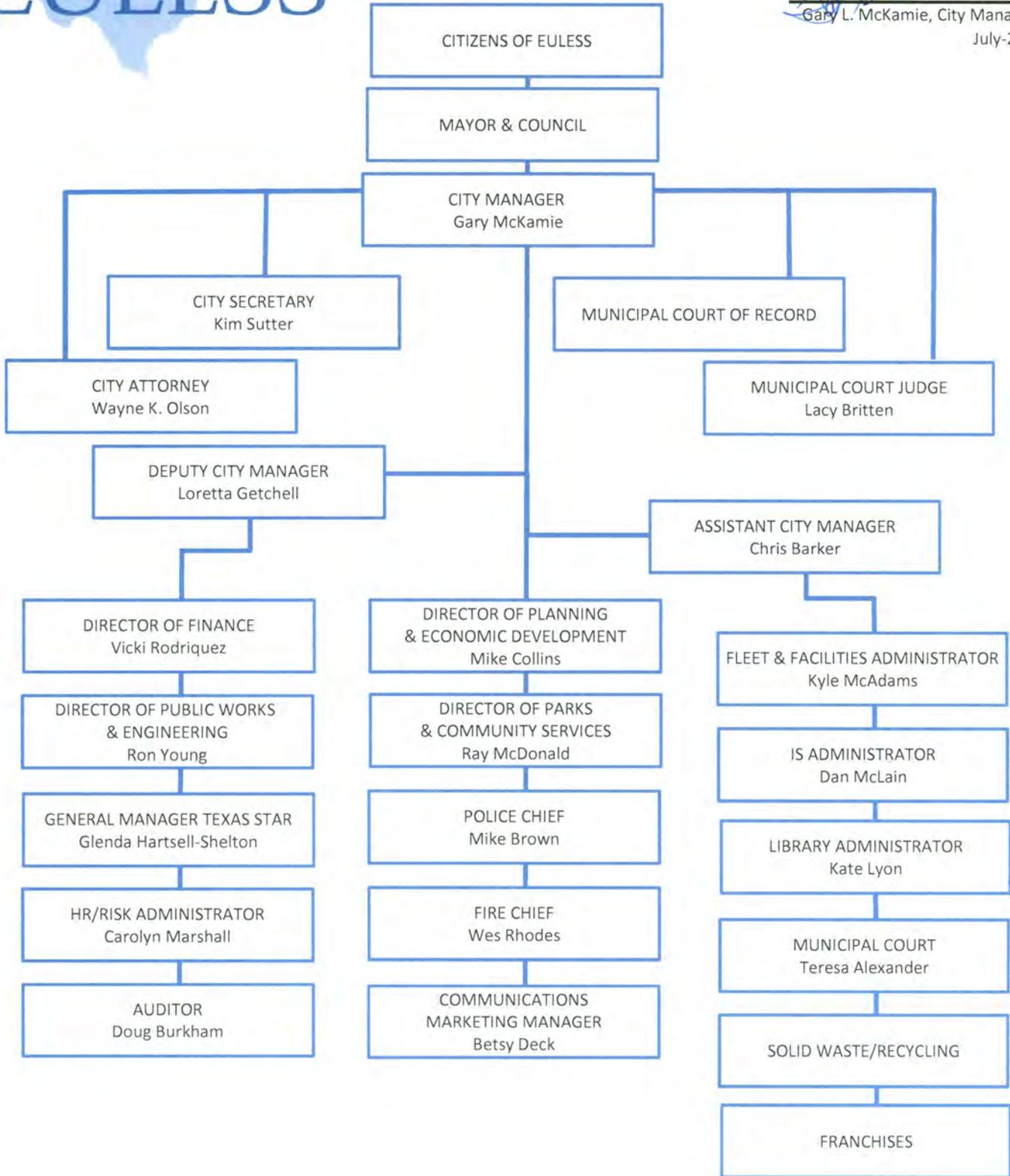
Loretta Getchell, Deputy City Manager

Chris Barker, Assistant City Manager

Organizational Chart



Gary L. McKamie, City Manager
July-2012



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Euless
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. Morinell

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor,
City Council and City Manager
City of Euless, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Euless, Texas (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. 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, the 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 where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the analysis of funding progress, and budgetary comparison information on pages 3 through 14 and 62 through 67 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.

To the Honorable Mayor,
City Council and City Manager

Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
January 21, 2013

CITY OF EULESS, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2012
(Unaudited)

Management of the City of Euless offers the readers of the City's financial statements this narrative overview and analysis of the financial activities and financial position of the City for the fiscal year ended September 30, 2012. In the broadest context, the financial well being of a government lies in the underlying wealth and willingness of its citizens and property owners to pay adequate taxes combined with the vision of the government's elected and appointed leadership to spend those taxes strategically so that the City's tax base, service levels, City assets, and the City's desirability will be maintained not just for the current year but well into the future.

Financial reporting is limited in its ability to provide the "big picture" but rather focuses on financial position and changes in financial position. In other words, are revenues and/or expenditures higher or lower than the previous year? Have net assets (containing both short-term and long-term assets and liabilities) or fund balances (the current "spendable" assets less current liabilities) of the government been maintained? Readers are encouraged to consider the information presented here in conjunction with the additional information furnished in the letter of transmittal (pages i-ix of this report) and the statistical section (pages 90-108 of this report) as well as information in the annual budget and the capital improvement plan along with other community information found on the city's website at www.eulesstx.gov. It should be noted that the Independent Auditor's Report describes the auditors' association with the various sections of this report and that all of the additional information from the website and other City sources are unaudited.

Financial Highlights

- The assets of the City of Euless exceeded its liabilities at the close of the most recent fiscal year by \$182,064,889 (Net assets). This number must be viewed in the context that the vast majority of the City's net assets of \$130,031,799 (71%) are capital assets net of related debt and that most capital assets in government do not directly generate revenue nor can they be sold to generate liquid capital. Those net assets restricted for specific purposes totaled \$7,137,631 (4%). The remaining \$44,895,459 (25%) are unrestricted net assets and 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.
- Governmental activities realized an increase in total net assets of \$5,129,392 and business-type activities realized a decrease in total net assets of \$552,176 bringing the net increase in total net assets for the City to \$4,577,216.
- At the close of the current fiscal year, the City of Euless' governmental funds reported combined ending fund balances of \$29,289,698 which represents an increase of \$2,621,766 in comparison with the prior year. Within this total, \$1,867,971 is restricted for debt service; \$606,505 is restricted by bond covenant for capital projects; \$258,765 and \$106,374 are restricted for court technology and juvenile case management, respectively; and another \$1,428,599 is restricted for capital projects by developer agreements. Amounts restricted for

cable PEG fees and historical preservation total \$158,603 and \$1,245, respectively. Nonspendable fund balance of \$34,599 represents fund balance amounts for inventories and prepaid items. Fund balances of \$15,913,959 represent assigned fund balance in the general, special revenue, and capital projects funds. The unassigned fund balance in the General Fund is \$8,913,078 which can be used for any lawful purpose. The General Fund unreserved balance represents 30% of fiscal year 2012 total fund expenditures.

- The City's total capital assets (net of accumulated depreciation) decreased by \$2,440,541 which is primarily attributed to current year depreciation charges and asset retirements exceeding capital asset additions and CIP expenses for the year.
- The City's bonds payable decreased by \$4,140,000 or 8%, due to the scheduled repayment of principal on outstanding bonded debt combined with refunding bonds issued for the defeasance of certain issues of general obligation, sales tax revenue, and water and sewer revenue debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the City of Eules's basic financial statements which 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 required 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 of Eules's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Eules'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 of Eules 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 as soon as 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 receipts and cash outlays in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

The government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other 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, highways and streets, development, and culture and recreation. The business-type activities of the City include water and wastewater system, drainage system, golf course, and other recreational activities.

The government-wide financial statements include not only the City of Eules (the primary government), but also the Half-Penny Sales Tax Corporation, the Crime Control and Prevention District, and the Tax Increment Reinvestment Zone #3 – Glade Parks which are legally separate

entities that are financially accountable to the City. A blended presentation has been used to report the financial information of these component units.

The government-wide financial statements can be found on pages 15-16 of this report.

Fund Financial Statements. A fund is a self-balancing set of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Euless, 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 three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements with the exclusion of internal service fund activity. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows 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 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, the reader 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 statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains twenty individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Debt Service, Half-Penny Sales Tax, and Car Rental Tax funds, all of which are considered to be major funds. Data from the other sixteen governmental funds are combined into a single, aggregate 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 City adopts an annual appropriated budget for its General, Half-Penny Sales Tax, and Car Rental Tax funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with the adopted budgets.

The basic governmental fund financial statements can be found on pages 17-20 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 and wastewater, drainage utility, and golf operations, as well as several other recreational activities. Internal service funds are an accounting device used to accumulate resources and allocate costs internally among the City's various functions. The City uses internal service funds to account for its equipment replacement, risk management, and health insurance services. Because these services predominately benefit governmental rather than business-type functions,

a portion of the activities in these funds is 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 Water and Wastewater, Drainage Utility, and Golf, all of which are considered to be major funds of the City. Data from the other recreational activities are combined into a single, aggregate presentation. Individual data for each of these non-major enterprise funds is provided in the form of combining statements elsewhere in this report. The internal service funds are combined into a single, aggregate presentation in the proprietary fund financial statements. Individual data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 21-25 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 pages 26 and 27 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 28-61 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligations to provide pension and post-employment healthcare benefits to its employees. Additionally, schedules comparing budgetary figures and actual results of the General Fund, Half-Penny Sales Tax Fund, and the Car Rental Tax Fund are also located in this section of the report. Required supplementary information can be found on page 62-68 of this report.

The combining statements referred to earlier in connection with non-major governmental funds, non-major proprietary funds, and internal service funds are presented immediately following the required supplementary information on pensions, OPEB, and budgetary comparisons. Combining and individual fund statements and schedules can be found on pages 69-89 of this report.

Government-Wide Financial Statement Analysis

As noted earlier, net assets and especially net assets by category may serve over time as a useful indicator of a government's financial position. In the case of the City of Euless, assets exceeded liabilities by \$182,064,889 as of September 30, 2012.

The largest portion of the City's net assets (71%) reflects its investment in capital assets (i.e., land, buildings, equipment, improvements, construction in progress, and infrastructure) net of accumulated depreciation, 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 and with exception of business-type assets, do not generate direct revenue for the City. They do represent, however, an obligation on the part of the City to maintain these assets into the future.

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%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$44,895,459 (25%) may be used to meet the City's ongoing obligations to citizens, creditors, and employees.

Net Assets

Amounts shown in 000's	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 48,480	\$ 44,597	\$ 25,217	\$ 23,927	\$ 73,697	\$ 68,524
Capital assets	113,054	113,805	62,872	64,562	175,926	178,367
Total assets	161,534	158,402	88,089	88,489	249,623	246,891
Long-term liabilities	39,888	43,299	11,385	11,066	51,273	54,365
Other liabilities	12,198	10,785	4,087	4,254	16,285	15,039
Total liabilities	52,086	54,084	15,472	15,320	67,558	69,404
Net assets:						
Invested in capital assets, net of debt	77,829	71,051	52,203	53,133	130,032	124,184
Restricted	4,427	1,819	2,711	3,088	7,138	4,907
Unrestricted	27,192	31,448	17,703	16,948	44,895	48,396
Total net assets	\$ 109,448	\$ 104,318	\$ 72,617	\$ 73,169	\$ 182,065	\$ 177,487

As of September 30, 2012 the City reports positive balances in all three categories of net assets, for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for fiscal year 2011.

The City's unrestricted net assets decreased by \$3,500,997 in fiscal year 2012. Restricted net assets realized an increase of \$2.2 million and the amount invested in capital assets, net of related debt also increased by \$5.9 million. These increases (accompanying decreases in unrestricted) combined with the current year change in net assets resulting from current year operations of \$4.6 million account for the overall decline in unrestricted net assets. The details of the results of current year operations are found in the table shown on the following page.

Changes in Net Assets

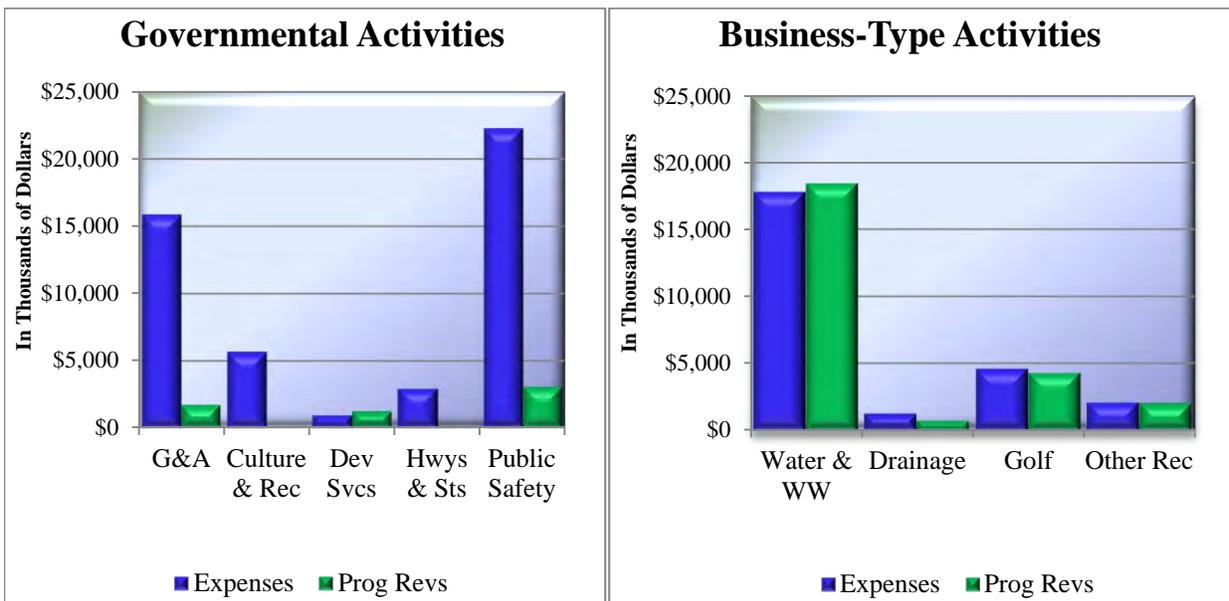
Amounts shown in 000's	Governmental		Business-type		Totals	
	2012	2011	2012	2011	2012	2011
<u>REVENUES</u>						
Program revenues:						
Fees, fines and charges for services	\$ 6,241	\$ 5,829	\$ 25,521	\$ 27,963	\$ 31,762	\$ 33,792
Operating grants and contributions	482	469	-	-	482	469
Capital grants and contributions	690	1,015	369	773	1,059	1,788
General revenues:						
Property taxes	12,452	11,856	-	-	12,452	11,856
Sales taxes	14,958	13,253	-	-	14,958	13,253
Car rental taxes	12,934	12,458	-	-	12,934	12,458
Mixed beverage taxes	54	66	-	-	54	66
Occupancy taxes	293	273	-	-	293	273
Gross receipts taxes	4,276	4,175	-	-	4,276	4,175
Investment income	133	169	61	66	194	235
Rents and royalties	397	454	-	-	397	454
Gain (loss) on asset disposal	68	100	-	-	68	100
Miscellaneous	638	966	-	-	638	966
Total revenues	53,616	51,083	25,951	28,802	79,567	79,885
<u>EXPENSES</u>						
Culture and recreation	5,681	5,092	-	-	5,681	5,092
Development services	973	1,707	-	-	973	1,707
General government	15,911	15,699	-	-	15,911	15,699
Highways and streets	2,969	2,923	-	-	2,969	2,923
Public safety	22,317	20,755	-	-	22,317	20,755
Interest on LTD	1,327	1,618	-	-	1,327	1,618
Water and wastewater	-	-	17,813	17,827	17,813	17,827
Drainage utility	-	-	1,284	1,178	1,284	1,178
Golf course	-	-	4,599	4,483	4,599	4,483
Recreational enterprises	-	-	2,116	1,983	2,116	1,983
Total expenses	49,178	47,794	25,812	25,471	74,990	73,265
Increase (decrease) in net assets before transfers	4,438	3,289	139	3,331	4,577	6,620
Transfers	691	905	(691)	(905)	-	-
Increase (decrease) in net assets	5,129	4,194	(552)	2,426	4,577	6,620
Net assets, beginning	104,319	100,125	73,169	70,743	177,488	170,868
Net assets, ending	\$ 109,448	\$ 104,319	\$ 72,617	\$ 73,169	\$ 182,065	\$ 177,488

- Governmental activities.** Governmental activities increased the City's net assets by \$5,129,392 thereby accounting for the net growth in total net assets. Most revenue categories, including property tax collections, sales taxes, gross receipts taxes, and grant revenues, exceeded projections. Sound fiscal management, continued holding of frozen positions, and

close monitoring of revenues and expenses allowed the City to realize an increase in net assets before transfers of \$4,438,763. Total revenue for the governmental activities (excluding transfers from business-type activities) increased from the previous year by \$2,532,521. General Revenue, which is primarily made up of property taxes, sales taxes, and car rental taxes, had a net increase of \$2,433,749. Property tax revenue increased due to an overall increase in both the residential and commercial tax base. Sales tax collections increased as a result of new business openings and an overall upswing in the local economy. Program revenues, which consist primarily of fines, fees, and charges for services increased \$412,281 primarily resulting from increased revenue associated with development activity. Total expenses increased by \$1,382,573 during FY2012. Interest on long-term debt declined by approximately \$291,000 predominantly as a result of the debt refundings undertaken during the year. The raise package for employees included an increase of 3.25% which accounts for a large portion of the expense increase. Additionally, several positions that were previously held were filled during the year including a public service officer, two police officers, a firefighter, and several field technicians. Development services realized a decrease in expenses primarily due to the relocation of the code compliance function to the Police Department which, in turn, accounts for a portion of the increase in public safety expenses. The net assets of general governmental operations account for 60% of total net assets.

- Business-type activities.** Business-type activities decreased the City's net assets by \$552,176. Total revenue for the business-type activities decreased from the previous year by \$2,851,498 due in part to a decline in water consumption and wastewater treatment volume as well as declines in rents and royalties. Capital grants and contributions accounted for more than 13.5% of the revenue decrease. While some expense categories realized decreases for the year, overall business-type expenses increased 1.3% approximately half of which is due to the raise package mentioned previously. Water purchases and wastewater treatment charges declined due to lower consumption and an extension of the energy contract resulted in lower negotiated rates for electric service. Net assets for business-type activities represent 40% of total net assets.

Expenses and Program Revenues



Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Euless' governmental funds reported combined ending fund balances of \$29,289,698, an increase of \$2,621,766 in comparison with prior year. Approximately 30% or \$8.9 million constitutes unassigned fund balance in the general fund that is available for spending at the City's discretion. Another \$34,599 in non-spendable fund balance represents amounts invested in inventories and prepayments. Another portion is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$1,867,971); 2) to pay for specific capital improvements per developer agreements (\$1,428,599); 3) restricted by bond covenant for specific capital projects (\$606,505); and 4) for a variety of other restricted purposes (\$524,987). The remainder of \$15,913,959 represents assigned fund balance which is the fund balance classification for residual balances in governmental funds other than the general fund. See discussion under Fund Balance Classifications in the Notes to the Basic Financial Statements for additional details on fund balance.

In the General Fund, the City budgeted for a decrease in fund balance (planned reduction) of \$1,253,369. Due to a positive budget variance in overall revenues and expenditures, the General Fund ended the year with an increase to fund balance of \$1,581,173 which represents a positive budget variance of \$2,834,542 resulting primarily from increased revenues, departmental expenditure savings, and personnel savings from vacant positions.

Almost all General Fund revenue categories realized increases over the prior year and most surpassed budget estimates as well. Current property tax collections, sales tax receipts, fines and fees, rental income, and license and permit revenues all exceeded both budget and prior year. The increase in current property tax revenues is due to a rise in taxable values and sales taxes grew as a result of new development and an overall upswing in the local economy. Fines and fees increased as a result of the housing of more federal detainees throughout the year and an increase in the number of ambulance transports. License and permit revenues realized a significant increase in building permits due primarily to the Glade Parks Development and the school district's construction project. Investment income did not achieve budget estimates, but was basically flat with the prior year figures.

Personnel and related benefit savings of approximately \$710,000 resulted primarily from holding numerous vacant positions open throughout the year. While some positions were filled during the course of the year, many were vacant for a portion of the year resulting in budgetary savings. In addition to personnel related savings, culture and recreation realized savings in mowing and supplies expenditures of approximately \$24,000 and \$34,000 respectively. Jail food expenditures exceeded budget as a result of the increase in detainees housed throughout the year. Increased rebate incentive payments from the upsurge in sales tax revenues resulted in additional

expenditures of approximately \$191,000, while the revenue sharing agreement with the cities of Dallas and Fort Worth realized budgetary savings of \$212,000. Capital expenditures including street overlay, traffic signals and lighting, and sidewalks realized budgetary savings of nearly \$107,000. One-time expenditures were \$420,000 under budget as a result of cost savings and timing of purchases (for which the funds will roll into the next fiscal year).

The Debt Service fund balance increased \$115,260 which is \$69,918 more than the anticipated increase of \$45,612. The anticipated drawdown for the Half-Penny Sales Tax fund totaled \$221,612 while actual results added \$475,198 to fund balance. The variance with the original budget of \$696,810 primarily results from increased sales tax revenues combined with expenditure savings in salaries and benefits and capital outlay. The Car Rental Tax fund balance was originally anticipated to decrease \$3.25 million, but instead ended the year with a decrease of just over \$2.67 million resulting from an increase in net car rental taxes and savings in capital outlay. The non-major governmental funds realized a combined increase in fund balance of \$3,120,543 primarily resulting from transfers for project funding and rents and royalties. The combined net effect of these changes in governmental fund balances totals \$2,621,766.

Proprietary funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail.

Unrestricted net assets of the proprietary funds at the close of the fiscal year are: Water and Wastewater fund \$10,644,473; Drainage Utility fund \$1,431,524; Golf Course fund \$1,658,266; and all other non-major recreation enterprise funds combined \$2,113,193. The Water and Wastewater fund realized a decrease in net assets resulting from the current year loss of \$24,625. The Drainage Utility fund experienced a decrease in net assets resulting from the net loss for the year which results primarily from annual depreciation charges. Net assets for the Golf Course fund increased \$60,506 due in large part to rents and royalties. All other non-major recreation enterprise funds combined realized a decrease of \$64,385 which is primarily attributable annual depreciation charges for the Texas Star Sports Complex.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2012, totaled \$175,926,411 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress. The net decrease in the City's investment in capital assets for the current fiscal year was \$2,440,541 or just over 1%.

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

- Capital asset contributions for the year primarily consisted of \$231,173 in Community Development Block Grant (CDBG) contributions for the wastewater line replacement along Collin Drive and developer contributions of \$96,044 in utility infrastructure.
- Miscellaneous street improvements, ADA/TAS infrastructure improvements, and street overlay projects located throughout the City were also completed at a total cost of \$436,222.
- Baze Road reconstruction was completed at a cost of \$1,558,401 and the South Pipeline Road Bridge improvements, in which the City participated with the City of Fort Worth, were also completed.

- Construction-in-progress related to general government operations of \$4,071,126 primarily consisted of Glade Park Infrastructure (\$2.4 million), Ash Lane (\$1.5 million), Texas Star Sports Complex Phase IV Improvements (\$58,400), and design charges for the aquatics facilities (\$80,713).
- Capital asset additions for governmental operations include, but are not limited to, a sky watch tower for the police department, replacement of the spine road lighting, an imaging system, and solar lights at the dog park.
- Construction-in-progress additions related to business-type operations totaled \$1,619,870 and consisted primarily of wastewater line replacements of \$17,927 and the reclaimed water main for \$1.6 million.
- The wastewater line replacements along East Huitt Lane, Ascot Drive, Dunaway Court and Dunaway Drive were completed at a cost of \$468,932.
- Capital asset additions for the business-type activities include, but are not limited to, a sand spreader, a tractor, and greens fans.

Capital Assets (Net of Accumulated Depreciation)

Amounts shown in 000s	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 26,354	\$ 26,350	\$ 3,619	\$ 3,366	\$ 29,973	\$ 29,716
Buildings	38,618	40,212	2,323	2,532	40,941	42,744
Other improvements	2,350	2,453	10,565	11,217	12,915	13,670
M&E	4,701	5,213	462	499	5,163	5,712
Infrastructure	36,960	36,382	44,284	45,422	81,244	81,804
Construction in Progress	4,071	3,194	1,620	1,526	5,691	4,720
Total	\$ 113,054	\$ 113,804	\$ 62,873	\$ 64,562	\$ 175,927	\$ 178,366

Additional information on the City's capital assets can be found in Note 3 on pages 42-43 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$45,596,238 net of unamortized losses on prior refundings. Of this amount, \$39,543,080 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt, \$6,053,158, represents bonds secured solely by specific revenue sources (i.e. revenue bonds).

Outstanding Bonded Debt

Amounts shown in 000s	Governmental		Business-Type		Total	
	activities		activities			
	2012	2011	2012	2011	2012	2011
GO Bonds	\$ 29,915	\$ 29,235	8,165	8,675	38,080	37,910
COs	3,230	6,590	-	-	3,230	6,590
GO/CO Deferred Loss	(1,191)	(916)	(576)	(619)	(1,767)	(1,535)
Revenue Bonds	2,910	3,715	3,435	3,580	6,345	7,295
Revenue Deferred Loss	(57)	(47)	(235)	(77)	(292)	(124)
Totals	\$ 34,807	\$ 38,577	10,789	11,559	45,596	50,136

In fiscal year 2012, the City issued \$5,955,000 in General Obligation Refunding Bonds to refund portions of the: 2001 Certificates of Obligation, 2001 General Obligation Bonds, 2004A General Obligation Bonds, 2004 Certificates of Obligation, and 2006 General Obligation Refunding Bonds. The Euless Development Corporation, a blended component unit of the City, issued \$3,785,000 in Sales Tax Revenue Refunding Bonds to refund the 2001 Sales Tax Revenue Bonds and the 2006 Sales Tax Revenue Refunding Bonds. The City's total debt decreased \$4,140,000 or 8% during fiscal year 2012 which is attributed to scheduled annual principal payments combined with the refunded bonds net of the issuance of the refunding bonds.

Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. rates the City's general obligation debt and revenue debt at AA and the water and wastewater revenue debt at AA+. Moody's Investor Service, Inc. rates the general obligation debt and the water and wastewater revenue debt at Aa2 and the sales tax revenue debt at A1. Additional information on the City's long-term debt can be found in Note 4 on pages 44-50.

Economic Factors and Next Year's Budgets and Rates

In the FY2012-13 budget, General Fund revenues and transfers are budgeted to increase by 5% from the 2011-12 budget year with property taxes accounting for 30% of budgeted revenues and sales tax comprising approximately 29% of budgeted revenues. Certified assessed valuations as of July 1, 2012, increased 3.9% from the preceding year.

As of September 30, 2012, the City's unemployment rate is 6.3% compared to the State of Texas, which is 6.8%. In the FY2012-13 budget, sales tax receipts are projected to increase 1.5% over prior year estimates. The car rental tax receipts are projected at the same level as FY2012 estimated collections.

Baseline budgeted expenditures in the General Fund are projected to increase approximately 5% from the FY2011-12 original budget. This increase is primarily attributed to rebates associated with increased revenue collections, the employee raise package and related costs, and personnel additions. Other baseline increases include cost for maintenance, supplies, and utilities as well as increased transfers for equipment replacement. The City elected to use excess reserves in various funds to cash flow capital programs including city computer and technology upgrades, public safety equipment and radios, E-Books, HVAC replacement, an EMS-fire suppression quick response unit, and various other equipment purchases and miscellaneous expenses. In addition, continued funding is provided for the City's contribution to the Tarrant County Home

Program, community revitalization, and street overlay. The property tax rate remained at .4700¢ per \$100 of assessed valuation for FY2012-13.

For the Water and Wastewater Fund, the FY2012-13 budget includes the continuation of the tiered rate structure for water volume billing. Under the tiered structure, customers pay a graduated volume rate based on varying levels of monthly water consumption. Volume rates range from \$2.48 to \$5.11 per thousand gallons. Monthly water and wastewater base rates increased for both residential customers and commercial customers. A wastewater volume charge of \$2.83 per thousand gallons applies to all customer classes. Residential wastewater volume charges are capped at a maximum of 12,000 gallons per month. The City budgeted to continue its pay-as-you-go capital expenses in the Water and Wastewater Fund which includes approximately \$1,521,363 for water line rehabilitation, a portion of the extension of the reclaimed water line, and the purchase of leak detection equipment.

The Texas Star Golf Course and Conference Centre is a vibrant part of the Euless community. This facility is well-known for world class golf that is secluded in the midst of the Dallas/Fort Worth Metroplex. This challenging course has been recognized as a premier municipal facility by leading golf publications, including *Golf Digest* and *Golfweek*. Additionally, Raven's Grille ranked in the top five for best service and best place to dine before or after your golf experience by *Avid Golfer*. The Conference Centre has 7,000 square feet of divisible space and hosts business conferences, weddings, concerts, and other events. Next year's budget includes proposed revenues of \$4,453,840 and proposed operating expenses of \$4,451,178. Revenues are expected to increase less than 1% over prior year revenues in anticipation of fee increases and additional rounds.

Request for Information

The financial report is designed to provide citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need additional information, contact the Finance Department, Attn: Vicki Rodriguez, Director of Finance, at 201 N. Ector Drive, Euless, Texas 76039, call (817) 685-1626, or e-mail vrodriquez@eulesstx.gov.

CITY OF EULESS, TEXAS
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Deposits and investments	\$ 41,218,886	\$ 16,955,551	\$ 58,174,437
Receivables, net of allowances	7,467,813	3,076,003	10,543,816
Internal balances	(1,855,801)	1,855,801	-
Inventories, at cost	10,375	328,667	339,042
Prepaid items	24,224	26,888	51,112
Restricted assets			
Deposits and investments	606,505	2,710,812	3,317,317
Deferred charges	499,217	138,466	637,683
Net OPEB asset	508,998	125,234	634,232
Capital assets			
Land and construction in progress	30,425,214	5,238,415	35,663,629
Other capital assets, net of accumulated depreciation	82,628,924	57,633,858	140,262,782
Total assets and other debits	161,534,355	88,089,695	249,624,050
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	10,155,635	2,208,154	12,363,789
Accrued liabilities	1,718,026	151,257	1,869,283
Accrued interest payable	184,395	56,313	240,708
Unearned revenue	140,165	85,209	225,374
Money held in escrow	-	1,587,126	1,587,126
Noncurrent liabilities			
Due within one year	4,146,836	839,770	4,986,606
Due in more than one year	35,741,327	10,544,948	46,286,275
Total liabilities	52,086,384	15,472,777	67,559,161
NET ASSETS			
Invested in capital assets, net of related debt	77,828,950	52,202,849	130,031,799
Restricted for			
Debt service	1,867,971	309,595	2,177,566
Capital projects	606,505	-	606,505
Impact fees	-	2,401,217	2,401,217
Other	1,952,343	-	1,952,343
Unrestricted	27,192,202	17,703,257	44,895,459
Total net assets	\$ 109,447,971	\$ 72,616,918	\$ 182,064,889

The Notes to the Basic Financial Statements
are an integral part of these statements.

CITY OF EULESS, TEXAS
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2012

Program Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business - Type Activities	Total
Primary government							
Governmental activities							
Culture and recreation	\$ 5,680,772	\$ 65,912	\$ 87	\$ -	\$ (5,614,773)	\$ -	\$ (5,614,773)
Development services	972,770	1,263,477	-	-	290,707	-	290,707
General and administrative	15,910,313	1,760,023	15,813	-	(14,134,477)	-	(14,134,477)
Highways and streets	2,968,770	54,622	-	689,642	(2,224,506)	-	(2,224,506)
Public safety	22,316,429	3,097,141	465,755	-	(18,753,533)	-	(18,753,533)
Interest on long-term debt	1,327,482	-	-	-	(1,327,482)	-	(1,327,482)
Total governmental activities	49,176,536	6,241,175	481,655	689,642	(41,764,064)	-	(41,764,064)
Business-type activities							
Water & wastewater	17,813,196	18,437,964	-	368,883	-	993,651	993,651
Drainage utility	1,283,617	705,473	-	-	-	(578,144)	(578,144)
Golf	4,599,099	4,335,151	-	-	-	(263,948)	(263,948)
Other recreation enterprises	2,115,730	2,041,872	-	-	-	(73,858)	(73,858)
Total business-type activities	25,811,642	25,520,460	-	368,883	-	77,701	77,701
Total primary government	<u>\$ 74,988,178</u>	<u>\$ 31,761,635</u>	<u>\$ 481,655</u>	<u>\$ 1,058,525</u>	(41,764,064)	77,701	(41,686,363)
General Revenues							
Taxes							
Property taxes, levied for general purposes					12,451,543	-	12,451,543
Sales taxes					14,957,757	-	14,957,757
Car rental taxes					12,933,884	-	12,933,884
Mixed beverage taxes					54,138	-	54,138
Hotel/motel occupancy taxes					292,931	-	292,931
Gross receipts taxes					4,276,136	-	4,276,136
Investment income					132,607	60,752	193,359
Rents and royalties					397,527	-	397,527
Gain/(loss) on sale of assets					68,329	-	68,329
Miscellaneous					637,975	-	637,975
Transfers					690,629	(690,629)	-
Total general revenues and transfers					46,893,456	(629,877)	46,263,579
Change in net assets					5,129,392	(552,176)	4,577,216
NET ASSETS, beginning of year					<u>104,318,579</u>	<u>73,169,094</u>	<u>177,487,673</u>
NET ASSETS, end of year					<u>\$ 109,447,971</u>	<u>\$ 72,616,918</u>	<u>\$ 182,064,889</u>

The Notes to the Basic Financial Statements are an integral part of these statements.

**CITY OF EULESS, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	General Fund	Debt Service Fund	Car Rental Tax Fund	Half-Penny Sales Tax Fund	Non-major Governmental Funds	Total Governmental Funds
ASSETS						
Deposits and investments	\$ 9,484,011	\$ 811,268	\$ 8,549,730	\$ 2,229,846	\$ 12,369,386	\$ 33,444,241
Receivables						
Property taxes	492,092	206,262	-	-	-	698,354
Accounts receivable and unbilled revenue	989,276	-	2,188,125	-	824,646	4,002,047
Accrued interest receivable	12,095	-	5,972	400	1,920	20,387
Due from other governments	1,630,539	-	-	652,743	323,470	2,606,752
Prepays and deposits	18,421	-	-	5,163	640	24,224
Inventories, at cost	10,375	-	-	-	-	10,375
Restricted deposits and investments	-	-	-	-	606,505	606,505
Total assets	\$ 12,636,809	\$ 1,017,530	\$ 10,743,827	\$ 2,888,152	\$ 14,126,567	\$ 41,412,885
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 1,273,459	\$ 19,659	\$ 7,832,306	\$ 111,662	\$ 536,606	\$ 9,773,692
Accrued salaries and wages	788,007	-	-	36,110	53,597	877,714
Deferred revenue	1,263,608	203,287	-	-	4,886	1,471,781
Total liabilities	3,325,074	222,946	7,832,306	147,772	595,089	12,123,187
Fund Balances						
Nonspendable						
Prepays and inventories	28,796	-	-	5,163	640	34,599
Restricted for						
Debt service	-	794,584	-	913,562	159,825	1,867,971
Capital projects	-	-	-	-	606,505	606,505
Other	258,765	-	-	-	1,694,821	1,953,586
Assigned	111,096	-	2,911,521	1,821,655	11,069,687	15,913,959
Unassigned	8,913,078	-	-	-	-	8,913,078
Total fund balances	9,311,735	794,584	2,911,521	2,740,380	13,531,478	29,289,698
Total liabilities and fund balances	\$ 12,636,809	\$ 1,017,530	\$ 10,743,827	\$ 2,888,152	\$ 14,126,567	\$ 41,412,885

The Notes to the Basic Financial Statements are an integral part of these statements.

**CITY OF EULESS, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

Total fund balances - governmental funds	\$	29,289,698
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets of governmental funds are not current financial resources and therefore are not reported in the governmental funds balance sheet.		111,066,391
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Costs associated with the issuance of governmental long-term debt are expensed when incurred in the fund statements and capitalized and amortized over the life of the debt in the government-wide financial statements.		499,217
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Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.		(184,395)
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Internal service funds are used by management to charge the cost of certain activities, such as insurance and fleet management, to individual funds. The assets and liabilities of the internal service funds are net of the amount allocated to business-type activities.		6,816,979
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Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.		1,331,616
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Funds comprising the net other post employment benefit asset are not current financial resources and therefore are not reported in the governmental funds balance sheet.		508,998
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Long-term liabilities, including bonds payable, compensated absences (excluding those of internal service funds), and pension obligations are not due and payable in the current period and therefore are not reported in the fund financial statements.		(39,880,533)
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Net assets of governmental activities	\$	<u>109,447,971</u>
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CITY OF EULESS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	General Fund	Debt Service Fund	Car Rental Tax Fund	Half-Penny Sales Tax Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues						
General property tax	\$ 9,100,486	\$ 3,282,271	\$ -	\$ -	\$ -	\$ 12,382,757
Gross receipts tax	4,114,181	-	-	-	454,886	4,569,067
Mixed beverage tax	54,138	-	-	-	-	54,138
General sales tax	9,376,363	-	-	3,751,737	1,829,657	14,957,757
Car rental tax	-	-	12,933,884	-	-	12,933,884
Fines and fees	4,278,738	-	-	-	-	4,278,738
Licenses and permits	1,233,465	-	-	-	-	1,233,465
Investment income	47,169	1,098	28,376	7,387	23,165	107,195
DEA revenues	-	-	-	-	12,488	12,488
Intergovernmental	363,343	-	-	-	649,330	1,012,673
Rents and royalties	-	714,347	-	-	397,526	1,111,873
Other revenues	948,033	-	-	-	258,578	1,206,611
Total revenues	29,515,916	3,997,716	12,962,260	3,759,124	3,625,630	53,860,646
Expenditures						
Current						
Culture and recreation	2,714,190	-	-	1,924,813	37,097	4,676,100
Development services	564,046	-	-	124,250	-	688,296
General and administrative	6,794,223	-	8,595,061	80,454	69,935	15,539,673
Highways and streets	861,748	-	-	-	-	861,748
Public safety	19,120,977	-	-	-	1,953,422	21,074,399
Debt service						
Principal	-	3,620,000	-	4,590,000	-	8,210,000
Interest and fiscal charges	-	1,389,931	-	156,294	-	1,546,225
Capital outlay	-	-	397,229	-	3,329,964	3,727,193
Total expenditures	30,055,184	5,009,931	8,992,290	6,875,811	5,390,418	56,323,634
Excess (deficiency) of revenues over expenditures	(539,268)	(1,012,215)	3,969,970	(3,116,687)	(1,764,788)	(2,462,988)
Other financing sources (uses)						
Issuance of refunding debt	-	5,955,000	-	3,785,000	-	9,740,000
Premiums on issuance of debt	-	260,435	-	-	-	260,435
Payment to refunding escrow agent	-	(5,381,310)	-	-	-	(5,381,310)
Transfers in	2,432,724	293,350	-	-	5,407,944	8,134,018
Transfers out	(312,283)	-	(6,640,378)	(193,115)	(522,613)	(7,668,389)
Total other financing sources (uses), net	2,120,441	1,127,475	(6,640,378)	3,591,885	4,885,331	5,084,754
Net change in fund balances	1,581,173	115,260	(2,670,408)	475,198	3,120,543	2,621,766
Fund balances, beginning of year	7,730,562	679,324	5,581,929	2,265,182	10,410,935	26,667,932
Fund balances, end of year	<u>\$ 9,311,735</u>	<u>\$ 794,584</u>	<u>\$ 2,911,521</u>	<u>\$ 2,740,380</u>	<u>\$ 13,531,478</u>	<u>\$ 29,289,698</u>

The Notes to the Basic Financial Statements are an integral part of these statements.

**CITY OF EULESS, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2012**

Net change in fund balances - total governmental funds \$ 2,621,766

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. In addition, governmental funds report cash proceeds from the disposal of capital assets as revenues, while only the net gain/loss on the transaction is reported in the statement of activities. This is the amount of capital expenditures and disposals recorded in the current period. 3,632,684

Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expenses are not reported as expenditures in the governmental funds. (4,076,975)

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. (9,740,000)

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets. 13,309,372

Governmental funds report the effect of debt issuances costs, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. 165,998

Current year changes in the long-term liabilities for compensated absences and pension and other post employment obligations do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. (278,908)

Current year changes in accrued interest payables do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. 33,777

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds is reported with governmental activities net of the amount allocated to business-type activities. (204,850)

Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. (333,472)

Change in net assets of governmental activities \$ 5,129,392

CITY OF EULESS, TEXAS
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
SEPTEMBER 30, 2012

(1 of 2)

ASSETS	Business - Type Activities - Enterprise Funds				Governmental Activities -	
	Water and Wastewater	Drainage Utility	Golf Course	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Water and Wastewater	Drainage Utility	Golf Course	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Current assets						
Deposits and investments	\$ 11,761,352	\$ 1,438,222	\$ 1,723,538	\$ 2,032,439	\$ 16,955,551	\$ 7,774,645
Accounts receivable and unbilled revenue less allowance for uncollectibles of \$39,328 for water and wastewater and \$406 for drainage utility	2,862,995	80,778	95,087	27,551	3,066,411	138,269
Accrued interest receivable	9,592	-	-	-	9,592	2,004
Prepays and deposits	3,648	-	8,779	14,461	26,888	-
Inventory	98,891	-	124,586	105,190	328,667	-
Total unrestricted current assets	14,736,478	1,519,000	1,951,990	2,179,641	20,387,109	7,914,918
Restricted assets						
W&WW impact fees - deposits and investments	2,401,217	-	-	-	2,401,217	-
Revenue bond reserve for debt service	309,595	-	-	-	309,595	-
Total restricted assets	2,710,812	-	-	-	2,710,812	-
Total current assets	17,447,290	1,519,000	1,951,990	2,179,641	23,097,921	7,914,918
Non-current assets						
Bond issuance cost	56,836	-	71,500	10,130	138,466	-
Net OPEB asset	91,744	3,939	23,784	5,767	125,234	-
Total non-current assets	148,580	3,939	95,284	15,897	263,700	-
Property, plant, and equipment in service, at cost						
Land	1,576,667	559,826	897,520	584,532	3,618,545	-
Building	97,094	-	3,523,732	488,275	4,109,101	-
Equipment	1,002,198	6,400	1,060,518	203,446	2,272,562	8,111,882
Improvements	1,033,401	658,824	8,019,920	8,150,654	17,862,799	-
Construction in progress	1,619,870	-	-	-	1,619,870	-
Utility system	61,023,478	25,078,805	-	-	86,102,283	-
Total property, plant, and equipment in service	66,352,708	26,303,855	13,501,690	9,426,907	115,585,160	8,111,882
Less accumulated depreciation	32,483,765	10,552,663	5,877,632	3,798,827	52,712,887	6,124,135
Net property, plant, and equipment in service	33,868,943	15,751,192	7,624,058	5,628,080	62,872,273	1,987,747
Total non-current assets	34,017,523	15,755,131	7,719,342	5,643,977	63,135,973	1,987,747
Total assets	\$ 51,464,813	\$ 17,274,131	\$ 9,671,332	\$ 7,823,618	\$ 86,233,894	\$ 9,902,665

The Notes to the Basic Financial Statements are an integral part of these statements.

CITY OF EULESS, TEXAS
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
SEPTEMBER 30, 2012

(2 of 2)

LIABILITIES	Business - Type Activities - Enterprise Funds					Governmental Activities -
	Water and Wastewater	Drainage Utility	Golf Course	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Current liabilities						
Payable from current assets						
Accounts payable	\$ 2,019,409	\$ 21,924	\$ 116,191	\$ 50,630	\$ 2,208,154	\$ 381,943
Accrued salaries and wages	286,790	32,190	68,272	18,551	405,803	10,992
Current portion of bonds payable	330,000	-	380,000	145,000	855,000	-
Accrued insurance claims	-	-	-	-	-	836,950
Unearned revenue	-	-	85,209	-	85,209	-
Accrued interest	14,937	-	38,683	2,693	56,313	-
Total current liabilities	2,651,136	54,114	688,355	216,874	3,610,479	1,229,885
Non-current liabilities						
Customer and escrow deposits	1,587,126	-	-	-	1,587,126	-
Net pension obligation	332,323	37,301	80,653	10,471	460,748	-
Bonds payable	2,870,491	-	6,500,240	443,693	9,814,424	-
Total non-current liabilities	4,789,940	37,301	6,580,893	454,164	11,862,298	-
Total liabilities	7,441,076	91,415	7,269,248	671,038	15,472,777	1,229,885
NET ASSETS						
Invested in capital assets, net of related debt	30,668,452	15,751,192	743,818	5,039,387	52,202,849	1,987,747
Restricted for						
Impact fees	2,401,217	-	-	-	2,401,217	-
Revenue bond reserve for debt service	309,595	-	-	-	309,595	-
Unrestricted	10,644,473	1,431,524	1,658,266	2,113,193	15,847,456	6,685,033
Total net assets	<u>\$ 44,023,737</u>	<u>\$ 17,182,716</u>	<u>\$ 2,402,084</u>	<u>\$ 7,152,580</u>	70,761,117	<u>\$ 8,672,780</u>

Reconciliation to government-wide statement of net assets

 Adjustment to reflect the consolidation of internal
 service funds' activities related to enterprise funds

1,855,801

Net assets of business-type activities

\$ 72,616,918

The Notes to the Basic Financial Statements
are an integral part of these statements.

CITY OF EULESS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS –
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	Business - Type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Water and Wastewater	Drainage Utility	Golf Course	Other Enterprise Funds		
Operating revenues						
Water service	\$ 10,936,311	\$ -	\$ -	\$ -	\$ 10,936,311	\$ -
Reclaimed water service	223,484	-	-	-	223,484	-
Wastewater service	6,269,741	-	-	-	6,269,741	-
Drainage fees	-	705,473	-	-	705,473	-
Recreation fees	-	-	-	442,873	442,873	-
Insurance premiums	-	-	-	-	-	5,216,280
Service fees and miscellaneous	1,008,428	-	4,335,151	1,598,999	6,942,578	733,270
Total operating revenues	18,437,964	705,473	4,335,151	2,041,872	25,520,460	5,949,550
Operating expenses						
General and administrative	474,381	-	-	-	474,381	1,099,649
Water production	6,471,802	-	-	-	6,471,802	-
Water distribution	867,083	-	-	-	867,083	-
Utility engineering	291,176	-	-	-	291,176	-
Wastewater collection and treatment	2,688,988	-	-	-	2,688,988	-
Nondepartmental	3,523,182	-	-	-	3,523,182	-
Geographic information systems	451,997	-	-	-	451,997	-
Service center	1,056,115	-	-	-	1,056,115	-
Drainage	-	604,994	-	-	604,994	-
Recreation classes	-	-	-	423,926	423,926	-
Golf course	-	-	1,516,680	-	1,516,680	-
Pro shop	-	-	423,371	-	423,371	-
Food and beverage	-	-	1,399,628	-	1,399,628	-
Conference center	-	-	261,144	-	261,144	-
Cart operations	-	-	191,808	-	191,808	-
Texas Star Sports Complex	-	-	-	1,275,994	1,275,994	-
Arbor Daze	-	-	-	57,712	57,712	-
Insurance costs	-	-	-	-	-	4,676,729
Depreciation	1,741,767	678,623	409,819	315,931	3,146,140	791,586
Amortization	11,472	-	49,084	11,749	72,305	-
Total operating expenses	17,577,963	1,283,617	4,251,534	2,085,312	25,198,426	6,567,964
Operating income (loss)	860,001	(578,144)	83,617	(43,440)	322,034	(618,414)
Nonoperating revenues (expenses)						
Gain (loss) on sale of capital assets	(44,594)	-	11,258	(18)	(33,354)	26,144
Investment income	50,960	1,692	5,908	2,192	60,752	25,411
Interest expense	(105,785)	-	(313,949)	(23,119)	(442,853)	-
Total nonoperating revenues (expenses), net	(99,419)	1,692	(296,783)	(20,945)	(415,455)	51,555
Income (loss) before contributions and transfers	760,582	(576,452)	(213,166)	(64,385)	(93,421)	(566,859)
Developer contributions	368,883	-	-	-	368,883	-
Transfers in	-	-	273,672	-	273,672	450,000
Transfers out	(1,154,090)	(35,211)	-	-	(1,189,301)	-
Net income (loss)	(24,625)	(611,663)	60,506	(64,385)	(640,167)	(116,859)
Net assets, beginning of year	44,048,362	17,794,379	2,341,578	7,216,965		8,789,639
Net assets, end of year	\$ 44,023,737	\$ 17,182,716	\$ 2,402,084	\$ 7,152,580		\$ 8,672,780

Reconciliation to government-wide statement of net assets

Adjustment to reflect the consolidation of internal service funds' activities related to enterprise funds	87,991
Change in net assets of business-type activities	\$ (552,176)

The Notes to the Basic Financial Statements
are an integral part of these statements.

CITY OF EULESS, TEXAS
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	Business - Type Activities - Enterprise Funds					Governmental Activities -
	Water and Wastewater	Drainage Utility	Golf Course	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING ACTIVITIES						
Cash received from customers	\$ 18,539,611	\$ 863,542	\$ 4,375,565	\$ 2,060,331	\$ 25,839,049	\$ 5,947,034
Cash payments to suppliers for goods and services	(12,228,415)	(282,771)	(2,289,264)	(1,316,878)	(16,117,328)	(5,062,292)
Cash payments to employees for services	(2,778,118)	(310,089)	(1,495,984)	(454,467)	(5,038,658)	(81,850)
Net cash provided by operating activities	3,533,078	270,682	590,317	288,986	4,683,063	802,892
NONCAPITAL FINANCING ACTIVITIES						
Transfer in	-	-	273,672	-	273,672	450,000
Transfer out	(1,154,090)	(35,211)	-	-	(1,189,301)	-
Net cash provided by (used in) noncapital financing activities	(1,154,090)	(35,211)	273,672	-	(915,629)	450,000
CAPITAL AND RELATED FINANCING ACTIVITIES						
Impact fees	225,485	-	-	-	225,485	-
Interest paid on bonds	(276,400)	-	(315,336)	(23,644)	(615,380)	-
Principal paid on bonds	(3,485,000)	-	(370,000)	(140,000)	(3,995,000)	-
Purchase of capital assets	(1,188,853)	-	(229,400)	-	(1,418,253)	(471,912)
Proceeds from bond issuances	3,340,000	-	-	-	3,340,000	-
Proceeds from sale of capital assets	53,934	-	11,258	553	65,745	29,388
Net cash used in capital and related financing activities	(1,330,834)	-	(903,478)	(163,091)	(2,397,403)	(442,524)
INVESTING ACTIVITIES						
Proceeds from sale of investment securities	4,861	-	578	-	5,439	1,230
Interest received on investments	50,960	3,055	5,911	2,192	62,118	25,308
Net cash provided by investing activities	55,821	3,055	6,489	2,192	67,557	26,538
Net change in cash and cash equivalents	1,103,975	238,526	(33,000)	128,087	1,437,588	836,906
Cash and cash equivalents, beginning of year	13,368,189	1,199,696	1,756,538	1,904,352	18,228,775	6,937,739
Cash and cash equivalents, end of year	<u>\$ 14,472,164</u>	<u>\$ 1,438,222</u>	<u>\$ 1,723,538</u>	<u>\$ 2,032,439</u>	<u>\$ 19,666,363</u>	<u>\$ 7,774,645</u>

The Notes to the Basic Financial Statements are an integral part of these statements.

CITY OF EULESS, TEXAS
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2012

	Business - Type Activities - Enterprise Funds					Governmental
	Water and Wastewater	Drainage Utility	Golf Course	Other Enterprise Funds	Total Enterprise Funds	Activities -
						Internal Service Funds
Reconciliation of operating income (loss)						
to net cash provided by						
operating activities						
Operating income (loss)	\$ 860,001	\$ (578,144)	\$ 83,617	\$ (43,440)	\$ 322,034	\$ (618,414)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation and amortization	1,753,239	678,623	458,903	327,680	3,218,445	791,586
Changes in assets and liabilities:						
Accounts receivable and unbilled revenue	65,103	158,069	24,837	18,461	266,470	(2,517)
Prepays and deposits	738	-	774	1,681	3,193	-
Inventory	(13,776)	-	(18,680)	(25,476)	(57,932)	-
Net OPEB asset	(292)	(42)	(86)	(9)	(429)	-
Net pension obligation	27,839	3,247	7,528	419	39,033	-
Accounts payable	789,078	9,616	13,925	9,694	822,313	332,965
Accrued salaries and wages	14,604	(687)	3,922	(24)	17,815	466
Accrued insurance claims	-	-	-	-	-	298,806
Customer and escrow deposit	36,544	-	-	-	36,544	-
Deferred revenue	-	-	15,577	-	15,577	-
Net cash provided by operating activities	\$ 3,533,078	\$ 270,682	\$ 590,317	\$ 288,986	\$ 4,683,063	\$ 802,892
Noncash financing activities						
Developer contributed assets	\$ 368,883	\$ -	\$ -	\$ -	\$ 368,883	
Reconciliation of cash to balance sheet:						
Cash - current	\$ 11,761,352	\$ 1,438,222	\$ 1,723,538	\$ 2,032,439	\$ 16,955,551	
Cash - restricted	2,710,812	-	-	-	2,710,812	
Cash and cash equivalents	\$ 14,472,164	\$ 1,438,222	\$ 1,723,538	\$ 2,032,439	\$ 19,666,363	

The Notes to the Basic Financial Statements are an integral part of these statements.

**CITY OF EULESS, TEXAS
STATEMENT OF NET ASSETS – FIDUCIARY FUNDS
SEPTEMBER 30, 2012**

	<u>Agency Funds</u>	<u>OPEB Trust Fund</u>
ASSETS		
Investments at fair value		
Money market account	\$ 1,934,418	\$ 81,660
Fixed income funds	-	666,462
Equity funds	-	1,082,818
	<hr/>	<hr/>
Total assets	<u>\$ 1,934,418</u>	1,830,940
LIABILITIES		
Due to other entities	\$ 1,933,917	400
Refunds payable	501	-
	<hr/>	<hr/>
Total liabilities	<u>\$ 1,934,418</u>	400
NET ASSETS		
Held in trust for OPEB		<u>\$ 1,830,540</u>

The Notes to the Basic Financial Statements
are an integral part of these statements.

**CITY OF EULESS, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
OPEB TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	OPEB Trust Fund
ADDITIONS	
Employer contributions	\$ 868,175
Other contributions	235,113
Investment income	
Net increase in fair value of investments	212,256
Less: investment expense	(8,144)
Net investment earnings	204,112
Total additions	1,307,400
DEDUCTIONS	
Insurance claims	611,115
Administrative expenses	87,373
Total deductions	698,488
Change in net assets	608,912
Net assets - beginning	1,221,628
Net assets - ending	\$ 1,830,540

The Notes to the Basic Financial Statements
are an integral part of these statements.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City of Euless (City) was incorporated on February 24, 1953. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: general government, police and fire protection, emergency ambulance service, road and traffic signal maintenance, water and wastewater operations, drainage system, parks and recreational facilities, courts, library services, planning land use, building inspection, and traffic control.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*, and by the Financial Accounting Standards Board (when applicable). Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

The more significant accounting policies of the City are described as follows:

Financial Reporting Entity

As required by GAAP, these basic financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. The blended component units, although legally separate entities, are, in substance, part of the primary government's operations. As such, data from these units is combined with data of the primary government.

Blended Component Units

The City includes three component units in the financial statements. The Euless Development Corporation (Corporation) is used to account for the accumulation of half-cent sales tax proceeds dedicated to building and improving City parks and facilities, enhancing library services, and stimulating economic development activities within the City. The Euless Crime Control and Prevention District (District) is used to account for the accumulation and use of quarter-cent sales tax proceeds dedicated for crime reduction programs. The Corporation and the District are reported as special revenue funds of the primary government. The Boards of Directors of both component units are substantively the same as the City Council. There are seven directors on each board, four of whom are council members which constitutes a voting majority of the City Council. The remaining three board members are residents of the City.

**CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Reporting Entity – Continued

Blended Component Units – Continued

Upon dissolution of the Corporation or the District, the entity's assets will be distributed to the City. Each component unit provides all of its services to the City. The financial statements for the units were obtained from the respective Boards of Directors. Financial information for both entities may be obtained from the City.

The Tax Increment Reinvestment Zone #3 - Glade Parks (TIRZ #3) is also reflected as a blended component unit of the City and is reflected in the financial statements as a special revenue fund. TIRZ #3 was created to stimulate development and enhance the value of taxable real property within the boundaries of the zone. Tarrant County and Tarrant County College District are taxing entities participating in TIRZ #3. The Board of Directors of TIRZ #3 is substantially the same as the City Council. The Board is comprised of seven directors, four of whom are council members which constitutes a voting majority of the City Council. The remaining three board members are representatives selected by the other participating taxing entities and the Tarrant County Hospital District.

Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the City, except fiduciary funds. The effect of interfund activity, with the exception of interfund services provided or used, within the governmental and business-type activities columns, 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 user fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation - Continued

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate compliance with various legal provisions. Separate statements are presented for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions are typically financed. The measurement focus of governmental funds is on the sources, uses, and balances of current financial resources. The City has presented the following major governmental funds:

General Fund

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest, and related costs on general long-term debt paid primarily from property taxes levied by the City. The fund balance of the Debt Service Fund is restricted exclusively for debt service expenditures.

Car Rental Tax Fund

The Car Rental Tax Fund is used to account for revenues received from the collection of short-term motor vehicle rental taxes and the expenditures thereof. Per contractual agreement, revenues are shared with the cities of Dallas and Fort Worth. The City's portion of the revenues is used primarily for debt reduction, one-time capital projects, and to maintain the property tax rate.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Continued

Half-Penny Sales Tax Fund

The Half-Penny Sales Tax Fund is used to account for the sales tax revenues and expenditures of the Eules Development Corporation, a component unit of the City of Eules. The expenditures of the half-penny sales tax can only be spent on parks, library, debt service, and economic development activities within the City of Eules.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary funds:

Water and Wastewater Fund

Water and Wastewater Fund is used to account for the acquisition, operation and maintenance of a municipal water and wastewater utility, supported primarily by user charges.

Drainage Utility Fund

Drainage Utility Fund is used to account for the acquisition, operation, and maintenance of a municipal drainage utility, supported primarily by user charges.

Golf Course Fund

Golf Course Fund is used to account for operation and maintenance of the City's golf course, supported primarily by user charges.

Additionally, the City reports the Internal Service Funds which are used to account for equipment replacement, risk management, and self-funded health insurance coverage and disability insurance provided to employees of the City.

The City also reports three fiduciary funds in the financial statements. The Stars Center Escrow Fund accounts for investments that will be held on behalf of the Dallas Stars until the debt issued for the specific purpose of purchasing the Star Center is fully repaid. The Glade Parks Escrow agency fund accounts for developer funds deposited with the City for contractor payments for public improvements in the Glade Parks Development on behalf of the developer. Upon satisfactory completion, any excess funds will be returned to the developer or a designee. The OPEB Trust Fund accounts for the accumulation and use of resources for benefit payments related to post-employment health care.

**CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Continued

Proprietary funds distinguish operating revenues and expenses from non-operating 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. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the statement of net assets and the operating statements present increases and decreases in total net assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water, wastewater, and drainage services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes and other revenues as available if they are collected within 60 days of year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and other long-term liabilities are recorded only when payment is due.

The significant revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income, and intergovernmental revenues. Sales taxes collected and held by the state at year end on behalf of the City are also recognized as revenue. All other governmental fund revenues are recognized when received.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deposits and Investments

Substantially all operating cash, deposits, and short-term investments are maintained in consolidated cash accounts or individual fund investment accounts. Related interest income is allocated to the various funds based primarily on ownership by each fund of specific investments. Cash equivalents consist of highly-liquid investments with original maturities of three months or less.

For purposes of the statement of cash flows, the City considers all highly liquid investments to be cash equivalents.

Investments in U.S. Treasury and agency obligations with maturities of one year or less when purchased are reported at amortized cost. All other investments are reported at fair value.

State statutes authorize the City to invest in obligations of the U.S. Government or its agencies; obligations of the State of Texas or its agencies; and certain other obligations, repurchase agreements, money market mutual funds, and certificates of deposits within established criterion.

Taxes

Property taxes are levied for appropriation for the fiscal year beginning on October 1, are due October 1, attach as an enforceable lien on property as of January 1, and become delinquent on February 1. Property taxes are accrued based on the period for which they are levied and available. Delinquent taxes estimated not to be available are treated as deferred revenue. Property taxes for cities, including those applicable to debt service, are limited by the Texas Constitution to \$2.50 per \$100 of assessed valuation. The City's current tax rate is \$.4700 per \$100 of assessed valuation (\$.4700 per \$100 last year) and assessed valuation is approximately 100% of estimated value.

Inventories

Inventories, which are recognized as expenditures/expenses as consumed, are stated at cost (first-in, first-out method) for the General Fund and Enterprise Funds. Inventories consist primarily of expendable supplies for the General Fund and merchandise for resale for the Enterprise Funds.

Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year.

**CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Interfund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Transactions Between Funds

Interfund services provided and used are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as a reduction of expenditures or expenses in the fund reimbursed. All other interfund transactions are recorded as transfers.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are recorded at fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

Assets capitalized have an original cost of \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	33 1/3 years
Water and wastewater system	33 1/3 years
Storm drainage system	33 1/3 years
Infrastructure	7 - 40 years
Machinery and equipment	5 - 15 years
Improvements	25 years

Compensated Absences

Employees may accumulate a maximum of two times their annual vacation accrual. The City's policy is to pay the employee accumulated vacation upon termination. The City does not pay employees for accumulated sick leave upon termination. Vacation pay accrued in the proprietary fund financial statements is reported as accrued salaries and wages (a current liability). Compensated absences are recorded in governmental funds as they mature (i.e. as taken). The liability for governmental fund compensated absences is typically liquidated in the general fund, the juvenile case fund, the half-penny sales tax fund, and the crime control and prevention district fund.

**CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Balance Classifications

Fund balances are classified as follows on the governmental fund financial statements:

	Reported in					
	General Fund	Debt Service Fund	Car Rental Tax Fund	Half-Penny Sales Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable	\$ 28,796	\$ -	\$ -	\$ 5,163	\$ 640	\$ 34,599
Restricted for						
Debt service	-	794,584	-	913,562	159,825	1,867,971
Capital projects	-	-	-	-	606,505	606,505
Developer agreements	-	-	-	-	1,428,599	1,428,599
Court technology	258,765	-	-	-	-	258,765
Juvenile case processing	-	-	-	-	106,374	106,374
PEG fees	-	-	-	-	158,603	158,603
Historical preservation	-	-	-	-	1,245	1,245
Assigned						
Capital projects	-	-	-	-	10,140,282	10,140,282
Betterments	42,887	-	-	-	-	42,887
Emergency/radio systems	47,230	-	-	-	-	47,230
Tourism and conference facilities	-	-	-	-	201,685	201,685
Parks, library, and economic development	-	-	-	1,821,655	-	1,821,655
Police department	-	-	-	-	650,393	650,393
Grants	-	-	-	-	77,327	77,327
Other	20,979	-	2,911,521	-	-	2,932,500
Unassigned	8,913,078	-	-	-	-	8,913,078
Total	\$ 9,311,735	\$ 794,584	\$ 2,911,521	\$ 2,740,380	\$ 13,531,478	\$ 29,289,698

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified prepaid items and inventory as being nonspendable.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

**CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Balance Classifications – Continued

The City has recorded the following restrictions at year-end:

- a. Restricted for debt service represents that portion of fund equity legally restricted for retirement of bond principal and payment of interest and related charges.
- b. Restricted for capital projects represents that portion of fund equity legally restricted by debt covenant for capital projects.
- c. Restricted for court technology represents funds collected from a court technology fee that must be used to upgrade court systems.
- d. Restricted for developer agreements represents the portion of fund equity that must be used for future improvements to various development areas within the City.
- e. Restricted for juvenile case processing represents funds collected from a fee on municipal court citations that must be used to support the expenditures associated with juvenile case processing.
- f. Restricted for PEG fees represents the portion of fund equity that must be used for the expansion of the City's public, educational, and government access channel.
- g. Restricted for historical preservation represents donations that must be used toward the preservation of Euless historical sites.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action (ordinance) of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City has no committed fund balance at year-end.

Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City Manager. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The City has recorded the following assignments at year-end:

- a. Assigned for capital projects represents revenue sources that are to be used for capital projects for the City.
- b. Assigned for betterment represents funds donated by citizens that are to be used for the betterment of the community.
- c. Assigned for emergency/radio systems represents funding that is to be used to upgrade emergency and radio systems.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Balance Classifications – Continued

- d. Assigned for tourism and conference center represents funds to promote the city through tourism, conference booking, and historical preservation.
- e. Assigned for parks, libraries, and economic development represents funds from sales taxes that are to be used for park improvements, library activities, and economic development throughout the City.
- f. Assigned for the police department are funds from the Crime Control and Prevention District and the sale of assets seized in connection with drug arrests to be used for police department expenditures.
- g. Assigned for grants are funds from grant revenues that are to be spent in accordance with grant provisions.
- h. Assigned for other are funds from specific revenues that are to be spent for facility remodel, victim assistance, and injured animals.

Unassigned: This classification includes all amounts that are not included in other spendable classifications.

When available, the City uses restricted fund balances first, followed by committed resources, assigned resources, then unassigned resources, as appropriate opportunities arise. However, the City reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Net Assets

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

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS

GASB 40 Disclosures

As of September 30, 2012, the City's portfolio contained the following investments:

Investment Type	Book Value	Fair Value	% of Portfolio	WAM	Rating	Rating Agency
Overnight pools						
TexPool	\$ 16,312,680	\$ 16,312,680	25.51%	40	AAAm	S&P
TexStar	14,677,059	14,677,059	22.95%	46	AAAm	S&P
LOGIC	71	71	0.00%	48	AAAm	S&P
Bank of Texas	16,041	16,041	0.03%	39	AAAm	S&P
Total overnight	31,005,851	31,005,851	48.48%			
Investment securities						
FFCB	4,679,375	4,681,142	7.32%	29	AA+/Aaa	S&P/Moody's
FHLB	18,050,066	18,060,397	28.24%	81	AA+/Aaa	S&P/Moody's
FHLMC	6,175,091	6,190,716	9.68%	51	AA+/Aaa	S&P/Moody's
FNMA	3,014,981	3,016,120	4.72%	18	AA+/Aaa	S&P/Moody's
FAMCA	1,000,000	1,000,320	1.56%	7		
Total investment securities	32,919,513	32,948,695	51.52%			
Total portfolio	\$ 63,925,364	\$ 63,954,546	100.00%	186		

Weighted average maturity (WAM) of the portfolio by investment type categories reflected in the previous table is stated in days. For the investment pools, the Reset WAM is presented. Investment type acronyms displayed in the previous table are defined as follows: FFCB – Federal Farm Credit Bank, FHLB – Federal Home Loan Bank, FHLMC – Federal Home Loan Mortgage Corporation, FNMA – Federal National Mortgage Association, and FAMCA – Federal Agricultural Mortgage Corporation. The rating agency acronyms are defined as follows: S&P – Standard and Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. and Moody's – Moody's Investor Service, Inc. Additional information about the rating agency or the significance of the ratings provided may be obtained from the agency's web site.

Deposits

State statutes and the City's investment policy require that all uninsured deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies or instrumentalities or direct obligations of Texas or its agencies or instrumentalities that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by state statutes as of September 30, 2012. At year-end, the carrying amount of the City's deposits was a credit balance of \$12,726, with a bank balance of \$722,832.

**CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2. DEPOSITS AND INVESTMENTS

GASB 40 Disclosures – Continued

Deposits – Continued

The total bank balance is covered by Federal Depository Insurance Corporation (FDIC) insurance. The additional collateral is held by The Federal Reserve Bank in the City's name under a joint safekeeping agreement with Frost National Bank. The market value of the collateral at the close of the fiscal year was \$1,876,281.

Investments

State statutes, City bond ordinances, and City resolutions authorize the City's investments. The City is authorized to invest in obligations of the U.S. Government and its agencies and instrumentalities, obligations of the State of Texas and its agencies and instrumentalities, fully insured or collateralized certificates of deposit, fully-collateralized repurchase agreements and reverse repurchase agreements, government pools, and no-load SEC-registered money market funds consisting of any of these securities listed.

Because the City is responsible for the investment portfolio of its component units, the City's investment practices and policies disclosed herein apply equally to its component units. During the year ended September 30, 2012, the City did not own any types of securities other than those permitted by statute.

The City's investment pools are 2a7-like pools. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This type of pool uses amortized investment costs rather than market values to compute participant share values. Furthermore, the pools in which the City is currently participating seek to maintain a stable \$1 net asset value per share or unit. Accordingly, the fair value of the City's position in these pools is substantially the same as the market value of the shares in each of the pools.

TexPool falls under the purview of the Texas Comptroller of Public Accounts (Comptroller) who is responsible for oversight of TexPool operations. Federated Investors is responsible for managing pool assets and day-to-day operations. TexStar is duly chartered and administered by First Southwest Asset Management, Inc. and JPMorgan Chase Investment Management, Inc. TexStar has established a governing board that is partially comprised of pool participants. Duties of the governing board include oversight responsibility. The Comptroller and the governing board exercise oversight of the pools' activities via daily, weekly, and monthly reporting requirements. Additionally, per the requirements of the Public Funds Investment Act (PFIA), all pools will maintain an AAA or equivalent rating from at least one nationally recognized rating agency. The PFIA also requires an annual examination of the financial statements of the pools by an independent certified public accounting firm. In connection with the financial audit, a compliance audit of management controls on investments and adherence to the investment policies is also required.

**CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2. DEPOSITS AND INVESTMENTS – CONTINUED

GASB 40 Disclosures – Continued

Interest Rate Risk

In compliance with the City’s Investment Policy, as of September 30, 2012, the City minimized the interest rate risk, the risk relating to the decline in market value of securities in the portfolio, by: limiting the weighted average maturity to 365 days and the stated maturity to two years or less, with the exception of securities purchases related to reserve funds; structuring the investment portfolio so that securities matured to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the secondary market prior to maturity; monitoring credit ratings of portfolio positions to assure compliance with rating requirements imposed by the PFIA; and investing operating funds primarily in money market mutual funds, government investment pools, and shorter-term securities with a weighted average maturity of less than 100 days.

The following table details the maturity schedule for the City’s investments as of September 30, 2012.

<u>Maturity Schedule</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
Overnight	\$ 31,005,851	\$ 31,005,851	48.48%
up to 6 months	1,550,184	1,551,847	2.43%
6 to 9 months	7,999,375	8,002,735	12.51%
9 to 12 months	10,015,047	10,019,210	15.67%
12 to 18 months	12,454,907	12,467,406	19.49%
18 to 24 months	-	-	0.00%
Over 24 months	900,000	907,497	1.42%
Total	<u>\$ 63,925,364</u>	<u>\$ 63,954,546</u>	<u>100.00%</u>

Credit Risk

In compliance with the City’s Investment Policy, as of September 30, 2012, the City minimized credit risk losses due to default of a security issuer or backer, by: limiting investments to the safest types of securities; primarily investing in U.S. Agency Bonds rated AA+ by Standard & Poor’s; pre-qualifying financial institutions, brokers/dealers, and advisors with which the City will do business; and diversifying the investment portfolio so that the potential losses on securities are minimized.

**CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 2. DEPOSITS AND INVESTMENTS – CONTINUED

GASB 40 Disclosures – Continued

Credit Risk – Continued

Custodial credit risk – the risk that a government will not be able to recover (a) deposits if the depository financial institution fails or (b) the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails. To minimize such risk, the City requires collateralization of deposits in excess of FDIC coverage, utilizes the delivery vs. payment method for investment purchases, and contracts with a third-party safekeeping agent.

Per the terms of its depository agreement, for bank deposits in excess of the coverage provided by the FDIC, the City requires the depository bank to pledge to the City securities (collateral) equal to the following percentages, as applicable, to the largest balances the City maintains in the bank.

Type of Collateral	Other Securities
Eligible collateral other than mortgage-backed securities	102%
Mortgage-backed securities	100%

The percentages as shown reflect the requirement based on market value of the pledged securities. The City actively monitors and manages collateral levels for all deposits. On September 30, 2012, the City’s bank balances were insured or fully collateralized.

The City’s depository bank also acts as its safekeeping agent per the terms of the depository contract. City policy dictates that all securities rendered for payment will be sent delivery vs. payment, meaning that the funds required for purchase of a security will not be released until the safekeeping agent has received the security purchased in the City’s name. No broker holds City funds. The City does not purchase securities from its depository bank or any subsidiary banks of the same bank holding company.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3. CAPITAL ASSETS

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

	Balance Beginning of Year	Increase	Decrease	Adjustment/ Transfer	Balance End of Year
Governmental activities					
Capital assets not being depreciated					
Land	\$ 26,349,839	\$ 4,249	\$ -	\$ -	\$ 26,354,088
Construction in progress	3,194,452	1,478,799	-	(602,125)	4,071,126
Total capital assets not being depreciated	29,544,291	1,483,048	-	(602,125)	30,425,214
Capital assets being depreciated					
Buildings	54,745,286	-	(59,400)	-	54,685,886
Improvements other than buildings	5,224,382	74,157	-	5,500	5,304,039
Infrastructure	64,094,327	1,864,103	-	596,625	66,555,055
Machinery and equipment	7,650,039	274,890	(861,256)	-	7,063,673
Total capital assets being depreciated	131,714,034	2,213,150	(920,656)	602,125	133,608,653
Less accumulated depreciation					
Buildings	(14,533,108)	(1,593,666)	58,768	-	(16,068,006)
Improvements other than buildings	(2,771,500)	(182,277)	-	-	(2,953,777)
Infrastructure	(27,711,832)	(1,883,006)	-	-	(29,594,838)
Machinery and equipment	(4,748,030)	(418,026)	815,201	-	(4,350,855)
Total accumulated depreciation	(49,764,470)	(4,076,975)	873,969	-	(52,967,476)
Total capital assets being depreciated, net	81,949,564	(1,863,825)	(46,687)	602,125	80,641,177
Total governmental fund capital assets, net	111,493,855	(380,777)	(46,687)	-	111,066,391
Internal service funds					
Capital assets being depreciated					
Machinery and equipment	7,824,437	471,913	(184,468)	-	8,111,882
Total internal service assets being depreciated	7,824,437	471,913	(184,468)	-	8,111,882
Less accumulated depreciation					
Machinery and equipment	(5,513,774)	(791,585)	181,224	-	(6,124,135)
Total internal service funds capital assets, net	2,310,663	(319,672)	(3,244)	-	1,987,747
Total governmental activities capital assets, net	\$ 113,804,518	\$ (700,449)	\$ (49,931)	\$ -	\$ 113,054,138

**CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 3. CAPITAL ASSETS – CONTINUED

	Balance Beginning of Year	Increase	Decrease	Adjustment/ Transfer	Balance End of Year
Business-type activities					
Capital assets not being depreciated					
Land	\$ 3,365,929	\$ 252,616	\$ -	\$ -	\$ 3,618,545
Construction in progress	1,525,832	353,783	-	(259,745)	1,619,870
Total assets not being depreciated	4,891,761	606,399	-	(259,745)	5,238,415
Capital assets being depreciated					
Buildings	4,278,066	17,500	(186,465)	-	4,109,101
Equipment	2,266,996	101,876	(96,310)	-	2,272,562
Improvements	17,862,799	-	-	-	17,862,799
Utility system	85,013,233	829,305	-	259,745	86,102,283
Total capital assets being depreciated	109,421,094	948,681	(282,775)	259,745	110,346,745
Less accumulated depreciation					
Buildings	(1,745,587)	(128,360)	87,937	-	(1,786,010)
Equipment	(1,768,187)	(137,821)	95,736	-	(1,810,272)
Improvements	(6,645,914)	(651,956)	-	-	(7,297,870)
Utility system	(39,590,732)	(2,228,003)	-	-	(41,818,735)
Total accumulated depreciation	(49,750,420)	(3,146,140)	183,673	-	(52,712,887)
Total capital assets being depreciated, net	59,670,674	(2,197,459)	(99,102)	259,745	57,633,858
Total business-type activities capital assets, net	\$ 64,562,435	\$ (1,591,060)	\$ (99,102)	\$ -	\$ 62,872,273

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental activities

General administrative	\$ 1,099,415
Public safety	681,090
Development services	330,586
Culture and recreation	775,846
Highways and streets	1,981,623
Total depreciation expense - governmental activities	<u>\$ 4,868,560</u>

Business-type activities

Water and wastewater	\$ 1,741,767
Drainage utility	678,623
Golf course	409,819
Other	315,931
Total depreciation expense - business-type activities	<u>\$ 3,146,140</u>

**CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 3. CAPITAL ASSETS – CONTINUED

Outstanding commitments at September 30, 2012, under authorized construction contracts, were approximately \$968,845. These outstanding commitments are to be financed by available deposit and investment balances, which include proceeds from previous bond issuances.

NOTE 4. LONG-TERM DEBT

At September 30, 2012, bonds payable consisted of the following individual issues:

	<u>Governmental</u>	<u>Business-type</u>
\$5,490,000 Series 2003, General Obligation Refunding Bonds, dated January 15, 2003, due in annual installments through 2016, bearing interest rates of 3.00% to 4.00%.	\$ 1,550,000	\$ -
\$11,095,000 Series 2004, General Obligation Refunding Bonds, dated February 24, 2004, due in annual installments through 2027, bearing interest rates of 2.00% to 4.50%.	-	8,165,000
\$3,200,000 Series 2004A, General Obligation Bonds, dated June 15, 2004, due in annual installments through 2024, bearing interest rates of 3.50% to 5.00%.	145,000	-
\$4,720,000 Series 2004, Revenue Certificates of Obligation, dated June 15, 2004, due in annual installments through 2024, bearing interest rates of 3.50% to 5.25%.	195,000	-
\$2,145,000 Series 2004, Waterworks and Sewer System Revenue Bonds, dated June 15, 2004, due in annual installments through 2024, bearing interest rates of 3.50% to 5.25%.	-	95,000
\$13,900,000 Series 2005, General Obligation Refunding Bonds, dated March 1, 2005, due in annual installments through 2020, bearing interest rates of 2.40% to 5.00%.	9,280,000	-
\$8,110,000 Series 2010, Taxable General Obligation Refunding Bonds, dated August 15, 2010, due in annual installments through 2025, bearing interest rates of 0.68% to 4.40%.	7,155,000	-
\$6,575,000 Series 2011, General Obligation Refunding Bonds, dated January 15, 2011, due in annual installments through 2021, bearing interest rates of 2.00% to 4.00%.	6,575,000	-
\$3,035,000 Series 2011, Revenue Certificates of Obligation, dated January 15, 2011, due in annual installments through 2030, bearing interest rates of 3.00% to 4.25%.	3,035,000	-

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4. LONG-TERM DEBT – CONTINUED

	Governmental	Business-type
\$3,340,000 Series 2012, Waterworks and Sewer System Revenue Refunding Bonds, dated March 29, 2012, due in annual installments through 2024, bearing interest at 2.03%.	-	3,340,000
\$3,785,000 Series 2012, Sales Tax Revenue Refunding Bonds, dated January 4, 2012, due in annual installments through 2019, bearing interest at 1.43%.	2,910,000	-
\$5,955,000 Series 2012, General Obligation Refunding Bonds, dated December 1, 2011, due in annual installments through 2024, bearing interest rates of 2.00% to 4.00%.	5,210,000	-
	\$ 36,055,000	\$ 11,600,000

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2012:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due within One Year
Governmental activities					
General obligation bonds	\$ 29,235,000	\$ 5,955,000	\$ (5,275,000)	\$ 29,915,000	\$ 2,780,000
Certificates of obligation	6,590,000	-	(3,360,000)	3,230,000	320,000
Sales tax revenue bonds	3,715,000	3,785,000	(4,590,000)	2,910,000	860,000
Capital leases	356,896	-	(84,372)	272,524	87,527
Deferred loss on debt refunding	(962,988)	(485,384)	200,031	(1,248,341)	(151,452)
Premium on bonds	684,073	260,434	(109,459)	835,048	88,781
Discount on bonds	(94,578)	-	12,040	(82,538)	(6,677)
Net pension obligation	2,164,167	205,731	-	2,369,898	-
Compensated absences	1,611,411	1,353,746	(1,278,585)	1,686,572	168,657
Total governmental activities	43,298,981	11,074,527	(14,485,345)	39,888,163	4,146,836
Business-type activities					
Water and sewer revenue bonds	3,580,000	3,340,000	(3,485,000)	3,435,000	330,000
General obligation refunding bonds	8,675,000	-	(510,000)	8,165,000	525,000
Deferred loss on debt refunding	(696,195)	(241,244)	127,018	(810,421)	(49,783)
Discount on bonds	(129,254)	-	9,099	(120,155)	9,098
Net pension obligation	421,715	39,033	-	460,748	-
Compensated absences	243,991	223,154	(212,599)	254,546	25,455
Total business-type activities	12,095,257	3,360,943	(4,071,482)	11,384,718	839,770
Total primary government	\$ 55,394,238	\$ 14,435,470	\$ (18,556,827)	\$ 51,272,881	\$ 4,986,606

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4. LONG-TERM DEBT – CONTINUED

The liability for the governmental fund net pension obligation is typically liquidated in the general fund, the juvenile case fund, the half-penny sales tax fund, and the crime control and prevention district fund.

Defeased Debt Outstanding

In fiscal year 2012, the City executed a current refunding of \$400,000 series 2001 general obligation bonds, \$270,000 series 2001 certificates of obligation, and \$40,000 series 2006 general obligation refunding bonds and an advance refunding of \$2,905,000 series 2004 certificates of obligation and \$2,110,000 series 2004A general obligation bonds. The bonds and certificates were refunded with the issuance of \$5,955,000 of series 2012 general obligation refunding bonds dated December 1, 2011 bearing stated interest rates ranging from 2.00% to 4.00%. The net proceeds from the refunding issue along with a cash contribution totaling \$6,225,431 were used to purchase state and local government securities (SLGS). Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the current (February) and advance refunded debt. As a result, the refunded debt is considered defeased and the liability has been removed from the City's government-wide financial statements.

The refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt of \$410,734 which is reported in the accompanying financial statements as a reduction of bonds payable and is amortized annually through the year 2024 using the effective interest method. As a result of the refunding, the City reduced its total debt service requirements over the next 12 years by \$562,515, which resulted in an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$455,005.

Also in fiscal year 2012, the City executed a current refunding of \$1,990,000 series 2006 water and wastewater revenue refunding bonds and an advance refunding of \$1,405,000 series 2004 water and wastewater revenue bonds. The bonds were refunded with the issuance of \$3,340,000 of series 2012 water and wastewater refunding bonds dated March 29, 2012 bearing an interest rate of 2.03%. The net proceeds from the refunding issue along with a cash contribution totaling \$3,557,775 were used to purchase SLGS. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the current (April) and advance refunded debt. As a result, the refunded debt is considered defeased and the liability has been removed from the financial statements.

The refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt of \$241,244 which is reported in the accompanying financial statements as a reduction of bonds payable and is amortized annually through the year 2024 using the effective interest method. As a result of the refunding, the City reduced its total debt service requirements over the next 12 years by \$334,844, which resulted in an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$287,279.

**CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 4. LONG-TERM DEBT – CONTINUED

Defeased Debt Outstanding – Continued

In fiscal year 2012, the Euleless Development Corporation (EDC), a blended component unit of the City, also executed a current refunding of its outstanding debt of \$2,655,000 series 2002 sales tax revenue bonds and \$1,060,000 series 2006 sales tax revenue refunding bonds. The bonds were refunded with a single issue of \$3,785,000 of series 2012 sales tax revenue refunding bonds dated January 12, 2012 bearing an interest rate of 1.43%. The net proceeds from the refunding issue along with a cash contribution totaling \$3,834,427 provided sufficient resources for the completion of the refunding transaction.

The EDC refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt of \$74,650 which is reported as a reduction of bonds payable and is amortized annually through the year 2019 using the effective interest method. The refunding was undertaken to reduce total debt service payments over the next eight years by \$225,524 and to obtain an economic savings of \$206,480.

All other previously defeased debt has been redeemed.

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for each bond type for the years subsequent to September 30, 2012, are as follows:

General Obligation Bonds:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	\$ 2,780,000	\$ 1,092,050	\$ 525,000	\$ 322,475	\$ 4,719,525
2014	3,035,000	1,002,179	545,000	304,406	4,886,585
2015	3,135,000	900,084	560,000	285,069	4,880,153
2016	3,255,000	784,324	585,000	264,666	4,888,990
2017	2,970,000	668,599	435,000	245,906	4,319,505
2018-2022	11,730,000	1,687,661	2,465,000	947,284	16,829,945
2023-2027	3,010,000	207,778	3,050,000	355,603	6,623,381
	<u>\$ 29,915,000</u>	<u>\$ 6,342,675</u>	<u>\$ 8,165,000</u>	<u>\$ 2,725,409</u>	<u>\$ 47,148,084</u>

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4. LONG-TERM DEBT – CONTINUED

Annual Requirements to Retire Debt Obligations – Continued

Certificates of Obligation:

	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2013	\$ 320,000	\$ 118,991	\$ -	\$ -	\$ 438,991
2014	130,000	111,244	-	-	241,244
2015	130,000	107,344	-	-	237,344
2016	135,000	103,444	-	-	238,444
2017	140,000	99,394	-	-	239,394
2018-2022	775,000	421,768	-	-	1,196,768
2023-2027	940,000	256,018	-	-	1,196,018
2028-2030	660,000	56,688	-	-	716,688
	<u>\$ 3,230,000</u>	<u>\$ 1,274,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,504,891</u>

Revenue Bonds:

	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2013	\$ 860,000	\$ 41,613	\$ 330,000	\$ 71,697	\$ 1,303,310
2014	875,000	29,315	345,000	63,032	1,312,347
2015	890,000	16,803	350,000	56,028	1,312,831
2016	165,000	4,076	355,000	48,924	573,000
2017	45,000	1,716	365,000	41,716	453,432
2018-2022	75,000	1,644	1,415,000	98,964	1,590,608
2023-2027	-	-	275,000	8,322	283,322
	<u>\$ 2,910,000</u>	<u>\$ 95,167</u>	<u>\$ 3,435,000</u>	<u>\$ 388,683</u>	<u>\$ 6,828,850</u>

**CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 4. LONG-TERM DEBT – CONTINUED

Annual Requirements to Retire Debt Obligations – Continued

Water and sewer revenue bonds authorized and unissued as of September 30, 2012, amounted to \$1,200,000. The water and sewer bonds were authorized in 1970, and currently the City Council has no intent to issue these bonds.

Water and sewer revenue bonds and refunding revenue bonds are payable solely from and equally secured by a first lien on and pledge of the net revenue of the City's combined waterworks and sanitary sewer system.

In accordance with the water and sewer revenue and refunding bond ordinances, the following reserves were established:

Reserve for revenue bond debt service – to be used for retirement of the current portion of principal and interest payments due.

Reserve for emergency – to be used for payment of extraordinary repairs or replacements to the system necessitated by an emergency for which no other funds are available.

Revenue bond reserve – a reserve established with a portion of the bond proceeds pursuant to the revenue bond covenants which will be used for principal and interest payments in the event of default by the issuer.

Should the reserve for revenue bond debt service and/or the revenue bond reserve prove deficient, the reserve for emergency shall be used for the purpose of meeting principal and/or interest requirements of the bonds.

All funding requirements for the above reserves were met at September 30, 2012.

Investments of funds included in the bond reserve and emergency accounts are restricted to obligations of the United States or its agencies or instrumentalities (except for mortgage pass-through securities).

Capital Lease

The City has entered into a capital lease agreement under which the related equipment will become the property of the City when all terms of the lease agreement are met.

**CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 4. LONG-TERM DEBT – CONTINUED

Capital Lease – Continued

As of September 30, 2012, capital lease annual amortization is as follows:

	Governmental Activities	Business-Type Activities	Total
2013	\$ 97,720	\$ -	\$ 97,720
2014	97,719	-	97,719
2015	97,720	-	97,720
Total	293,159	-	293,159
Less interest	(20,635)	-	(20,635)
Present value of remaining payments	<u>\$ 272,524</u>	<u>\$ -</u>	<u>\$ 272,524</u>

Equipment and related accumulated amortization under capital leases are as follows at September 30, 2012:

	Governmental Activities	Business-Type Activities
Equipment	\$ 494,322	\$ -
Less: accumulated amortization	(49,432)	-
Net book value	<u>\$ 444,890</u>	<u>\$ -</u>

NOTE 5. COMMITMENTS AND CONTINGENT LIABILITIES

The City entered into a 50-year contract dated September 25, 1973, with the Trinity River Authority of Texas (TRA) whereby TRA agrees to provide supplemental water service and wastewater treatment to the City. Payments by the City are based on metered usage at rates designed to charge the City a prorata share of TRA's annual operating and maintenance expenses and principal and interest requirements on bonds issued by TRA. Payments under this contract approximated \$7,894,304 and are included as operating expenses of the water and wastewater fund.

The City entered into a 20-year contract dated February 2, 2010, with the City of Fort Worth (Fort Worth) whereby Fort Worth agreed to provide reclaimed water service to the City. Payments by the City are based on metered volume. Payments under this contract were \$172,578 in the year ended September 30, 2012 and are included as operating expenses of the water and wastewater fund.

**CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 5. COMMITMENTS AND CONTINGENT LIABILITIES – CONTINUED

The City is involved in a number of lawsuits arising in the ordinary course of business. In the opinion of the City's legal counsel and management, any liability resulting from such litigation would not be material in relation to the City's financial position.

NOTE 6. SERVICE CENTER

The water and wastewater enterprise fund historically bears the major portion of the operating costs of the City's service center, which provides services to all City departments.

NOTE 7. INTERFUND TRANSFERS

All interfund transfers between the various funds are approved supplements to the operations of those funds.

	Transfers in			
	<i>Major Governmental</i>		Non-major	Subtotal
	General	Debt Service	Governmental	Governmental
<u>Transfers out</u>				
General	\$ -	\$ -	\$ 71,329	\$ 71,329
Car rental tax	1,356,975	196,903	5,086,500	6,640,378
Half penny sales tax	68,115	-	125,000	193,115
Water and wastewater	929,090	-	-	929,090
Drainage utility	35,211	-	-	35,211
Nonmajor governmental	43,333	96,447	125,115	264,895
Total transfers in	<u>\$ 2,432,724</u>	<u>\$ 293,350</u>	<u>\$ 5,407,944</u>	<u>\$ 8,134,018</u>

	Transfers in			
	<i>Major Enterprise</i>		Subtotal	Total
	Internal Service	Golf Course	Proprietary	Transfers Out
<u>Transfers out</u>				
General	\$ 225,000	\$ 15,954	\$ 240,954	\$ 312,283
Car rental tax	-	-	-	6,640,378
Half penny sales tax	-	-	-	193,115
Water and wastewater	225,000	-	225,000	1,154,090
Drainage utility	-	-	-	35,211
Non-major governmental	-	257,718	257,718	522,613
Total transfers in	<u>\$ 450,000</u>	<u>\$ 273,672</u>	<u>\$ 723,672</u>	<u>\$ 8,857,690</u>

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7. INTERFUND TRANSFERS – CONTINUED

Transfers are primarily used to move funds from:

- The general fund to the non-major governmental funds to satisfy grant matching requirements.
- The car rental tax fund, the water and wastewater fund, the drainage utility fund, and non-major governmental funds to the general fund for general and administrative charges.
- The car rental tax fund to the debt service fund for the principal and interest on previously issued bonds.
- The half-penny sales tax fund to non-major governmental funds for approved capital projects.
- The non-major governmental funds to the debt service fund for the interest payment on the 2011 certificates of obligation.
- The car rental tax fund to the non-major governmental funds to provide funding for approved capital projects.
- The non-major governmental funds to non-major governmental funds for approved capital projects.
- The general fund and water and wastewater fund to the internal service funds for workers' compensation and general liability insurance claims.
- The general fund to the golf course fund to rebate the City portion of sales taxes paid.
- The non-major government funds to the golf course fund to cover a portion of the operating and debt costs associated with the conference center.

NOTE 8. 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 participates in the Texas Municipal League Joint Self-Insurance Fund (TMLIF) to provide both general liability and property insurance.

The City, along with other participating entities, contributes annual amounts determined by TMLIF management. As claims arise they are submitted to and paid by TMLIF. The City is not liable for payments beyond their annual contributions to TMLIF and related deductibles.

In fiscal year 2006, the City contracted with the Texas Municipal League Intergovernmental Risk Pool to provide workers' compensation insurance and effectively discontinued being self-insured for workers' compensation claims. This policy has no deductibles, includes all claims handling, and has a fixed premium.

In fiscal years prior to 2006, the City was self-insured for workers' compensation claims. Contributions were made to a separate risk management fund by other funds and were available to pay claims, claim reserves, and administrative costs of the program. The City remains liable under its self-insurance program for any claims occurring prior to October 1, 2005.

**CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 8. RISK MANAGEMENT – CONTINUED

The City provides employee health insurance coverage on a self-insured basis. Premiums are paid into a separate insurance fund by other funds, by the City's employees, and by retirees. The premiums are used to fund claims, administrative costs of the program, and claim reserves. An excess coverage insurance policy covers individual claims in excess of \$100,000 and aggregate claims in excess of \$4,028,430. During fiscal year 2012, the City and the City's employees contributed approximately \$3,739,902 and \$1,126,738 respectively, for medical coverage. The City's contributions are accounted for as interfund services provided and used. Claims liabilities are based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported, and are accounted for in the Insurance Internal Service Fund.

Changes in the balances of health and dental claims liabilities for the years ended September 30 are as follows:

	2012	2011
Unpaid claims, beginning of year	\$ 493,342	\$ 546,269
Incurred claims	4,135,486	2,984,821
Paid claims	(3,907,406)	(3,037,748)
 Unpaid claims, end of year	 \$ 721,422	 \$ 493,342

Settlement amounts have not exceeded stop loss insurance coverage for the year ended September 30, 2012 or any of the three preceding years ended September 30.

NOTE 9. EMPLOYEE RETIREMENT SYSTEM

Plan Description

The City provides pension benefits for all 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 TMRS. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on the TMRS website at www.TMRS.com.

**CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 9. EMPLOYEE RETIREMENT SYSTEM – CONTINUED

Plan Description – Continued

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

	Plan Year 2010	Plan Year 2011
Employee deposit rate	7.00%	7.00%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contribution

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:

Annual required contribution (ARC)	\$ 4,627,989
Interest on net pension obligations	193,941
Adjustment to the ARC	<u>(160,464)</u>
Annual pension cost (APC)	4,661,466
Contributions made	<u>4,416,702</u>
Increase (decrease) in net pension obligation	244,764
Net pension obligation, beginning of year	<u>2,585,882</u>
Net pension obligation, end of year	<u><u>\$ 2,830,646</u></u>

**CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 9. EMPLOYEE RETIREMENT SYSTEM – CONTINUED

Contribution – Continued

The required contribution rates for fiscal year 2012 were determined as a part of the December 31, 2009 and 2010 actuarial valuations. Additional information from those valuations:

Valuation date	December 31, 2009	December 31, 2010	December 31, 2011
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
Remaining amortization period	28 years - closed	27.2 years - closed	26.1 years - closed
Asset valuation method	10 year Smoothed Market	10 year Smoothed Market	10 year Smoothed Market
Actuarial assumption			
Investment rate of return	7.5%	7.0%	7.0%
Projected salary increases	Varies by age/service	Varies by age/service	Varies by age/service
Inflation	3%	3%	3%
Cost of living adjustments	2.1%	2.1%	2.1%
Euleless payroll growth assumptions	3%	3%	3%

For cities with repeating features in their plans, changes in the valuation methodology would likely result initially in higher required contributions and lower funded ratios. However, the funded ratio should show steady improvement over time. The City has adopted the updated service credit and annuity increase provisions on an annually repeating basis. The schedule of funding progress, presented as Required Supplementary Information immediately following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Funded Status and Funding Progress

The funded status of the plan is presented as follows as of actuarial valuation dated December 31:

Valuation Dated December 31	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Fund Ratio	Annual Covered Payroll	UAAL as % of Payroll
2009	\$ 71,502,626	\$ 102,289,037	\$ 30,786,411	69.90%	\$ 22,810,769	134.96%
2010	111,425,190	134,305,874	22,880,684	82.96%	22,615,709	101.17%
2011	121,232,189	142,935,453	21,703,264	84.82%	22,698,035	95.62%

**CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 9. EMPLOYEE RETIREMENT SYSTEM – CONTINUED

Funded Status and Funding Progress – Continued

Annual pension cost and percentage of pension cost contributed are as follows:

Fiscal Year Ended 9/30	Annual Pension Cost	Actual Contribution Made	Percentage Contributed	Net Pension Obligation at Year End
2010	\$ 4,525,085	\$ 2,820,150	62%	\$ 1,704,935
2011	4,867,639	3,986,692	82%	2,585,881
2012	4,661,466	4,416,702	95%	2,830,646

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.

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS

Postemployment Healthcare Plan

Plan Description

The City adopted the City of Euless Post-Employment Benefits Trust (OPEB Trust) by passage of Resolution No. 09-1319 on September 8, 2009 which authorized participation in the PARS Public Agencies Post-Retirement Health Care Plan Trust, including the City of Euless Public Agencies Post-Retirement Health Care Plan (the Plan), as part of the City’s Retirement Program. Article III of the Public Agencies Post-Retirement Health Care Plan Master Plan Document as adopted provides for the determination of eligibility under the plan to each participating Employer to the extent provided in the Employer’s applicable policies.

The City’s policies with regard to post-employment healthcare coverage are governed by the City of Euless Medical and Dental Plan, the City’s group health insurance plan, the benefits of which are established by management.

The City provides postemployment medical, dental, life, and vision benefits under the Plan to eligible retirees and dependents qualifying as one of the eligible classes of dependents as described in the Plan. To be eligible for coverage under the Plan, an employee must retire with the City of Euless and be eligible for retirement through TMRS. TMRS retirement eligibility requirements are described in detail in Note 9. Additionally, written application to enroll himself/herself and all eligible dependents (for which coverage is elected) in the Plan must be made by the employee prior to or on the retirement date.

**CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Postemployment Healthcare Plan – Continued

The Plan provides lifetime benefits or until Medicare eligibility is attained. Regardless of Medicare enrollment status, the Plan will base payment of benefits as though Medicare were responsible for primary payment of benefits inasmuch as allowed by Federal law.

The Plan is a single-employer defined benefit healthcare plan administered by the City Manager, his/her successor, or his/her designee. Separate financial statements for the Plan are not issued, but rather are included in the financial statements of the City which are available on-line at <http://www.eulesstx.gov/finance/cafr.htm>.

The OPEB Trust is an agent multiple-employer trust arrangement established to provide economies of scale and efficiency of administration to public agencies. The OPEB Trust is established as a tax-exempt trust within the meaning of Section 115 of the Internal Revenue Code and is intended to hold the assets used to fund the City's post-employment benefits offered by the City to its employees as specified in the City's policies.

The OPEB Trust is administered by Public Agency Retirement Services pursuant to the Trust Agreement adopted on September 8, 2009 by the City Council with passage of Resolution No. 09-1319. Upon adoption of the Trust Agreement, a separate Agency Account was established under the OPEB Trust for the City, and all assets of the Trust attributable to the City are held in the City's Agency Account. The assets of the Trust are available only to pay postemployment healthcare benefits of eligible employees of the City and their dependents and other associated administrative costs.

Funding Policy

A Participant in the OPEB Trust is required from time-to-time to contribute to its Agency Account an amount determined by such Participant at its sole discretion. Such amount may, but need not, equal such Participant's annual required contribution (ARC) as determined in accordance with GASB 45. However, it is currently the intent of the Plan Administrator to annually fund an amount equal to, or in excess of, the ARC. This intent is subject to change and is subject to annual appropriation.

**CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Funding Policy – Continued

Contribution requirements of Plan members and the City are determined by the Plan Administrator and may be amended by same from time to time. Plan members contribute:

	Monthly Premiums	
	Medical and Dental	Vision
Retiree only	\$ 694.94	\$ 7.08
Retiree plus spouse	1,464.60	13.76
Retiree plus family	1,819.90	19.44
Retiree plus children	1,227.78	11.58

Retired employees meeting all eligibility requirements as set forth in the Plan that were hired prior to October 1, 2006 and are either:

- a) Retired and enrolled in the Plan on or prior to September 30, 2007; or
- b) Retired and not enrolled in the Plan on or prior to September 30, 2007 and meet guidelines for reinstatement to the Plan; or
- c) Employees who were not retired as September 30, 2007 that retire with at least ten years of service to the City of Euless and have a combined age and years of service equal to at least 70

will qualify for a service discount on their total premium, subject to annual appropriation, as set forth in the table below. Retired employees meeting all eligibility requirements as set forth in the Plan that were hired after October 1, 2006 retiring with a minimum of 20 years of service with a combined age and years of service to the City of Euless equal to at least 80 qualify for a service discount on their total premium, subject to annual appropriation, as set forth in the following:

Service	Discounts on Premiums			
	Hired Pre-10/2006		Hired Post-10/2006	
	Retiree	Retiree+	Retiree	Retiree+
10 to 14 years	15%	30%	N/A	N/A
15 to 19 years	25%	40%	N/A	N/A
20 to 24 years	35%	50%	35%	50%
25 to 29 years	50%	65%	50%	65%
30+ years	60%	75%	60%	75%

**CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Funding Policy – Continued

Retirees are permitted to participate with active employees in the healthcare plan but retirees must pay all premiums (less applicable discounts) assigned to them. The City will continue to apply the applicable discount to surviving spouse/dependents based upon a deceased employee's years of service.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets, consistent with the long-term perspective of the calculations.

In the October 1, 2010, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 7% investment rate of return (compounded annually net after expenses) and an annual healthcare cost trend rate (inflation rate) of 7% (5.9% for dental) initially, declining by decrements to an ultimate rate of 5.9% (4.62% for dental) after nine years (seven years for dental). The UAAL is being amortized over a thirty-year closed period utilizing a level dollar amortization method. The remaining amortization period is 27 years.

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) for the Plan is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents the level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

For the year ended September 30, 2012, the City has estimated the cost of providing these benefits through an actuarial valuation as of October 1, 2010. The following table represents the components of the City's annual OPEB cost for the fiscal year, the amount actually contributed to the Plan, and any changes in the City's net OPEB obligation.

**CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Annual OPEB Cost and Net OPEB Obligation – Continued

Annual required contribution	\$ 860,892
Interest on net OPEB obligation	(44,239)
Adjustments to annual required contribution	<u>49,275</u>
Annual OPEB cost (expense)	865,928
Contributions made	<u>(868,175)</u>
Change in OPEB obligation	(2,247)
Net OPEB obligation (asset) - beginning of year	<u>(631,987)</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ (634,234)</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 and the two previous fiscal years are as follows:

Actuarial Valuation Date	Fiscal Year Ended	Discount Rate	Annual OPEB Cost	% of Annual Cost Contributed	Net OPEB Obligation
10/1/2009	9/30/2010	7%	\$ 661,422	149.38%	\$ (619,908)
10/1/2010	9/30/2011	7%	868,574	101.39%	(631,987)
10/1/2010	9/30/2012	7%	865,928	100.26%	(634,234)

Funding Status and Funding Progress

Actuarial Valuation Date	Fiscal Year Ended	Value of Assets	Discount Rate	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)
10/1/2009	9/30/2010	\$ 400,005	7%	\$ 6,651,203	6%	\$ 6,251,198
10/1/2010	9/30/2011	828,339	7%	8,368,989	10%	7,540,650
10/1/2010	9/30/2012	1,222,028	7%	8,368,989	15%	7,146,961

**CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

As of October 1, 2011, the plan was 85.4% unfunded. The value of assets was \$1,222,028, resulting in an UAAL of \$7,146,961.

Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include, but are not limited to, future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to the Basic Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 11. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of September 30, 2012, the following individual funds had an excess of expenditures over appropriations:

Police drug enforcement special revenue fund	\$139,449
Public safety grant special revenue fund	51,837
Car rental tax special revenue fund	140,116

NOTE 12. SUBSEQUENT EVENT

Early in fiscal year 2013, the City executed a current refunding in the amount of \$1,185,000 of series 2003 general obligation refunding bonds and \$7,640,000 of series 2004 general obligation refunding bonds. The bonds were refunded with a single issue of \$8,805,000 series 2012A general obligation refunding bonds dated November 1, 2012 bearing interest rates ranging from 2.00% to 4.00%. The net proceeds from the refunding issue along with a cash contribution totaling \$9,131,869 provided sufficient resources for the completion of the refunding transaction. The refunding was undertaken to reduce total debt service payments over the next fifteen years by \$1,268,604 and to obtain an economic gain of \$1,067,107.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF EULESS, TEXAS
SCHEDULE OF FUNDING PROGRESS FOR PARTICIPATION IN
TEXAS MUNICIPAL RETIREMENT SYSTEM
SEPTEMBER 30, 2012**

Valuation Dated December 31,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Fund Ratio	Annual Covered Payroll	UAAL as % of Payroll
2009	\$ 71,502,626	\$102,289,037	\$ 30,786,411	69.90%	\$ 22,810,769	134.96%
2010	111,425,190	134,305,874	22,880,684	82.96%	22,615,709	101.17%
2011	121,232,189	142,935,453	21,703,264	84.82%	22,698,035	95.62%

The Schedule of Funding Progress summarizes the actuarial value of the plan's assets and actuarial accrued liability as of December 31, 2011 and each of the two preceding calendar years. The data presented in the schedule was obtained annually from TMRS and was based upon the annual actuarial valuation for the years represented. The City is financially responsible for its own portion of the plan. Therefore, the numbers shown above reflect only the condition of the City's plan.

The schedule is presented to provide a consistent basis for measuring the plan's annual progress toward funding its actuarial accrued liability in accordance with its actuarial funding method. The primary measure of funding progress is the plan's funded ratio (i.e. actuarial value of assets expressed as a percentage of the actuarial accrued liability). An increase in the funded ratio indicates improvement in the plan's ability to pay all projected benefits as they come due. The plan is fully funded if the funded ratio is greater than or equal to 100%. During the year ended December 31, 2011, the plan's funded ratio was 84.82%.

The Schedule of Funding Progress also discloses the relationship between the plan's covered payroll (i.e. all elements included in compensation paid to active members on which contributions are based) and the UAAL. This relationship, expressed as a ratio, is a measure of the significance of the UAAL relative to the capacity to pay all contributions required to fund the liability. During the year ended December 31, 2011, the plan's ratio of the UAAL to its covered payroll was 95.26%.

	Calendar Years				
	2012	2011	2010	2009	2008
City's annual contribution stated as a % of covered payroll	18.73%	17.99%	16.49%	15.19%	14.51%

Note Source: TMRS Comprehensive Annual Report for the Year Ending December 31, 2011 and City records.

**CITY OF EULESS, TEXAS
SCHEDULE OF FUNDING PROGRESS – OPEB TRUST
SEPTEMBER 30, 2012**

Actuarial Valuation October 1	Fiscal Year Ended September 30	Actuarial Value of Assets	Discount Rate	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)
2007	2009	\$ -	7%	\$ 5,785,752	0%	\$ 5,785,752
2009	2010	400,005	7%	6,651,203	6%	6,251,198
2010	2011	828,339	7%	8,368,989	10%	7,540,650
2010	2012	1,222,028	7%	8,368,989	15%	7,146,961

The Schedule of Funding Progress summarizes the actuarial value of the plan's assets and actuarial accrued liability as of October 1, 2010 and the two preceding actuarial valuations for which the trust has been in effect.

The schedule is presented to provide a consistent basis for measuring the plan's annual progress toward funding its actuarial accrued liability in accordance with its actuarial funding method. The primary measure of funding progress is the plan's funded ratio (i.e. actuarial value of assets expressed as a percentage of the actuarial accrued liability). An increase in the funded ratio indicates an improvement in the plan's ability to pay all projected benefits as they come due. The plan is fully funded if the funded ratio is greater than or equal to 100%. At October 1, 2011, the plan's funded ratio was 15%.

For more information concerning the plan and the actuarial method and assumptions, see Note 10 Other Post Employment Benefits in the Notes to the Financial Statements.

CITY OF EULESS, TEXAS
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
General property tax				
Current and delinquent taxes	\$ 9,074,901	\$ 9,074,901	\$ 9,052,879	\$ (22,022)
Penalty and interest	70,000	70,000	47,607	(22,393)
Total property tax	9,144,901	9,144,901	9,100,486	(44,415)
Gross receipts tax				
Telephone line access fee	380,000	380,000	343,861	(36,139)
Electric company	1,625,000	1,625,000	1,718,881	93,881
Gas company	365,000	365,000	305,703	(59,297)
Cable TV	600,000	600,000	618,482	18,482
City garbage service	182,500	182,500	183,872	1,372
Water and wastewater system	949,728	949,728	929,090	(20,638)
Others	89,200	89,200	68,430	(20,770)
Total gross receipts tax	4,191,428	4,191,428	4,168,319	(23,109)
General sales tax	8,530,627	8,530,627	9,376,363	845,736
Fines and fees				
Municipal court fines	2,920,700	2,920,700	2,701,118	(219,582)
Jail income	250,000	250,000	422,510	172,510
Dog licenses and pound fees	7,000	7,000	5,984	(1,016)
Ambulance fees	850,000	850,000	970,260	120,260
Library fees	37,100	37,100	32,514	(4,586)
Zoning fees	13,500	13,500	18,118	4,618
Deferred adjudication fee	150,000	150,000	128,234	(21,766)
Total fines and fees	4,228,300	4,228,300	4,278,738	50,438
Licenses and permits				
Building permits	430,000	430,000	778,664	348,664
Miscellaneous permits	196,700	196,700	280,927	84,227
Minimum housing	246,000	246,000	173,874	(72,126)
Total licenses and permits	872,700	872,700	1,233,465	360,765
Investment income	80,000	80,000	47,169	(32,831)
Intergovernmental	357,780	357,780	363,343	5,563
Other revenues				
Rental income	516,038	516,038	637,847	121,809
Swimming pools	15,000	15,000	16,239	1,239
Miscellaneous income	200,650	200,650	293,947	93,297
Total other revenues	731,688	731,688	948,033	216,345
Total revenues	28,137,424	28,137,424	29,515,916	1,378,492

CITY OF EULESS, TEXAS
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2012
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current				
Culture and recreation	\$ 2,862,482	\$ 2,862,482	\$ 2,714,190	\$ 148,292
Development services	712,879	712,879	564,046	148,833
General and administrative	7,515,936	7,515,936	6,794,223	721,713
Highways and streets	1,137,884	1,137,884	861,748	276,136
Public safety	19,484,981	19,484,981	19,120,977	364,004
Total expenditures	<u>31,714,162</u>	<u>31,714,162</u>	<u>30,055,184</u>	<u>1,658,978</u>
Excess (deficiency) of revenues over expenditures	(3,576,738)	(3,576,738)	(539,268)	3,037,470
Other financing sources (uses)				
Transfers in	2,598,369	2,598,369	2,432,724	(165,645)
Transfers out	<u>(275,000)</u>	<u>(275,000)</u>	<u>(312,283)</u>	<u>(37,283)</u>
Total other financing sources (uses), net	<u>2,323,369</u>	<u>2,323,369</u>	<u>2,120,441</u>	<u>(202,928)</u>
Net change in fund balance	(1,253,369)	(1,253,369)	1,581,173	2,834,542
Fund balance, beginning of year	<u>7,730,562</u>	<u>7,730,562</u>	<u>7,730,562</u>	<u>-</u>
Fund balance, end of year	<u>\$ 6,477,193</u>	<u>\$ 6,477,193</u>	<u>\$ 9,311,735</u>	<u>\$ 2,834,542</u>

CITY OF EULESS, TEXAS
BUDGETARY COMPARISON SCHEDULE – CAR RENTAL TAX SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Car rental tax	\$ 12,212,778	\$ 12,212,778	\$ 12,933,884	\$ 721,106
Investment income	35,000	35,000	28,376	(6,624)
Total revenues	12,247,778	12,247,778	12,962,260	714,482
Expenditures				
General and administrative	8,172,886	8,172,886	8,595,061	(422,175)
Capital outlay	679,288	679,288	397,229	282,059
Total expenditures	8,852,174	8,852,174	8,992,290	(140,116)
Excess of revenues over expenditures	3,395,604	3,395,604	3,969,970	574,366
Other financing uses				
Transfers out	(6,640,378)	(6,640,378)	(6,640,378)	-
Total other financing uses	(6,640,378)	(6,640,378)	(6,640,378)	-
Net change in fund balance	(3,244,774)	(3,244,774)	(2,670,408)	574,366
Fund balance, beginning of year	5,581,929	5,581,929	5,581,929	-
Fund balance, end of year	<u>\$ 2,337,155</u>	<u>\$ 2,337,155</u>	<u>\$ 2,911,521</u>	<u>\$ 574,366</u>

**CITY OF EULESS, TEXAS
BUDGETARY COMPARISON SCHEDULE – HALF-PENNY SALES TAX
SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
General sales tax	\$ 3,412,251	\$ 3,412,251	\$ 3,751,737	\$ 339,486
Investment income	2,000	2,000	7,387	5,387
Other income	65,346	65,346	-	(65,346)
	<u>3,479,597</u>	<u>3,479,597</u>	<u>3,759,124</u>	<u>279,527</u>
Expenditures				
Culture and recreation	2,054,661	2,054,661	1,924,813	129,848
Development services	495,010	495,010	124,250	370,760
General and administrative	92,740	92,740	80,454	12,286
Debt service				
Principal	780,000	4,590,000	4,590,000	-
Interest and fiscal charges	153,798	128,798	156,294	(27,496)
	<u>3,576,209</u>	<u>7,361,209</u>	<u>6,875,811</u>	<u>485,398</u>
Other financing uses				
Issuance of refunding debt	-	3,785,000	3,785,000	-
Transfers out	(125,000)	(125,000)	(193,115)	(68,115)
	<u>(125,000)</u>	<u>3,660,000</u>	<u>3,591,885</u>	<u>(68,115)</u>
Net change in fund balance	(221,612)	(221,612)	475,198	696,810
Fund balance, beginning of year	<u>2,265,182</u>	<u>2,265,182</u>	<u>2,265,182</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 2,043,570</u></u>	<u><u>\$ 2,043,570</u></u>	<u><u>\$ 2,740,380</u></u>	<u><u>\$ 696,810</u></u>

CITY OF EULESS, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1. BUDGET BASIS OF ACCOUNTING

The City Council adheres to the following procedures in establishing budgetary data reflected in the financial statements:

1. Prior to August 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and expenses and means of financing them.
2. Public hearings are conducted to obtain taxpayers' comments.
3. Prior to September 30, the budget is legally enacted through passage of an ordinance and a budgetary report is prepared.
4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revision that alters the total expenditures of any fund must be approved by the City Council. The budget presented reflects revisions made during the year. The legal level of control is at the fund level.
5. A budget is legally adopted for the general fund and special revenue funds on a basis consistent with accounting principles generally accepted in the United States of America. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds. Appropriations and encumbrances lapse at year-end.
6. Formal budgetary integration is not employed for the debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
7. Budgetary data for the capital projects funds has not been presented in the accompanying basic financial statements as such funds are budgeted over the life of the respective project and not on an annual basis. Accordingly, formal budgetary integration of the capital projects funds is not employed and comparison of actual results of operations to budgetary data for such funds is not presented.
8. Appropriated budgets for the proprietary funds are also adopted but have not been presented since reporting on such budgets is not legally required.

The Budgetary Comparison Schedules — general fund, car rental tax special revenue fund, and the half-penny sales tax special revenue fund present a comparison of budgetary data to actual results. These funds utilize the same basis of accounting for both budgetary purposes and actual results.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Hotel/Motel Fund – to account for the operations and expenditures for which hotel/motel occupancy taxes are used. Occupancy tax revenues are used primarily for advertising and promotion of the City.

Police Drug Enforcement Fund – to account for proceeds from the sale of assets seized in connection with drug arrests. Revenues are used solely for police department expenditures.

Crime Control and Prevention District Fund – to account for the revenues and expenditures of this component unit of the City of Euless. The revenues are collected from sales taxes and expenditures can only be spent for police department operations and capital as approved by the Crime Control and Prevention District Board.

Public Safety Grant Fund – to account for grant revenues received by the police department which must be spent in accordance with the grant provisions.

Juvenile Case Fund – to account for a fee added to municipal court citations. This fee is used to support the expenditures associated with juvenile case processing.

Glade Parks Public Improvement District (PID) Fund – to account for the accumulation of resources from an assessment levied upon properties within the district boundaries. The resources are utilized for the repayment of debt issued to fund public improvements within the district. The district assesses property owners only for the portion of the debt payment not covered with resources of the Glade Parks TIRZ #3.

Tax Increment Reinvestment Zone #3 - Glade Parks Fund (TIRZ #3) – to account for the accumulation of a portion of the incremental property taxes from taxing entities participating in the tax increment reinvestment zone. The resources are used for the repayment of debt issued to fund public improvements within the district.

Cable PEG Fees Fund – to account for a 1% fee collected from cable channel providers for expansion of the city's public, educational, and governmental access channel.

NON-MAJOR GOVERNMENTAL FUNDS – Continued

CAPITAL PROJECTS

Street Assessments Fund – to account for receipt of funds for special assessment collection and subsequent construction of improvements to various street and drainage projects.

Streets Capital Improvements Project Fund - to account for street construction and reconstruction projects and the means of financing such improvements.

Half-Penny Sales Tax Capital Projects Fund – to account for bond proceeds and sales tax receipts to be expended for capital projects funded by the Euless Development Corporation, a component unit of the City of Euless.

Developers' Contribution Fund – to account for funds received for the purpose of making new and future improvements to various development areas within the City.

Car Rental Capital Projects Fund – to account for building and infrastructure projects that are funded from the short-term motor vehicle tax.

Police Facility Construction Fund – to account for the construction of a police facility.

General Capital Projects Fund – to account for various general construction projects within the City.

Redevelopment Fund – to account for land acquisition and revitalization projects designed to enhance development and promote redevelopment throughout the community.

**CITY OF EULESS, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	Special Revenue Funds								Special Revenue Funds Total
	Hotel/ Motel Fund	Police Drug Enforce- ment Fund	Crime Control and Prevention District Fund	Public Safety Grant Fund	Juvenile Case Fund	Glade Parks PID Fund	TIRZ #3- Glade Parks Fund	Cable PEG Fees Fund	
ASSETS									
Deposits and investments	\$ 115,472	\$ 164,523	\$ 222,720	\$ 51,072	\$ 109,767	\$ 159,825	\$ -	126,203	\$ 949,582
Accounts receivable	87,458	-	-	28,800	4,886	-	-	32,400	153,544
Accrued interest receivable	-	-	-	-	-	-	-	-	-
Due from other governments	-	-	323,470	-	-	-	-	-	323,470
Prepays	-	-	640	-	-	-	-	-	640
Restricted deposits and investments	-	-	-	-	-	-	-	-	-
Total assets	\$ 202,930	\$ 164,523	\$ 546,830	\$ 79,872	\$ 114,653	\$ 159,825	\$ -	\$ 158,603	\$ 1,427,236
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable	\$ -	\$ 9,854	\$ 889	\$ -	\$ 1,918	\$ -	\$ -	\$ -	\$ 12,661
Accrued salaries and wages	-	1,706	47,871	2,545	1,475	-	-	-	53,597
Deferred revenue	-	-	-	-	4,886	-	-	-	4,886
Total liabilities	-	11,560	48,760	2,545	8,279	-	-	-	71,144
Fund Balances									
Restricted, debt service	-	-	-	-	-	159,825	-	-	159,825
Restricted, capital projects	-	-	-	-	-	-	-	-	-
Restricted, historical preservation	1,245	-	-	-	-	-	-	-	1,245
Restricted, juvenile case processing	-	-	-	-	106,374	-	-	-	106,374
Restricted, PEG fees	-	-	-	-	-	-	-	158,603	158,603
Restricted, developer agreements	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	640	-	-	-	-	-	640
Assigned	201,685	152,963	497,430	77,327	-	-	-	-	929,405
Total fund balances	202,930	152,963	498,070	77,327	106,374	159,825	-	158,603	1,356,092
Total liabilities and fund balances	\$ 202,930	\$ 164,523	\$ 546,830	\$ 79,872	\$ 114,653	\$ 159,825	\$ -	\$ 158,603	\$ 1,427,236

Capital Projects Funds

Street Assessments Fund	Streets CIP Fund	Half-Penny Sales Tax Capital Projects	Developers' Contribution Fund	Car Rental Capital Projects Fund	Police Facility Construction Fund	General Capital Projects Fund	Re-development Fund	Capital Project Funds Totals	Total Non-major Governmental Funds
\$ -	\$ 1,351,003	\$ 1,408,804	\$ 1,428,634	\$ 4,994,406	\$ 108,625	\$ 1,847,784	280,548	\$ 11,419,804	\$ 12,369,386
-	649,330	-	-	-	-	21,772	-	671,102	824,646
-	1,421	75	220	-	-	204	-	1,920	1,920
-	-	-	-	-	-	-	-	-	323,470
-	-	-	-	-	-	-	-	-	640
-	606,505	-	-	-	-	-	-	606,505	606,505
\$ -	\$ 2,608,259	\$ 1,408,879	\$ 1,428,854	\$ 4,994,406	\$ 108,625	\$ 1,869,760	\$ 280,548	\$ 12,699,331	\$ 14,126,567
\$ -	\$ 421,347	\$ 54,105	\$ 255	\$ 48,238	\$ -	\$ -	\$ -	\$ 523,945	\$ 536,606
-	-	-	-	-	-	-	-	-	53,597
-	-	-	-	-	-	-	-	-	4,886
-	421,347	54,105	255	48,238	-	-	-	523,945	595,089
-	-	-	-	-	-	-	-	-	159,825
-	606,505	-	-	-	-	-	-	606,505	606,505
-	-	-	-	-	-	-	-	-	1,245
-	-	-	-	-	-	-	-	-	106,374
-	-	-	-	-	-	-	-	-	158,603
-	-	-	1,428,599	-	-	-	-	1,428,599	1,428,599
-	-	-	-	-	-	-	-	-	640
-	1,580,407	1,354,774	-	4,946,168	108,625	1,869,760	280,548	10,140,282	11,069,687
-	2,186,912	1,354,774	1,428,599	4,946,168	108,625	1,869,760	280,548	12,175,386	13,531,478
\$ -	\$ 2,608,259	\$ 1,408,879	\$ 1,428,854	\$ 4,994,406	\$ 108,625	\$ 1,869,760	\$ 280,548	\$ 12,699,331	\$ 14,126,567

CITY OF EULESS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2012

Special Revenue Funds

	Hotel/ Motel Fund	Police Drug Enforce- ment Fund	Crime Control and Prevention District Fund	Public Safety Grant Fund	Juvenile Case Fund	Glade Parks PID Fund	TIRZ #3- Glade Parks Fund	Cable PEG Fees Fund	Special Revenue Funds Totals
Revenues									
Gross receipts tax	\$ 292,931	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 161,955	\$ 454,886
General sales tax	-	-	1,826,678	-	-	-	2,979	-	1,829,657
Investment income	118	190	148	-	86	61	-	-	603
DEA revenues	-	12,488	-	-	-	-	-	-	12,488
Intergovernmental	-	-	-	-	-	-	-	-	-
Rents and royalties	-	-	-	-	-	-	-	-	-
Other revenues	58	15,615	442	86,797	77,558	54,622	-	-	235,092
Total revenues	293,107	28,293	1,827,268	86,797	77,644	54,683	2,979	161,955	2,532,726
Expenditures									
Culture and recreation	-	-	-	-	-	-	-	-	-
General and administrative	8,586	-	-	-	57,997	-	-	3,352	69,935
Public safety	-	139,949	1,657,049	156,424	-	-	-	-	1,953,422
Capital outlay	-	-	90,097	-	-	-	-	-	90,097
Total expenditures	8,586	139,949	1,747,146	156,424	57,997	-	-	3,352	2,113,454
Excess (deficiency) of revenues over expenditures	284,521	(111,656)	80,122	(69,627)	19,647	54,683	2,979	158,603	419,272
Other financing sources (uses)									
Transfers in	-	-	-	71,329	-	-	-	-	71,329
Transfers out	(257,718)	-	-	-	-	(93,468)	(2,979)	-	(354,165)
Total other financing sources (uses), net	(257,718)	-	-	71,329	-	(93,468)	(2,979)	-	(282,836)
Net change in fund balances	26,803	(111,656)	80,122	1,702	19,647	(38,785)	-	158,603	136,436
Fund balance, beginning of year	176,127	264,619	417,948	75,625	86,727	198,610	-	-	1,219,656
Fund balance, end of year	\$ 202,930	\$ 152,963	\$ 498,070	\$ 77,327	\$ 106,374	\$ 159,825	\$ -	\$ 158,603	\$ 1,356,092

Capital Projects Funds

Street Assessments Fund	Streets CIP Fund	Half-Penny Sales Tax Capital Projects	Developers' Contribution Fund	Car Rental Capital Projects Fund	Police Facility Construction Fund	General Capital Projects Fund	Re-development Fund	Capital Project Funds Totals	Total Non-major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 454,886
-	-	-	-	-	-	-	-	-	1,829,657
-	9,149	3,600	1,784	1,165	118	6,427	319	22,562	23,165
-	-	-	-	-	-	-	-	-	12,488
-	649,330	-	-	-	-	-	-	649,330	649,330
-	-	-	-	-	-	397,526	-	397,526	397,526
-	-	-	23,486	-	-	-	-	23,486	258,578
-	658,479	3,600	25,270	1,165	118	403,953	319	1,092,904	3,625,630
-	-	35,951	1,146	-	-	-	-	37,097	37,097
-	-	-	-	-	-	-	-	-	69,935
-	-	-	-	-	-	-	-	-	1,953,422
-	2,917,310	235,857	-	86,700	-	-	-	3,239,867	3,329,964
-	2,917,310	271,808	1,146	86,700	-	-	-	3,276,964	5,390,418
-	(2,258,831)	(268,208)	24,124	(85,535)	118	403,953	319	(2,184,060)	(1,764,788)
-	375,115	125,000	-	4,836,500	-	-	-	5,336,615	5,407,944
(44,970)	-	-	(80,145)	-	-	(43,333)	-	(168,448)	(522,613)
(44,970)	375,115	125,000	(80,145)	4,836,500	-	(43,333)	-	5,168,167	4,885,331
(44,970)	(1,883,716)	(143,208)	(56,021)	4,750,965	118	360,620	319	2,984,107	3,120,543
44,970	4,070,628	1,497,982	1,484,620	195,203	108,507	1,509,140	280,229	9,191,279	10,410,935
\$ -	\$ 2,186,912	\$ 1,354,774	\$ 1,428,599	\$ 4,946,168	\$ 108,625	\$ 1,869,760	\$ 280,548	\$ 12,175,386	\$ 13,531,478

CITY OF EULESS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
HOTEL / MOTEL SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Gross receipts tax	\$ 258,000	\$ 258,000	\$ 292,931	\$ 34,931
Investment income	150	150	118	(32)
Other revenues	-	-	58	58
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	258,150	258,150	293,107	34,957
Expenditures				
General and administrative	10,000	10,000	8,586	1,414
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	10,000	10,000	8,586	1,414
Other financing uses				
Transfers out	(257,718)	(257,718)	(257,718)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing uses	(257,718)	(257,718)	(257,718)	-
Net change in fund balance	(9,568)	(9,568)	26,803	36,371
Fund balance, beginning of year	176,127	176,127	176,127	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, end of year	<u>\$ 166,559</u>	<u>\$ 166,559</u>	<u>\$ 202,930</u>	<u>\$ 36,371</u>

CITY OF EULESS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
POLICE DRUG ENFORCEMENT SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment income	\$ 1,000	\$ 1,000	\$ 190	\$ (810)
DEA revenues	-	-	12,488	12,488
Other revenues	-	-	15,615	15,615
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	1,000	1,000	28,293	27,293
Expenditures				
Public safety	500	500	139,949	(139,449)
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	500	500	139,949	(139,449)
Net change in fund balance	500	500	(111,656)	(112,156)
Fund balance, beginning of year	<hr/> 264,619	<hr/> 264,619	<hr/> 264,619	<hr/> -
Fund balance, end of year	<hr/> <u>\$ 265,119</u>	<hr/> <u>\$ 265,119</u>	<hr/> <u>\$ 152,963</u>	<hr/> <u>\$ (112,156)</u>

CITY OF EULESS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
CRIME CONTROL AND PREVENTION DISTRICT SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
General sales tax	\$ 1,656,362	\$ 1,656,362	\$ 1,826,678	\$ 170,316
Other revenue	-	-	442	442
Investment income	350	350	148	(202)
	<u>1,656,712</u>	<u>1,656,712</u>	<u>1,827,268</u>	<u>170,556</u>
Expenditures				
Public safety	1,640,103	1,640,103	1,657,049	(16,946)
Capital outlay	107,858	107,858	90,097	17,761
	<u>1,747,961</u>	<u>1,747,961</u>	<u>1,747,146</u>	<u>815</u>
Net change in fund balance	(91,249)	(91,249)	80,122	171,371
Fund balance, beginning of year	<u>417,948</u>	<u>417,948</u>	<u>417,948</u>	<u>-</u>
Fund balance, end of year	<u>\$ 326,699</u>	<u>\$ 326,699</u>	<u>\$ 498,070</u>	<u>\$ 171,371</u>

CITY OF EULESS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
PUBLIC SAFETY GRANT SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Other revenues	<u>\$ 69,587</u>	<u>\$ 69,587</u>	<u>\$ 86,797</u>	<u>\$ 17,210</u>
Total revenues	69,587	69,587	86,797	17,210
Expenditures				
Public safety	<u>104,587</u>	<u>104,587</u>	<u>156,424</u>	<u>(51,837)</u>
Total expenditures	104,587	104,587	156,424	(51,837)
Other financing sources				
Transfers in	<u>35,000</u>	<u>35,000</u>	<u>71,329</u>	<u>36,329</u>
Total other financing sources	<u>35,000</u>	<u>35,000</u>	<u>71,329</u>	<u>36,329</u>
Net change in fund balance	-	-	1,702	1,702
Fund balance, beginning of year	<u>75,625</u>	<u>75,625</u>	<u>75,625</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 75,625</u></u>	<u><u>\$ 75,625</u></u>	<u><u>\$ 77,327</u></u>	<u><u>\$ 1,702</u></u>

CITY OF EULESS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
JUVENILE CASE SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment income	\$ -	\$ -	\$ 86	\$ 86
Other revenues	<u>82,500</u>	<u>82,500</u>	<u>77,558</u>	<u>(4,942)</u>
Total revenues	82,500	82,500	77,644	(4,856)
Expenditures				
General and administrative	<u>65,016</u>	<u>65,016</u>	<u>57,997</u>	<u>7,019</u>
Total expenditures	<u>65,016</u>	<u>65,016</u>	<u>57,997</u>	<u>7,019</u>
Net change in fund balance	17,484	17,484	19,647	2,163
Fund balance, beginning of year	<u>86,727</u>	<u>86,727</u>	<u>86,727</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 104,211</u></u>	<u><u>\$ 104,211</u></u>	<u><u>\$ 106,374</u></u>	<u><u>\$ 2,163</u></u>

NON-MAJOR PROPRIETARY FUNDS

Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises where the intent of the government's council is to recover the costs of providing goods or services to the general public on a continuing basis primarily through user charges; or where the government's council has decided that periodic determination of net income is appropriate for accountability purposes.

Recreation Classes – to account for the operation of recreational programs and activities which are offered to groups and individuals on a fee basis.

Texas Star Sports Complex – to account for the operation and maintenance of Softball World and The Parks at Texas Star Complexes, supported primarily by user charges.

Arbor Daze Fund – to account for the receipts and disbursements of the annual Arbor Daze Festival, supported primarily by user charges.

**CITY OF EULESS, TEXAS
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
SEPTEMBER 30, 2012**

(1 of 2)

	<u>Recreation Classes</u>	<u>Texas Star Sports Complex</u>	<u>Arbor Daze</u>	<u>Totals</u>
ASSETS				
Current assets				
Deposits and investments	\$ 410,230	\$ 1,588,865	\$ 33,344	\$ 2,032,439
Accounts receivable and unbilled revenue	-	27,551	-	27,551
Prepays and deposits	70	14,391	-	14,461
Inventory	-	105,190	-	105,190
Total current assets	410,300	1,735,997	33,344	2,179,641
Non-current assets				
Bond issuance cost, net	-	10,130	-	10,130
Net OPEB asset	555	5,212	-	5,767
Total non-current assets	555	15,342	-	15,897
Property, plant, and equipment, at cost				
Land	-	584,532	-	584,532
Building	-	488,275	-	488,275
Equipment	76,948	126,498	-	203,446
Improvements	-	8,150,654	-	8,150,654
Total property, plant, and equipment	76,948	9,349,959	-	9,426,907
Less accumulated depreciation	63,656	3,735,171	-	3,798,827
Net property, plant, and equipment	13,292	5,614,788	-	5,628,080
Total non-current assets	13,847	5,630,130	-	5,643,977
Total assets	\$ 424,147	\$ 7,366,127	\$ 33,344	\$ 7,823,618

**CITY OF EULESS, TEXAS
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
SEPTEMBER 30, 2012**

(2 of 2)

	<u>Recreation Classes</u>	<u>Texas Star Sports Complex</u>	<u>Arbor Daze</u>	<u>Totals</u>
LIABILITIES				
Current liabilities				
Payable from current assets				
Accounts payable	\$ 4,212	\$ 46,418	\$ -	\$ 50,630
Accrued salaries and wages	2,136	16,415	-	18,551
Current portion of bonds payable	-	145,000	-	145,000
Accrued interest	-	2,693	-	2,693
	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	6,348	210,526	-	216,874
Non-current liabilities				
Net pension obligation	55	10,416	-	10,471
Bonds payable	-	443,693	-	443,693
	<hr/>	<hr/>	<hr/>	<hr/>
Total non-current liabilities	55	454,109	-	454,164
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	6,403	664,635	-	671,038
NET ASSETS				
Invested in capital assets, net of related debt				
	13,292	5,026,095	-	5,039,387
Unrestricted	404,452	1,675,397	33,344	2,113,193
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets	<u>\$ 417,744</u>	<u>\$ 6,701,492</u>	<u>\$ 33,344</u>	<u>\$ 7,152,580</u>

CITY OF EULESS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	<u>Recreation Classes</u>	<u>Texas Star Sports Complex</u>	<u>Arbor Daze</u>	<u>Totals</u>
Operating revenues				
Recreation fees	\$ 442,873	\$ -	\$ -	\$ 442,873
Service fees and miscellaneous	-	1,539,013	59,986	1,598,999
Total operating revenues	442,873	1,539,013	59,986	2,041,872
Operating expenses				
Recreation classes	423,926	-	-	423,926
Texas Star Sports Complex	-	1,275,994	-	1,275,994
Arbor Daze	-	-	57,712	57,712
Depreciation	4,467	311,464	-	315,931
Amortization	-	11,749	-	11,749
Total operating expenses	428,393	1,599,207	57,712	2,085,312
Operating income (loss)	14,480	(60,194)	2,274	(43,440)
Nonoperating revenues (expenses)				
Gain (Loss) on sale of capital asset	(404)	386	-	(18)
Investment income	447	1,721	24	2,192
Interest expense	-	(23,119)	-	(23,119)
Total nonoperating revenues (expenses), net	43	(21,012)	24	(20,945)
Change in net assets	14,523	(81,206)	2,298	(64,385)
Net assets, beginning of year	403,221	6,782,698	31,046	7,216,965
Net assets, end of year	<u>\$ 417,744</u>	<u>\$ 6,701,492</u>	<u>\$ 33,344</u>	<u>\$ 7,152,580</u>

**CITY OF EULESS, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2012**

	<u>Recreation Classes</u>	<u>Texas Star Sports Complex</u>	<u>Arbor Daze</u>	<u>Totals</u>
OPERATING ACTIVITIES				
Cash received from customers	\$ 442,873	\$ 1,557,472	\$ 59,986	\$ 2,060,331
Cash payments to suppliers for goods and services	(255,042)	(1,004,124)	(57,712)	(1,316,878)
Cash payments to employees for services	(169,189)	(285,278)	-	(454,467)
Net cash provided by operating activities	18,642	268,070	2,274	288,986
CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest paid on bonds	-	(23,644)	-	(23,644)
Reduction in bonds payable	-	(140,000)	-	(140,000)
Proceeds from sale of capital assets	167	386	-	553
Net cash provided by (used in) capital and related financing activities	167	(163,258)	-	(163,091)
INVESTING ACTIVITIES				
Interest received on investments	447	1,721	24	2,192
Net cash provided by investing activities	447	1,721	24	2,192
Net change in cash and cash equivalents	19,256	106,533	2,298	128,087
Cash and cash equivalents, beginning of year	390,974	1,482,332	31,046	1,904,352
Cash and cash equivalents, end of year	<u>\$ 410,230</u>	<u>\$ 1,588,865</u>	<u>\$ 33,344</u>	<u>\$ 2,032,439</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income	\$ 14,480	\$ (60,194)	\$ 2,274	\$ (43,440)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	4,467	323,213	-	327,680
Changes in assets and liabilities				
Accounts receivable and unbilled revenue	-	18,461	-	18,461
Prepays and deposits	519	1,162	-	1,681
Net OPEB asset	-	(9)	-	(9)
Net pension obligation	(113)	532	-	419
Inventory	-	(25,476)	-	(25,476)
Accounts payable	(826)	10,520	-	9,694
Accrued salaries and wages	115	(139)	-	(24)
Net cash provided by operating activities	<u>\$ 18,642</u>	<u>\$ 268,070</u>	<u>\$ 2,274</u>	<u>\$ 288,986</u>

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the City and to other government units on a cost reimbursement basis.

Equipment Replacement Fund – to account for the accumulation of funds to be used for replacement of existing equipment. Funding is provided annually by the user departments.

Insurance Fund – to account for the revenues and expenses resulting from providing health insurance to the City's employees.

Risk Management/Workers' Compensation (Risk/WC) Fund – to account for the revenue and expenses applicable to providing workers' compensation coverage for all City employees, as well as, general liability and property coverage.

**CITY OF EULESS, TEXAS
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2012**

	Equipment Replacement Fund	Insurance Fund	Risk/WC Fund	Total
ASSETS				
Deposits and investments	\$ 2,827,989	\$ 3,289,609	\$ 1,657,047	\$ 7,774,645
Accounts receivable	-	138,269	-	138,269
Accrued interest receivable	935	1,069	-	2,004
Total current assets	2,828,924	3,428,947	1,657,047	7,914,918
Property, plant, and equipment, at cost				
Equipment	8,038,277	54,956	18,649	8,111,882
Less accumulated depreciation	6,056,249	54,956	12,930	6,124,135
Net property, plant, and equipment	1,982,028	-	5,719	1,987,747
Total assets	4,810,952	3,428,947	1,662,766	9,902,665
LIABILITIES				
Accounts payable	-	11,802	370,141	381,943
Accrued salary and wages	-	7,394	3,598	10,992
Accrued insurance claims	-	721,422	115,528	836,950
Total current liabilities	-	740,618	489,267	1,229,885
NET ASSETS				
Invested in capital assets, net of related debt	1,982,028	-	5,719	1,987,747
Unrestricted	2,828,924	2,688,329	1,167,780	6,685,033
Total net assets	\$ 4,810,952	\$ 2,688,329	\$ 1,173,499	\$ 8,672,780

**CITY OF EULESS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2012**

	Equipment Replacement Fund	Insurance Fund	Risk/WC Fund	Total
Operating revenues				
Insurance premiums	\$ -	\$ 4,866,640	\$ 349,640	\$ 5,216,280
Service fees and miscellaneous	703,965	29,305	-	733,270
Total operating revenues	703,965	4,895,945	349,640	5,949,550
Operating expenses				
General and administrative	38,147	987,976	73,526	1,099,649
Insurance costs	-	4,108,958	567,771	4,676,729
Depreciation	790,823	-	763	791,586
Total operating expenses	828,970	5,096,934	642,060	6,567,964
Operating income (loss)	(125,005)	(200,989)	(292,420)	(618,414)
Nonoperating revenues				
Gain on sale of capital assets	26,144	-	-	26,144
Investment income	12,827	11,372	1,212	25,411
Total nonoperating revenues	38,971	11,372	1,212	51,555
Income (loss) before transfers	(86,034)	(189,617)	(291,208)	(566,859)
Other financing sources				
Transfers in	-	-	450,000	450,000
Change in net assets	(86,034)	(189,617)	158,792	(116,859)
Net assets, beginning of year	4,896,986	2,877,946	1,014,707	8,789,639
Net assets, end of year	\$ 4,810,952	\$ 2,688,329	\$ 1,173,499	\$ 8,672,780

**CITY OF EULESS, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2012**

	Equipment Replacement Fund	Insurance Fund	Risk/WC Fund	Total
OPERATING ACTIVITIES				
Cash received from customers	\$ 703,965	\$ 4,893,428	\$ 349,641	\$ 5,947,034
Cash payments to suppliers for goods and services	(48,392)	(4,834,197)	(179,703)	(5,062,292)
Cash payments to employees for services	-	(39,628)	(42,222)	(81,850)
Net cash provided by (used in) operating activities	655,573	19,603	127,716	802,892
NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	450,000	450,000
Net cash provided by noncapital financing activities	-	-	450,000	450,000
CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(471,912)	-	-	(471,912)
Proceeds from sale of capital assets	29,388	-	-	29,388
Net cash used in capital and related financing activities	(442,524)	-	-	(442,524)
INVESTING ACTIVITIES				
Proceeds from sale of investment securities	-	1,230	-	1,230
Interest received on investments	12,723	11,373	1,212	25,308
Net cash provided by investing activities	12,723	12,603	1,212	26,538
Net increase (decrease) in cash and cash equivalents	225,772	32,206	578,928	836,906
Cash and cash equivalents, beginning of year	2,602,217	3,257,403	1,078,119	6,937,739
Cash and cash equivalents, end of year	\$ 2,827,989	\$ 3,289,609	\$ 1,657,047	\$ 7,774,645
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (125,005)	\$ (200,989)	\$ (292,420)	\$ (618,414)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation expense	790,823	-	763	791,586
Change in assets and liabilities				
Receivables	-	(2,517)	-	(2,517)
Accounts payable	(10,245)	(5,207)	348,417	332,965
Accrued salaries and wages	-	236	230	466
Accrued insurance claims	-	228,080	70,726	298,806
Net cash provided by (used in) operating activities	\$ 655,573	\$ 19,603	\$ 127,716	\$ 802,892

**CITY OF EULESS, TEXAS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ESCROW AGENCY FUNDS
YEAR ENDED SEPTEMBER 30, 2012**

	<u>Balance October 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2012</u>
Stars Center Escrow Fund				
Assets				
Investments at fair value	\$ 1,420,839	\$ 1,615	\$ (1,406)	\$ 1,421,048
Total assets	<u>\$ 1,420,839</u>	<u>\$ 1,615</u>	<u>\$ (1,406)</u>	<u>\$ 1,421,048</u>
Liabilities				
Due to other entities	\$ 1,420,547	\$ -	\$ -	\$ 1,420,547
Refunds payable	292	501	(292)	501
Total liabilities	<u>\$ 1,420,839</u>	<u>\$ 501</u>	<u>\$ (292)</u>	<u>\$ 1,421,048</u>
Glade Parks Escrow Fund				
Assets				
Investments at fair value	\$ -	\$ 2,530,893	\$ (2,017,523)	\$ 513,370
Total assets	<u>\$ -</u>	<u>\$ 2,530,893</u>	<u>\$ (2,017,523)</u>	<u>\$ 513,370</u>
Liabilities				
Due to other entities	\$ -	\$ 2,530,893	\$ (2,017,523)	\$ 513,370
Total liabilities	<u>\$ -</u>	<u>\$ 2,530,893</u>	<u>\$ (2,017,523)</u>	<u>\$ 513,370</u>
Total Agency Funds				
Assets				
Investments at fair value	\$ 1,420,839	\$ 2,532,508	\$ (2,018,929)	\$ 1,934,418
Total assets	<u>\$ 1,420,839</u>	<u>\$ 2,532,508</u>	<u>\$ (2,018,929)</u>	<u>\$ 1,934,418</u>
Liabilities				
Due to other entities	\$ 1,420,547	\$ 2,530,893	\$ (2,017,523)	\$ 1,933,917
Refunds payable	292	501	(292)	501
Total liabilities	<u>\$ 1,420,839</u>	<u>\$ 2,531,394</u>	<u>\$ (2,017,815)</u>	<u>\$ 1,934,418</u>

**STATISTICAL SECTION
(Unaudited)**

STATISTICAL SECTION

(Unaudited)

The statistical section of the City of Euless' 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	Tables
Financial Trends The financial trend schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	1-4
Revenue Capacity The revenue capacity schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.	5-8
Debt Capacity The debt capacity schedules present information to help the reader assess the affordability of the city's current level of outstanding debt (including that of its blended component units) and the city's ability to issue additional debt in the future.	9-13
Demographic and Economic Information The demographic and economic schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities occur.	14-15
Operating Information The operating information schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services it provides and the activities it performs.	16-18

CITY OF EULESS, TEXAS
NET ASSETS BY COMPONENT – LAST TEN FISCAL YEARS
(Accrual Basis of Accounting – Unaudited)

Table 1

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 42,192,665	\$ 46,733,074	\$ 49,659,438	\$ 49,883,218	\$ 58,251,542	\$ 60,799,897	\$ 66,241,593	\$ 73,815,504	\$ 71,051,094	\$ 77,828,950
Restricted	713,385	1,304,226	1,455,709	1,448,741	1,725,998	1,813,871	1,845,987	1,375,950	1,818,957	4,426,819
Unrestricted	14,945,063	14,657,018	17,512,832	25,497,497	27,104,410	31,041,434	29,885,070	24,933,443	31,448,528	27,192,202
Total governmental activities net assets	<u>\$ 57,851,113</u>	<u>\$ 62,694,318</u>	<u>\$ 68,627,979</u>	<u>\$ 76,829,456</u>	<u>\$ 87,081,950</u>	<u>\$ 93,655,202</u>	<u>\$ 97,972,650</u>	<u>\$ 100,124,897</u>	<u>\$ 104,318,579</u>	<u>\$ 109,447,971</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 42,401,512	\$ 43,283,643	\$ 47,988,447	\$ 48,278,044	\$ 50,186,697	\$ 52,155,251	\$ 53,569,070	\$ 53,318,214	\$ 53,132,882	\$ 52,202,849
Restricted for debt service	632,189	-	-	-	-	-	3,963,919	438,340	438,948	309,595
Restricted for impact fees	-	-	-	-	-	-	-	2,999,156	2,649,336	2,401,217
Unrestricted	14,009,239	16,906,068	15,830,507	19,099,883	16,421,971	16,900,637	12,980,130	13,987,730	16,947,928	17,703,257
Total business-type activities net assets	<u>\$ 57,042,940</u>	<u>\$ 60,189,711</u>	<u>\$ 63,818,954</u>	<u>\$ 67,377,927</u>	<u>\$ 66,608,668</u>	<u>\$ 69,055,888</u>	<u>\$ 70,513,119</u>	<u>\$ 70,743,440</u>	<u>\$ 73,169,094</u>	<u>\$ 72,616,918</u>
Primary government										
Invested in capital assets, net of related debt	\$ 84,594,177	\$ 90,016,717	\$ 97,647,885	\$ 98,161,262	\$ 108,438,239	\$ 112,955,148	\$ 119,810,663	\$ 127,133,718	\$ 124,183,976	\$ 130,031,799
Restricted	1,345,574	1,304,226	1,455,709	1,448,741	1,725,998	1,813,871	5,809,906	4,813,446	4,907,241	7,137,631
Unrestricted	28,954,302	31,563,086	33,343,339	44,597,380	43,526,381	47,942,071	42,865,200	38,921,173	48,396,456	44,895,459
Total primary government net assets	<u>\$ 114,894,053</u>	<u>\$ 122,884,029</u>	<u>\$ 132,446,933</u>	<u>\$ 144,207,383</u>	<u>\$ 153,690,618</u>	<u>\$ 162,711,090</u>	<u>\$ 168,485,769</u>	<u>\$ 170,868,337</u>	<u>\$ 177,487,673</u>	<u>\$ 182,064,889</u>

Source: Comprehensive Annual Financial Reports

CITY OF EULESS, TEXAS
CHANGES IN NET ASSETS – LAST TEN FISCAL YEARS
(Accrual Basis of Accounting – Unaudited)

Table 2

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
Culture and recreation	\$ 4,753,724	\$ 4,411,726	\$ 4,573,219	\$ 4,892,346	\$ 5,002,569	\$ 4,862,749	\$ 4,892,936	\$ 5,004,580	\$ 5,091,589	\$ 5,680,772
Development services	1,190,240	1,217,794	1,113,875	1,169,285	1,487,102	1,420,477	1,707,421	1,692,845	1,707,148	972,770
General and administrative	11,879,362	12,337,712	13,370,907	15,122,831	16,495,449	17,733,714	17,267,094	14,571,600	15,698,832	15,910,313
Highways and streets	2,117,959	2,398,447	1,734,487	2,211,083	2,206,697	2,534,856	2,057,123	2,662,949	2,923,241	2,968,770
Public safety	14,830,469	15,315,777	15,514,301	16,252,071	17,047,334	18,708,849	19,379,290	21,416,966	20,754,733	22,316,429
Interest on long-term debt	3,147,819	2,765,102	2,572,094	2,741,754	2,664,658	3,151,039	2,377,564	1,885,177	1,618,420	1,327,482
Total governmental activities expenses	37,919,573	38,446,558	38,878,883	42,389,370	44,903,809	48,411,684	47,681,428	47,234,117	47,793,963	49,176,536
Business-type activities:										
Water and wastewater	12,046,092	12,550,708	13,227,562	15,285,026	15,418,299	16,462,599	15,623,464	17,035,520	17,827,272	17,813,199
Drainage utility	812,785	793,358	875,995	884,763	1,059,272	932,771	947,869	1,107,206	1,177,938	1,283,617
Golf	3,616,671	3,667,537	3,792,552	4,003,035	4,250,866	4,421,256	4,690,701	4,460,627	4,483,252	4,599,099
Other recreation enterprises	2,593,455	2,299,391	2,630,760	1,842,550	2,109,291	2,155,131	2,016,273	1,866,786	1,982,613	2,115,730
Total business-type activities expenses	19,069,003	19,310,994	20,526,869	22,015,374	22,837,728	23,971,757	23,278,307	24,470,139	25,471,075	25,811,645
Total primary government expenses	56,988,576	57,757,552	59,405,752	64,404,744	67,741,537	72,383,441	70,959,735	71,704,256	73,265,038	74,988,181
Program Revenues										
Governmental activities:										
Fees, fines, and charges for services										
Culture and recreation	56,749	52,651	91,925	92,837	83,084	65,349	67,283	66,368	69,950	65,912
Development services	628,585	817,293	896,894	841,033	833,822	688,348	783,955	751,323	779,939	1,263,477
General and administrative	1,403,636	1,401,057	1,241,408	1,706,000	1,252,030	1,391,437	4,092,387	1,548,497	1,707,890	1,760,023
Highways and streets	-	-	-	6,300	(8,026)	722,334	11,008	-	-	54,622
Public safety	3,541,356	3,328,327	3,734,364	4,505,202	4,423,564	5,439,171	4,030,566	4,345,101	3,271,115	3,097,141
Operating grants and contributions	515,039	517,307	1,302,332	592,231	411,857	486,862	487,059	511,093	469,404	481,655
Capital grants and contributions	-	-	-	8,706	2,199,106	1,885,266	268,130	602,372	1,015,402	689,642
Total governmental activities program revenues	6,145,365	6,116,635	7,266,923	7,752,309	9,195,437	10,678,767	9,740,388	7,824,754	7,313,700	7,412,472
Business-type activities:										
Charges for services										
Water and wastewater	12,768,482	13,235,590	14,213,072	16,065,814	13,730,467	15,849,209	16,381,801	17,321,670	19,978,802	18,437,963
Drainage utility	626,199	643,229	659,949	658,231	701,476	661,725	689,889	691,800	694,751	705,474
Golf	3,078,739	3,052,947	3,347,922	3,777,018	3,825,486	3,904,008	4,069,151	5,279,259	4,746,242	4,335,149
Other recreation enterprises	2,603,260	2,012,214	2,453,905	1,518,386	1,636,883	1,819,459	1,703,196	1,937,416	2,684,905	2,041,878
Operating grants and contributions	-	-	3,308,393	-	-	-	-	-	-	-
Capital grants and contributions	2,849,795.00	-	-	312,835	1,012,919	2,183,600	1,705,746	26,400	772,714	368,882
Total business-type activities program revenues	21,926,475	18,943,980	23,983,241	22,332,284	20,907,231	24,418,001	24,549,783	25,256,545	28,877,414	25,889,346
Total primary government program revenues	28,071,840	25,060,615	31,250,164	30,084,593	30,102,668	35,096,768	34,290,171	33,081,299	36,191,114	33,301,818
	(Continued)									

CITY OF EULESS, TEXAS
CHANGES IN NET ASSETS – LAST TEN FISCAL YEARS
(Accrual Basis of Accounting – Unaudited) – Continued

Table 2

Net (Expense) Revenue										
Governmental activities	\$ (31,774,208)	\$ (32,329,923)	\$ (31,611,960)	\$ (34,637,061)	\$ (35,708,372)	\$ (37,732,917)	\$ (37,941,040)	\$ (39,409,363)	\$ (40,480,263)	\$ (41,764,064)
Business-type activities	2,857,472	(367,014)	3,456,372	316,910	(1,930,497)	446,244	1,271,476	786,406	3,406,339	77,701
Total primary government net expense	<u>(28,916,736)</u>	<u>(32,696,937)</u>	<u>(28,155,588)</u>	<u>(34,320,151)</u>	<u>(37,638,869)</u>	<u>(37,286,673)</u>	<u>(36,669,564)</u>	<u>(38,622,957)</u>	<u>(37,073,924)</u>	<u>(41,686,363)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes, levied for general purposes	9,941,779	10,233,079	10,777,414	11,188,598	12,343,359	12,231,294	12,685,268	12,306,387	11,855,993	12,451,543
Sales taxes	8,865,055	9,229,819	9,648,979	12,303,965	13,990,652	14,319,938	12,602,345	12,337,598	13,252,805	14,957,757
Car rental taxes	9,641,374	10,190,256	10,841,899	12,580,371	12,955,882	12,832,458	11,632,215	11,480,736	12,457,910	12,933,884
Mixed beverage taxes	82,920	82,058	82,759	85,659	87,400	84,653	76,433	71,653	66,383	54,138
Hotel/motel occupancy taxes	154,164	167,259	179,989	216,591	240,457	234,780	185,417	237,429	272,809	292,931
Gross receipts taxes	3,196,452	3,226,468	3,326,641	4,116,704	3,619,955	3,816,501	4,074,355	3,967,036	4,174,627	4,276,136
Investment income	580,245	463,239	870,841	1,611,815	2,031,580	1,727,542	863,225	292,761	168,929	132,607
Contributions from property owners	1,814,257	3,191,097	1,229,401	-	-	-	-	-	-	-
Rents and royalties	-	-	-	-	-	-	-	-	-	397,527
Gain/(loss) on disposal of assets	41,807	30,811	(21,023)	24,866	74,163	71,143	37,909	116,978	100,110	68,329
Miscellaneous	102,193	18,208	-	-	-	-	11,018	103,569	1,419,512	637,975
Transfers	(1,535,227)	340,834	608,721	709,969	617,418	(1,012,140)	90,303	647,463	904,867	690,629
Total governmental activities	<u>32,885,019</u>	<u>37,173,128</u>	<u>37,545,621</u>	<u>42,838,538</u>	<u>45,960,866</u>	<u>44,306,169</u>	<u>42,258,488</u>	<u>41,561,610</u>	<u>44,673,945</u>	<u>46,893,456</u>
Business-type activities:										
Investment income	320,233	266,240	407,468	771,888	1,023,865	726,385	254,071	87,799	66,161	60,752
Contributions from property owners	572,065	3,588,379	374,124	271,707	253,786	252,045	-	-	-	-
Gain/(loss) on disposal of assets	-	-	-	-	277,004	-	-	3,579	(141,979)	-
Miscellaneous	-	-	-	2,908,437	224,001	10,406	21,987	-	-	-
Transfers	1,535,227	(340,834)	(608,721)	(709,969)	(617,418)	1,012,140	(90,303)	(647,463)	(904,867)	(690,629)
Total business-type activities	<u>2,427,525</u>	<u>3,513,785</u>	<u>172,871</u>	<u>3,242,063</u>	<u>1,161,238</u>	<u>2,000,976</u>	<u>185,755</u>	<u>(556,085)</u>	<u>(980,685)</u>	<u>(629,877)</u>
Total primary government	<u>35,312,544</u>	<u>40,686,913</u>	<u>37,718,492</u>	<u>46,080,601</u>	<u>47,122,104</u>	<u>46,307,145</u>	<u>42,444,243</u>	<u>41,005,525</u>	<u>43,693,260</u>	<u>46,263,579</u>
Change in Net Assets										
Governmental activities	1,110,811	4,843,205	5,933,661	8,201,477	10,252,494	6,573,252	4,317,448	2,152,247	4,193,682	5,129,392
Business-type activities	5,284,997	3,146,771	3,629,243	3,558,973	(769,259)	2,447,220	1,457,231	230,321	2,425,654	(552,176)
Total primary government	<u>\$ 6,395,808</u>	<u>\$ 7,989,976</u>	<u>\$ 9,562,904</u>	<u>\$ 11,760,450</u>	<u>\$ 9,483,235</u>	<u>\$ 9,020,472</u>	<u>\$ 5,774,679</u>	<u>\$ 2,382,568</u>	<u>\$ 6,619,336</u>	<u>\$ 4,577,216</u>
	(concluded)	(concluded)	(concluded)	(concluded)	(concluded)	(concluded)	(concluded)	(concluded)	(concluded)	(concluded)

Source: Comprehensive Annual Financial Reports

CITY OF EULESS, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS – LAST TEN FISCAL YEARS
(Modified accrual basis of accounting – Unaudited)

Table 3

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved for other	\$ 136,167	\$ 193,253	\$ 239,592	\$ 310,956	\$ 392,950	\$ 362,018	\$ 354,882	\$ 492,776	\$ -	\$ -
Nonspendable	-	-	-	-	-	-	-	-	19,344	28,796
Restricted	-	-	-	-	-	-	-	-	311,076	258,765
Assigned	-	-	-	-	-	-	-	-	103,423	111,096
Unreserved/Unassigned	6,039,430	5,552,863	6,363,113	8,989,805	10,594,492	8,355,946	7,288,976	7,121,683	7,296,719	8,913,078
Total general fund	\$ 6,175,597	\$ 5,746,116	\$ 6,602,705	\$ 9,300,761	\$ 10,987,442	\$ 8,717,964	\$ 7,643,858	\$ 7,614,459	\$ 7,730,562	\$ 9,311,735
All Other Governmental Funds										
Reserved for:										
Debt service	\$ 1,380,615	\$ 1,432,251	\$ 1,642,766	\$ 1,587,754	\$ 1,893,893	\$ 1,967,502	\$ 1,987,783	\$ 1,622,584	\$ -	\$ -
Development Agreements	1,447,612	1,442,999	1,470,156	1,535,647	1,598,658	1,671,038	1,553,876	1,454,496	-	-
Other	1,245	1,245	1,245	1,245	1,245	1,245	1,245	7,677	-	-
Unreserved, reported in:										
Special revenue funds	7,167,612	5,830,664	8,086,786	7,643,232	11,330,717	5,741,072	6,020,996	7,780,378	-	-
Capital funds	7,301,088	13,708,861	11,110,293	7,482,417	4,627,428	10,940,619	10,918,516	5,792,872	-	-
Nonspendable	-	-	-	-	-	-	-	-	5,665	5,803
Restricted for:										
Debt service	-	-	-	-	-	-	-	-	1,818,957	1,867,971
Capital projects	-	-	-	-	-	-	-	-	2,168,956	606,505
Other	-	-	-	-	-	-	-	-	87,972	1,694,821
Assigned	-	-	-	-	-	-	-	-	14,855,820	15,802,863
Total all other governmental funds	\$ 17,298,172	\$ 22,416,020	\$ 22,311,246	\$ 18,250,295	\$ 19,451,941	\$ 20,321,476	\$ 20,482,416	\$ 16,658,007	\$ 18,937,370	\$ 19,977,963

Note: The City of Euless first applied GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011. Reclassification of fund balances for prior years was not required.

Source: Comprehensive Annual Financial Reports

**CITY OF EULESS, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified accrual basis of accounting – Unaudited)**

Table 4

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
General property tax	9,855,490	10,297,219	11,138,582	11,266,615	12,482,090	12,200,974	12,735,324	12,277,457	11,786,579	12,382,757
Gross receipts tax	3,433,537	3,475,785	3,589,389	4,418,954	3,947,812	4,135,934	4,336,205	4,276,110	4,513,819	4,623,205
General sales tax	8,865,055	9,229,819	9,648,979	12,303,965	13,990,652	14,319,938	12,602,345	12,337,598	13,252,805	14,957,757
Car rental tax	9,641,373	10,190,256	10,841,899	12,580,371	12,955,882	12,832,458	11,632,215	11,480,736	12,457,910	12,933,884
Fines and fees	3,377,046	3,162,113	3,662,327	4,089,056	4,348,839	4,297,304	4,086,594	4,336,063	4,033,868	4,278,738
Licenses and permits	1,009,058	1,190,059	870,010	806,476	804,404	752,421	783,955	719,918	744,978	1,233,465
Investment income	566,049	444,653	798,485	1,468,812	1,784,492	1,512,898	742,444	253,302	143,564	107,195
DEA revenues	45,997	128,341	14,607	77,461	5,360	26,580	14,883	15,350	6,589	12,488
Intergovernmental	326,493	292,265	303,713	315,487	334,979	353,567	379,503	376,512	377,660	1,012,673
Rents and royalties	-	-	-	-	-	-	-	1,620,210	1,233,686	1,111,873
Other revenues	1,500,408	1,434,035	2,238,652	2,015,047	1,513,511	2,924,573	4,300,564	978,179	1,194,966	1,206,611
Total Revenues	38,620,506	39,844,545	43,106,643	49,342,244	52,168,021	53,356,647	51,614,032	48,671,435	49,746,424	53,860,646
Expenditures:										
Culture and recreation	3,764,712	3,586,026	3,890,845	4,079,825	4,500,202	4,461,329	4,350,573	4,120,435	4,335,786	4,676,100
Development services	1,111,608	1,150,194	1,079,073	1,117,614	1,461,222	1,232,277	1,355,105	1,251,706	1,340,898	688,296
General and administrative	11,631,603	11,912,050	12,494,352	14,860,076	16,377,711	17,660,608	16,230,408	14,796,474	15,610,772	15,539,673
Highways and streets	973,493	766,030	670,742	656,964	693,711	943,171	861,885	610,996	713,742	861,748
Public safety	13,343,235	13,814,758	14,409,786	15,334,138	16,958,988	17,930,526	18,560,852	19,011,663	19,492,862	21,074,399
Debt Service:										
Principal	2,452,838	2,666,815	2,600,000	2,790,000	3,030,000	3,010,000	2,990,000	3,110,000	3,445,000	8,210,000
Interest and fiscal charges	3,528,072	3,308,249	2,939,783	2,596,934	2,577,106	2,437,894	2,312,734	2,189,070	1,798,615	1,361,259
Issuance costs	85,363	80,000	128,000	97,810	5,946	-	-	95,000	178,229	184,966
Capital outlay	3,964,777	3,455,190	4,248,437	7,997,263	3,777,225	5,843,641	5,730,944	6,865,802	4,805,147	3,727,193
Total expenditures	40,855,701	40,739,312	42,461,018	49,530,624	49,382,111	53,519,446	52,392,501	52,051,146	51,721,051	56,323,634
Excess (deficiency) of revenues over (under) expenditures	(2,235,195)	(894,767)	645,625	(188,380)	2,785,910	(162,799)	(778,469)	(3,379,711)	(1,974,627)	(2,462,988)
Other Financing Sources (Uses):										
Proceeds from capital lease	-	-	-	-	-	-	-	-	494,322	-
Proceeds from issuance of debt	5,535,295	7,580,000	13,900,000	6,710,000	-	-	-	8,110,000	9,610,000	9,740,000
Payment of escrow for refunding	(5,492,201)	-	(14,386,070)	(6,879,482)	-	-	-	(8,443,763)	(6,804,790)	(5,381,310)
Bond premium	-	-	508,038	-	-	-	-	-	390,694	260,435
Bond discount	-	-	-	-	-	-	-	(94,828)	-	-
Transfers in	3,987,716	3,985,286	2,435,617	5,536,285	2,920,599	12,313,757	4,461,419	3,371,742	5,696,323	8,134,018
Transfers out	(6,913,902)	(5,982,152)	(2,351,396)	(6,541,319)	(2,818,181)	(13,550,897)	(4,596,116)	(3,417,248)	(5,016,456)	(7,668,389)
Total other financing sources	(2,883,092)	5,583,134	106,189	(1,174,516)	102,418	(1,237,140)	(134,697)	(474,097)	4,370,093	5,084,754
Net change in fund balances	\$ (5,118,287)	\$ 4,688,367	\$ 751,814	\$ (1,362,896)	\$ 2,888,328	\$ (1,399,939)	\$ (913,166)	\$ (3,853,808)	\$ 2,395,466	\$ 2,621,766
Debt service as a percentage of noncapital expenditures	16.4%	16.2%	14.8%	13.2%	12.3%	11.4%	11.4%	11.9%	11.6%	18.5%

Source: Comprehensive Annual Financial Reports

CITY OF EULESS, TEXAS
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY – LAST TEN FISCAL YEARS
(Unaudited)

Table 5

Fiscal Year	Estimated Market Value		Total Market Value	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property				
2003	1,774,764,051	415,198,175	2,189,962,226	227,535,973	1,962,426,253	0.497254
2004	1,908,435,313	410,962,260	2,319,397,573	249,704,249	2,069,693,324	0.495000
2005	2,029,651,370	428,198,142	2,457,849,512	271,935,496	2,185,914,016	0.495000
2006	2,190,313,348	375,328,844	2,565,642,192	312,107,619	2,253,534,573	0.491777
2007	2,324,055,440	424,995,712	2,749,051,152	308,569,035	2,440,482,117	0.489500
2008	2,438,826,320	464,735,670	2,903,561,990	320,650,590	2,582,911,400	0.470000
2009	2,477,673,867	508,213,527	2,985,887,394	325,886,654	2,660,000,740	0.470000
2010	2,470,282,654	449,954,489	2,920,237,143	330,392,987	2,589,844,156	0.470000
2011	2,473,997,250	390,731,885	2,864,729,135	341,730,427	2,522,998,708	0.470000
2012	2,610,172,289	389,778,962	2,999,951,251	348,227,246	2,651,724,005	0.470000

Source: Tarrant Appraisal District

CITY OF EULESS, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES (per \$100 of Assessed Value) – LAST TEN FISCAL YEARS
(Unaudited)

Table 6

Fiscal Year	City Direct Rates			Overlapping Rates				
	Operating / General Rate	General Obligation Debt Service	Total Direct Rate	Hurst-Eules-Bedford ISD	Grapevine-Colleyville ISD	Tarrant County	Tarrant County Hospital District	Tarrant County Community College
2003	0.298479	0.198775	0.497254	1.7119	1.6598	0.2725	0.2324	0.1394
2004	0.309241	0.185759	0.495000	1.6616	1.7011	0.2725	0.2354	0.1394
2005	0.331396	0.163604	0.495000	1.7105	1.7000	0.2725	0.2354	0.1394
2006	0.340321	0.151456	0.491777	1.7230	1.7000	0.2725	0.2354	0.1394
2007	0.343227	0.146273	0.489500	1.5975	1.5743	0.2715	0.2354	0.1394
2008	0.340341	0.129659	0.470000	1.3037	1.2900	0.2665	0.2304	0.1394
2009	0.351937	0.118063	0.470000	1.2950	1.2900	0.2640	0.2279	0.1380
2010	0.360791	0.109209	0.470000	1.2955	1.2900	0.2640	0.2280	0.1377
2011	0.343905	0.126095	0.470000	1.2882	1.2900	0.2640	0.2279	0.1376
2012	0.345388	0.124612	0.470000	1.4140	1.3100	0.2640	0.2280	0.1490

Sources: City of Eules Budget Office, Tarrant Appraisal District

**CITY OF EULESS, TEXAS
PRINCIPAL PROPERTY TAX PAYERS
Current Year and Nine Years Ago
(Unaudited)**

Table 7

Fiscal Year 2012			Fiscal Year 2003		
<u>Taxpayer</u>	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value (1)	<u>Taxpayer</u>	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value (2)
Ean Holdings, LLC	\$ 54,422,607	2.05 %	National Rental Systems Inc	\$ 53,118,533	2.71 %
The Hertz Corp.	45,099,623	1.70	Hertz Rent-a-Car	45,801,871	2.33
UDR The Mandolin LLC	44,018,000	1.66	Avis Rent-a-Car, Inc.	34,938,473	1.78
Avis Rent A Car System LLC	40,082,937	1.51	Somerset Village Partners LP	31,013,586	1.58
IRA Stoneleigh Feeco LLC	37,294,700	1.41	The Bear Apartments	28,613,289	1.46
CMF 15 Portfolio LLC	37,200,000	1.40	Southwest Properties	28,068,320	1.43
Big Vineyard Village MSV LLC	34,483,841	1.30	Cingular Wireless	27,395,084	1.40
Oncor Electric Delivery Co. LLC	33,715,628	1.27	Saluda Apartments, LP	26,879,759	1.37
Somerset Village Partners LP	33,352,614	1.26	Southwestern Bell Telephone Company	23,755,705	1.21
AP WP Vineyard Reit LLC	33,000,000	1.24	Mandolin Q I	21,400,000	1.09
Total	\$ 392,669,950	14.80 %	Total	\$ 320,984,620	16.36 %

Source: Tarrant County Tax Office

Note:

(1) Total Taxable Assessed Value including real and personal property for tax year 2011 (fiscal year 2012) is \$2,651,724,005.

(2) Total Taxable Assessed Value including real and personal property for tax year 2002 (fiscal year 2003) is \$1,962,426,253.

CITY OF EULESS, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS – LAST TEN FISCAL YEARS
(Unaudited)

Table 8

Fiscal Year	Taxes Levied Within the Fiscal Year of the Levy	Adjustments to Levy in Subsequent Years	Adjusted Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collection		Delinquent Taxes	
				Amount	Percentage of Levy		Amount	Percentage of Levy	Amount	Percentage of Levy
2003	9,862,626	(55,886)	9,806,740	9,639,278	98.29%	129,421	9,768,699	99.61%	38,041	0.39%
2004	10,219,893	52,711	10,272,604	10,026,897	97.61%	205,229	10,232,125	99.61%	40,478	0.39%
2005	10,789,150	55,448	10,844,597	10,663,367	98.33%	135,941	10,799,308	99.58%	45,290	0.42%
2006	11,194,338	1,289	11,195,627	11,007,368	98.32%	171,266	11,178,634	99.85%	16,993	0.15%
2007	11,908,489	(9,108)	11,899,381	11,801,183	99.17%	82,407	11,883,590	99.87%	15,791	0.13%
2008	12,083,956	(39,548)	12,044,408	11,986,396	99.52%	41,124	12,027,520	99.86%	16,888	0.14%
2009	12,747,343	(125,971)	12,621,372	12,556,281	99.48%	13,842	12,570,123	99.59%	51,249	0.41%
2010	12,318,061	(17,084)	12,300,977	12,182,266	99.03%	63,658	12,245,924	99.55%	55,053	0.45%
2011	11,796,659	(5,049)	11,791,610	11,637,719	98.69%	45,311	11,683,030	99.08%	108,580	0.92%
2012	12,436,816	(39,060)	12,397,756	12,252,510	98.83%	-	12,252,510	98.83%	145,246	1.17%

Source: Tarrant County Tax Office and Tarrant Appraisal District

CITY OF EULESS, TEXAS
RATIO OF OUTSTANDING DEBT BY TYPE – LAST TEN FISCAL YEARS
(Unaudited)

Table 9

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Certificates of Obligation	Taxable Certificates of Obligation	Sales Tax Revenue Bonds	W&S Revenue Bonds	Drainage Revenue Bonds	Certificates of Obligation	General Obligation Refunding Bonds			
2003	15,381,815	18,420,000	9,875,000	8,860,000	3,300,000	1,300,000	10,660,000	-	67,796,815	5.31%	1,414
2004	17,525,000	21,915,000	9,700,000	8,310,000	5,220,000	1,135,000	500,000	11,095,000	75,400,000	5.67%	1,516
2005	27,410,000	10,365,000	9,510,000	7,725,000	4,915,000	965,000	210,000	11,095,000	72,195,000	5.27%	1,445
2006	28,820,000	7,175,000	9,305,000	7,175,000	4,805,000	785,000	-	11,005,000	69,070,000	4.86%	1,361
2007	27,350,000	6,475,000	9,080,000	6,540,000	4,585,000	600,000	-	10,560,000	65,190,000	4.40%	1,232
2008	25,985,000	5,735,000	8,840,000	5,875,000	4,350,000	410,000	-	10,105,000	61,300,000	4.15%	1,148
2009	24,350,000	5,330,000	8,580,000	5,185,000	4,105,000	210,000	-	9,640,000	57,400,000	3.78%	1,062
2010	30,765,000	4,910,000	-	4,470,000	3,850,000	-	-	9,160,000	53,155,000	3.36%	981
2011	29,235,000	6,590,000	-	3,715,000	3,580,000	-	-	8,675,000	51,795,000	3.66%	1,010
2012	29,915,000	3,230,000	-	2,910,000	3,435,000	-	-	8,165,000	47,655,000	3.45%	925

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

(1) See Table 14 for personal income and population data.

CITY OF EULESS, TEXAS
RATIO OF NET GENERAL BONDED DEBT TO TAXABLE ASSESSED VALUE AND NET BONDED DEBT PER CAPITA –
LAST TEN FISCAL YEARS
(Unaudited)

Table 10

Fiscal Year	General Bonded Debt Outstanding				Estimated Population (1)	Taxable Assessed Value (2)	Net Debt to Taxable Assessed Value	Net Debt Per Capita
	General Obligation Bonds	Certificates of Obligation	Less: Debt Service Reserves	Net O/S Debt Total				
2003	\$ 12,409,653	\$ 22,910,000	\$ 429,997	\$ 34,889,656	47,950	\$ 1,962,426,253	1.78%	\$ 728
2004	15,381,815	18,420,000	481,633	33,320,182	49,750	2,069,693,324	1.61%	670
2005	17,525,000	21,915,000	692,148	38,747,852	49,950	2,185,914,016	1.77%	776
2006	27,410,000	10,365,000	637,136	37,137,864	50,750	2,253,534,573	1.65%	732
2007	28,820,000	7,175,000	955,555	35,039,445	52,900	2,440,482,117	1.44%	662
2008	27,350,000	6,475,000	1,029,164	32,795,836	53,400	2,582,911,400	1.27%	614
2009	25,985,000	5,735,000	1,049,445	30,670,555	54,073	2,660,000,740	1.15%	567
2010	24,350,000	5,330,000	684,246	28,995,754	54,200	2,589,844,156	1.12%	535
2011	22,655,000	4,910,000	880,619	26,684,381	51,277	2,522,998,708	1.06%	520
2012	22,760,000	3,230,000	956,430	25,033,570	51,500	2,651,724,005	0.94%	486

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements. Total does not include self-supporting debt (taxable general obligation refunding bonds and enterprise debt). Figures for years prior have been restated to reduce total debt outstanding by available reserves.

Source: (1) Estimates by North Central Texas Council of Governments

(2) Tarrant Appraisal District

CITY OF EULESS, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of September 30, 2012 – (Unaudited)

Table 11

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Grapevine-Colleyville Independent School District	\$ 416,410,525	8.66%	\$ 36,061,151
Hurst-Euless-Bedford Independent School District	330,852,675	20.47%	67,725,543
Tarrant County	315,898,924	2.16%	6,823,417
Tarrant County Hospital District	56,385,000	2.16%	1,217,916
Tarrant County College District	20,765,026	2.16%	<u>448,525</u>
Subtotal, overlapping debt			112,276,551
City of Euless (direct debt)	25,990,000	100.00%	<u>25,990,000</u>
Total direct and overlapping debt			<u><u>\$ 138,266,551</u></u>

Note: The percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the City's boundaries and dividing it by each unit's total taxable value.

Source: Debt outstanding data provided by each governmental unit.

CITY OF EULESS, TEXAS
SCHEDULE OF REVENUE BOND COVERAGE WATER AND WASTEWATER BONDS – LAST TEN FISCAL YEARS
(Unaudited)

Table 12

Fiscal Year	Total Revenues (1)	Less Operating Expenses (2)	Net Revenue Available	Principal	Interest and Fiscal Charges	Total	Coverage Ratio
2003	13,016,934	10,431,249	2,585,685	615,000	199,245	814,245	3.18
2004	13,443,174	10,902,522	2,540,652	500,000	183,946	683,946	3.71
2005	14,548,715	11,555,108	2,993,607	305,000	275,524	580,524	5.16
2006	16,568,058	13,485,955	3,082,103	195,000	229,437	424,437	7.26
2007	14,645,201	13,668,755	976,446	220,000	213,643	433,643	2.25
2008	16,369,368	14,722,644	1,646,724	235,000	191,228	426,228	3.86
2009	16,594,856	13,722,593	2,872,263	245,000	180,820	425,820	6.75
2010	17,475,984	14,799,879	2,676,105	255,000	171,452	426,452	6.28
2011	20,148,834	15,952,372	4,196,462	270,000	161,333	431,333	9.73
2012	18,714,408	15,824,724	2,889,684	90,000	105,785	195,785	14.76

Notes: (1) Operating and nonoperating revenues of water and wastewater fund

(2) Total operating expenses of water and wastewater fund exclusive of depreciation and amortization

CITY OF EULESS, TEXAS
SCHEDULE OF REVENUE BOND COVERAGE DRAINAGE UTILITY BONDS – LAST TEN FISCAL YEARS
(Unaudited)

Table 13

Fiscal Year	Total Revenues (1)	Less Operating Expenses (2)	Net Revenue Available	Principal	Interest and Fiscal Charges	Total	Coverage Ratio
2003	653,916	291,668	362,248	160,000	32,494	192,494	1.88
2004	667,131	225,815	441,316	165,000	46,255	211,255	2.09
2005	700,316	265,444	434,872	170,000	41,305	211,305	2.06
2006	741,256	257,919	483,337	180,000	35,355	215,355	2.24
2007	790,647	420,586	370,061	185,000	34,303	219,303	1.69
2008	736,433	298,712	437,721	190,000	21,565	211,565	2.07
2009	714,250	286,741	427,509	200,000	14,417	214,417	1.99
2010	700,827	457,376	243,451	210,000	8,400	218,400	1.11
2011	699,709	519,622	180,087	-	-	-	n/a
2012	707,165	604,994	102,171	-	-	-	n/a

Notes: (1) Operating and nonoperating revenues of drainage utility fund

(2) Total operating expenses of drainage utility fund exclusive of depreciation and amortization

**CITY OF EULESS, TEXAS
DEMOGRAPHIC STATISTICS – LAST TEN FISCAL YEARS
(Unaudited)**

Table 14

Fiscal Year	Estimated Population (1)	Per Capita Income (2)	Personal Income (thousands of dollars)	Median Age (2)	School Enrollment (3)	Unemployment Rate (4)
2003	47,950	26,630	1,276,909	N/A	19,500	4.7%
2004	49,750	26,710	1,328,823	N/A	19,700	3.8%
2005	49,950	27,406	1,368,930	N/A	19,600	4.5%
2006	50,750	27,999	1,420,949	33.7	20,111	4.8%
2007	52,900	28,029	1,482,734	34.1	20,318	3.8%
2008	53,400	27,634	1,475,656	34.2	20,048	4.5%
2009	54,073	28,110	1,519,992	34.4	20,504	7.3%
2010	54,200	29,179	1,581,502	32.4	20,898	7.9%
2011	51,277	27,590	1,414,732	34.4	21,071	7.3%
2012	51,500	26,820	1,381,230	34.4	21,570	6.6%

- Notes:**
1. Estimates by North Central Texas Council of Governments
 2. Estimates by Claritas Site Reports; *Research & Demographic Solutions*
 3. Hurst-Euless-Bedford Independent School District
 4. Texas Workforce Commission

**CITY OF EULESS, TEXAS
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago
(Unaudited)**

Table 15

<u>2012</u>			<u>2003</u>		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
HEB ISD	818	3.25%	City of Euless	368	1.72%
LSG Sky Chefs, Inc.	800	3.18%	Super Target	300	1.41%
City of Euless	360	1.45%	Krispy Kreme	200	0.94%
Redi-Mix Concrete	355	1.41%	Liberty Printing	190	0.89%
Autogrill Group, Inc.	350	1.39%	Atlas Match	150	0.70%
Life Outreach International	181	0.72%	Home Depot	150	0.70%
Super Target	150	0.60%	First Odyssey Group	100	0.47%
Lowe's	125	0.50%	Office Depot	100	0.47%
Home Depot	122	0.48%	Ferguson Enterprises	90	0.42%
TJ Lambrecht Construction	120	0.48%	Heath & Company	75	0.35%
Total	<u>3,381</u>	<u>13.46%</u>		<u>1,723</u>	<u>8.07%</u>

Source: 2003 and 2012 Official Statements, City of Euless Planning and Development Department

CITY OF EULESS, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM – LAST TEN FISCAL YEARS
(Unaudited)

Table 16

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government and Administration	52.25	52.25	51.25	50.75	53.00	54.50	54.50	50.00	48.50	48.50
Public Safety	117.00	117.00	118.00	120.00	123.00	126.00	126.00	118.00	121.00	129.00
Fire Safety	61.00	61.00	64.00	67.00	70.00	73.00	73.00	71.00	71.00	72.00
Development Services	15.00	15.00	12.00	12.00	12.00	12.00	12.00	11.50	13.50	6.00
Culture and Recreational	35.75	35.75	35.75	35.75	36.50	36.00	36.00	30.00	31.00	32.00
Water and Wastewater	49.00	49.00	48.00	49.50	50.00	50.00	50.00	46.00	42.00	42.50
Golf Course	15.25	15.25	15.25	15.25	15.25	15.25	17.25	13.00	13.00	13.00
Public Works	15.75	15.75	15.75	15.75	15.75	15.75	15.75	14.00	17.50	18.50
Service Center	6.00	6.00	6.00	6.00	6.00	6.00	6.00	5.00	5.00	5.00
Risk Management / Insurance	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>1.50</u>	<u>1.50</u>	<u>1.50</u>	<u>1.50</u>	<u>1.50</u>	<u>1.50</u>
Total	<u>369.00</u>	<u>369.00</u>	<u>368.00</u>	<u>374.00</u>	<u>383.00</u>	<u>390.00</u>	<u>392.00</u>	<u>360.00</u>	<u>364.00</u>	<u>368.00</u>

Source: City Budget Office

CITY OF EULESS, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM – LAST TEN FISCAL YEARS
(Unaudited)

Table 17

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety										
Police										
Number of Certified Officers	81	81	82	82	82	85	85	85	85	85
Number of Citations Issued	27,145	25,491	32,200	38,359	34,368	26,503	29,925	24,126	21,790	22,787
Fire										
Number of Certified Firefighters	59	59	62	65	68	71	70	69	69	70
Number of Alarms	4,849	4,699	3,949	3,661	3,675	4,197	3,827	4,097	4,196	4,204
Number of EMS Calls	2,320	1,854	2,202	2,317	2,561	2,688	2,634	2,793	2,848	2,982
Municipal Court										
Cases Filed	35,385	34,258	41,027	46,085	39,096	30,551	33,670	31,442	27,022	26,889
Development										
Number Residential Inspections - New	182	518	319	315	58	77	100	101	52	44
Number Commercial Inspections - New	4	13	8	10	24	28	16	14	11	29
Number Multifamily Inspections - New	1	-	-	-	-	-	-	-	-	-
Public Works										
Street Overlay (Square Footage)	1,238,046	1,004,735	1,391,889	1,117,894	664,472	999,285	797,326	770,380	953,406	368,654
Cultural and Recreational										
Parks and Recreation										
Recreation Center Memberships	4,427	4,123	4,260	4,160	3,990	3,944	3,703	2,443	4,337	3,654
Class Attendance (Youth/Adult)	17,532	24,522	24,575	25,704	29,067	59,541	74,452	56,833	28,804	41,766
Water and Wastewater										
Number of Water Consumers	23,231	23,848	25,012	24,486	24,484	24,608	24,677	24,760	24,924	24,428
Water Produced (In Gallons x 1000)	555,046	384,306	314,085	372,695	414,934	348,548	730,291	579,154	477,914	299,107
Water Purchased - TRA (In Gallons x 1000)	1,895,120	2,146,706	2,382,040	2,947,945	2,202,426	2,291,974	1,955,535	2,028,760	2,566,370	2,440,539
Water Supplied (In Gallons x 1000)	2,450,166	2,531,012	2,696,125	3,320,640	2,617,360	2,640,522	2,685,826	2,607,914	3,044,284	2,739,646
Annual Rainfall (In Inches)	30.75	41.08	32.51	20.74	53.51	27.10	36.32	38.65	22.26	36.57
Golf Course										
Number of Paid Rounds Played	30,861	33,146	32,725	36,639	35,094	36,528	43,029	32,996	35,075	34,550

Source: City Departments
Comprehensive Annual Financial Report
City Budget Office

Notes: N/A - Data not available.
(1) 2003 through 2010 are reported in linear miles. 2011 forward are reported in lane miles.

CITY OF EULESS, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM – LAST TEN FISCAL YEARS
(Unaudited)

Table 18

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations	3	3	3	3	3	3	3	3	3	3
Public Works										
Streets- Paved (linear miles)	182.0	182.0	182.0	182.0	211.0	217.6	217.6	217.6	332.1	332.4
Cultural and Recreational										
Swimming Pools	3	3	3	3	3	3	3	3	3	3
Parks	16	16	16	17	17	17	17	17	17	17
Parks Land (Acres)	539	539	539	566	632	632	632	632	632	632
Community Buildings	5	5	5	5	5	5	5	5	6	6
Ampitheater	2	2	2	2	2	2	2	2	2	2
Conference Centre	1	1	1	1	1	1	1	1	1	1
Golf Course	1	1	1	1	1	1	1	1	1	1
Athletic Fields	24	24	24	35	35	35	35	33	33	33
Library Holdings	106,442	96,228	99,972	97,334	98,613	101,672	103,122	106,121	110,149	111,230
Water and Wastewater										
Water Mains (miles)	209.00	210.00	212.00	218.00	222.10	226.80	226.80	228.20	228.50	227.99
Fire Hydrants	1,318	1,318	1,318	1,377	1,441	1,477	1,477	1,525	1,526	1,550
Wastewater Mains (miles)	157.0	161.0	162.0	162.0	168.0	186.3	186.3	186.5	186.7	189.2

Source: City Departments