

City of Euless, Texas

Comprehensive Annual Financial Report

Fiscal Year Ending September 30, 2011



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City of Euless, Texas
Comprehensive Annual Financial Report
Fiscal Year Ending
September 30, 2011

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, 2011**

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**CITY OF EULESS, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED SEPTEMBER 30, 2011**

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INTRODUCTORY SECTION



January 24, 2012

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, 2011. 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, 2011, 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, 2011, 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 51,277.

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.

Two component units of the City, the Euless Development Corporation and the Euless Crime Control and Prevention District, are presented in the financial statements of the City as blended component units. Data for both organizations is recorded and presented in the 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 Euless' financial planning and control. According to 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 Euless operates.

The City of Euless 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 Euless. 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 of nearly 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 2011, the City's unemployment rate of 7.5% compares favorably with the state rate of 8.4%.

DFW Airport is the world's third-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 nearly 1,800 flights per day and serving more than 57 million passengers a year. DFW provides in excess of 305,000 jobs and contributes over \$16.6 billion annually to the regional economy (SOURCE: DFW website www.dfwairport.com Fast Facts and DFW Airport 2010 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 260 companies, 30,000 employees, 7,600+ 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 \$2.5 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 FY2011, Euless began seeing some improvement, but the city has not yet experienced a full recovery. Therefore, Euless continues to look for new, innovative revenue opportunities in an effort to minimize the tax burden to its citizens. Efforts have also been made to maintain or cut costs while preserving current service levels. 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 \$2.5 billion for fiscal year 2011, which represents a 5.2% decrease over the prior year. Sales tax collections, on the other hand, increased during FY2011 exceeding budget expectations by 3.8%.

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 our 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. During 2011, the city welcomed the opening of several new restaurants including Taco Cabana, Raising Cane's, IT'Z Pizza, Schlotzsky's, Which Wich and Asian Village. New industrial manufacturing has also come online. Additionally, the city processed fifty-two new residential housing permits totaling approximately \$16.5 million in new residential development, and eleven new commercial permits with a valuation of \$6.6 million.

The Dallas Cowboys Stadium and Texas Rangers Ballpark in Arlington, within minutes of Euless, continues to attract additional tourism to the city by hosting major concerts and sporting events, including Super Bowl XLV in February of 2011 and the World Series in both 2010 and 2011.

During the fiscal year, various capital improvement projects located throughout the City were completed. The projects included miscellaneous drainage improvements and street overlay projects throughout the city. Additionally, the city completed several facility projects including the construction of a 20,000 square foot senior citizen center, installation of a new emergency generator, and re-construction of the pavilion at the Texas Star Golf Course. Street projects completed this year include construction of the initial infrastructure improvements at the Glade Parks development which consists of Rio Grande Boulevard, portions of Heritage Avenue, the main entrance, medians, utility installation, and underground drainage improvements. In addition, the city completed the replacement of several wastewater lines along Woodridge Circle, Koen Lane, Alexander Lane, Norman Drive, Franklin Drive and Fayette Drive. Installation of a reclaimed water main from the City of Fort Worth point of service to the Texas Star property was also completed during the fiscal year. With the exception of the Glade Parks infrastructure, all of these projects were funded from cash reserves and did not require issuance of new debt. The city also completed a lighting project at the Texas Star Sports Complex which replaced existing field lighting fixtures, poles and foundations with newer energy efficient light fixtures. This project was funded through the Department of Energy's American Recovery and Reinvestment Act grant.

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 \$54,558 (source: Claritas Site Reports) compares favorably to \$53,726 for Tarrant County and \$48,259 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 their levels exceed guidelines or legally-required minimums.

Fiscal policies provide for a General Fund reserve equal to between thirty and sixty 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, 2011, the revenue bond reserve totaled just over \$431,000 while the average annual debt service on the outstanding debt was calculated at \$352,807.

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. 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.

In January, the Euless Family Life Center and Senior Citizens Center opened to rave reviews, with over 4,000 memberships sold during the fiscal year. This facility includes a 27,000 square foot recreational facility, a 5,000 square foot fitness center, and a 20,000 square foot senior citizen center. Upon ultimate completion of this project, the facility will also include an indoor and outdoor aquatic facility.

The City’s Capital Improvement Plan addresses the infrastructure needs throughout the city. In accordance with this plan, the city awarded construction contracts on Baze Road and Ash Lane. These reconstruction projects will upgrade both of these major roadways from two-lane county roads to standard curb and gutter streets with underground drainage. Additionally, 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.

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 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 will be funded from from assessments within the district. During FY2011, the City completed the first phase of infrastructure improvements with the construction of Rio Grande Boulevard. With completion of the initial infrastructure improvements, the City Council approved a site plan for a 3,600 square foot drive-through restaurant to be located at this development. Raising Cane’s Chicken Fingers completed construction and held their grand opening in December 2011.

To further promote development, the city also executed a development agreement 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.

During drought and mandatory watering restrictions which were implemented throughout the State of Texas, 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 and has allowed the City to protect valuable assets, therefore ensuring a safe playing surface for our customers during one of the hottest summers on record.

The City also negotiated a contract with the City of Fort Worth to extend the current reclaimed water line to serve the eastern portion of Euless north of State Highway 183. With this extension, the City would have the ability to provide reclaimed water to an existing holding pond for gas well operations as well as future use on the Riverwalk Development mentioned above.

In September, the City of Euless dedicated the 9-11 Memorial, which includes a 12 foot steel beam received from the fallen World Trade Center. This memorial will forever be displayed in front of the Fire Administration Building to honor the thousands who lost their life on that tragic day.

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, 2010. 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 24 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 20 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



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

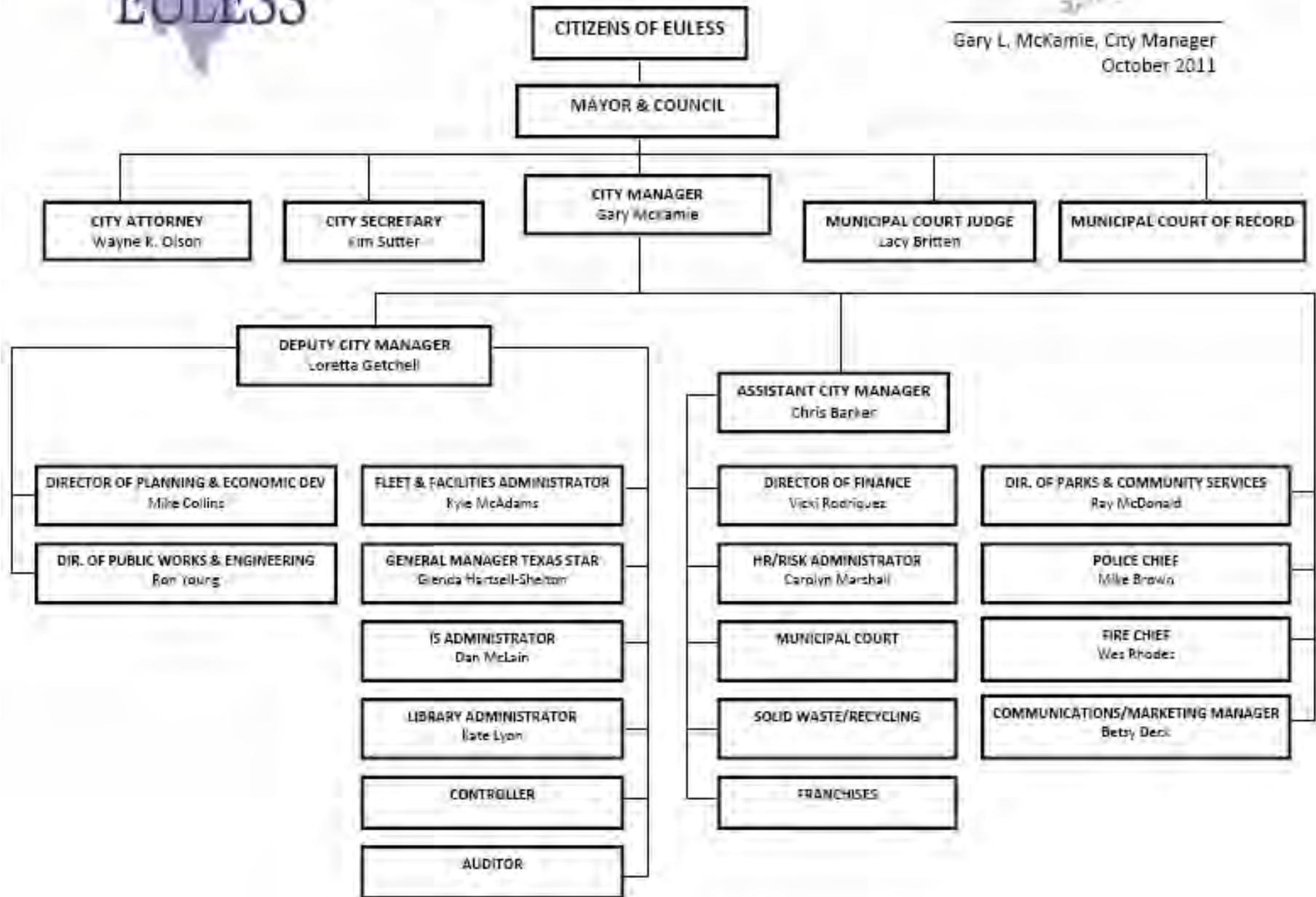
Perry Bynum, Council Member — Place Six

Gary McKamie, City Manager

Loretta Getchell, Deputy City Manager

Chris Barker, Assistant City Manager

Gary L. McKamie, City Manager
October 2011



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, 2010

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



Linda C. Danison

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 63 through 65 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

To the Honorable Mayor,
City Council and City Manager

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information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's 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 basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
January 20, 2012

CITY OF EULESS, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2011
(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, 2011. 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 89-107 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 \$177,487,673 (Net assets). This number must be viewed in the context that the vast majority of the City's net assets of \$124,183,976 (70%) 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 \$4,907,241 (3%). The remaining \$48,396,456 (27%) 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 \$4,193,682 and business-type activities realized an increase in total net assets of \$2,425,654 bringing the total increase in net assets for the city to \$6,619,336.
- At the close of the current fiscal year, the City of Euless' governmental funds reported combined ending fund balances of \$26,667,932 which represents an increase of \$2,395,466 in comparison with the prior year. Within this total, \$1,818,957 is restricted for debt service; \$684,336 is restricted by bond covenant for capital projects; \$311,076 and \$87,971 are restricted for court technology and juvenile case management, respectively; and another \$1,484,620 is restricted for capital projects by developer agreements. Nonspendable fund balance of \$25,009 represents fund balance amounts for inventories and prepaid items. Fund balances of \$14,959,243 represent assigned fund balance in the general, special revenue, and

capital projects funds. The unassigned fund balance in the General Fund is \$7,296,719 which can be used for any lawful purpose. The General Fund unreserved balance represents 25% of fiscal year 2011 total fund expenditures.

- The City's total capital assets (net of accumulated depreciation) increased by \$1,070,145 which is primarily attributed to the acquisition of land and equipment, the construction of infrastructure and facilities, and construction in progress.
- The City's bonds payable decreased by \$1,360,000 or 3%, 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 debt. In addition to the refunding debt issue, the City also issued \$3,035,000 in certificates of obligation during the year.

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).

Both of 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 Eules Development Corporation and the Crime Control and Prevention District 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 14-15 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 Eules, 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 19 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, Streets CIP, and Car Rental Tax funds, all of which are considered to be major funds. Data from the other 15 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 Fund and Car Rental Tax fund. 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 16-19 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 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 20-24 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 25 and 26 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-60 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 obligation to provide pension benefits to its employees. Additionally, schedules comparing budgetary figures and actual results of the General Fund and the Car Rental Tax Fund are also located in this section of the report. Required supplementary information can be found on page 61-66 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 69-88 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 \$177,487,673 as of September 30, 2011.

The largest portion of the City's net assets (70%) reflects its investment in capital assets (i.e., land, buildings, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending 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 (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets

of \$48,396,456 (27%) 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	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 44,597	\$ 41,167	\$ 23,927	\$ 21,209	\$ 68,524	\$ 62,376
Capital assets	113,805	112,286	64,562	65,011	178,367	177,297
Total assets	158,402	153,453	88,489	86,220	246,891	239,673
Long-term liabilities	43,299	37,439	11,066	11,640	54,365	49,079
Other liabilities	10,785	15,889	4,254	3,837	15,039	19,726
Total liabilities	54,084	53,328	15,320	15,477	69,404	68,805
Net assets:						
Invested in capital assets, net of debt	71,051	73,816	53,133	53,318	124,184	127,134
Restricted	1,819	1,376	3,088	3,437	4,907	4,813
Unrestricted	31,448	24,933	16,948	13,988	48,396	38,921
Total net assets	\$ 104,318	\$ 100,125	\$ 73,169	\$ 70,743	\$ 177,487	\$ 170,868

As of September 30, 2011 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 2010.

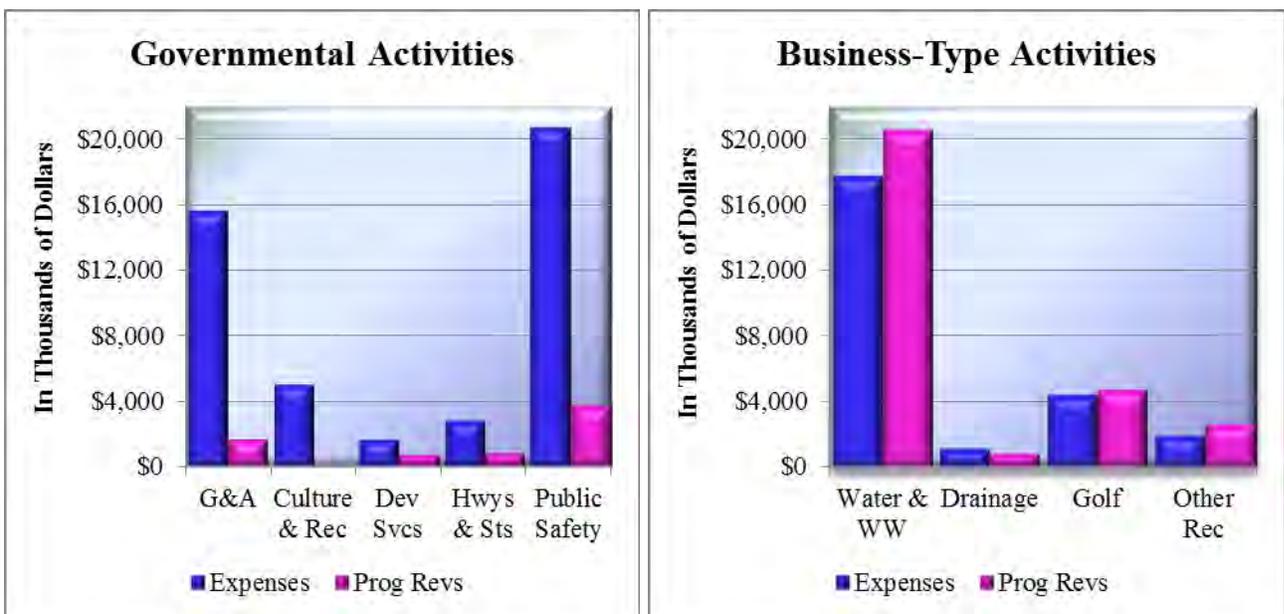
The City's unrestricted net assets increased by \$9.5 million in fiscal year 2011. This increase is primarily attributed to the decrease of approximately \$2.9 million in the amount invested in capital assets, net of related debt combined with the change in net assets of \$6.6 million resulting from current year operations. 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	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
<u>REVENUES</u>						
Program revenues:						
Fees, fines and charges for services	\$ 5,829	\$ 6,711	\$ 28,105	\$ 25,230	\$ 33,934	\$ 31,941
Operating grants and contributions	469	511	-	-	469	511
Capital grants and contributions	1,015	602	773	26	1,788	628
General revenues:						
Property taxes	11,856	12,306	-	-	11,856	12,306
Sales taxes	13,253	12,338	-	-	13,253	12,338
Car rental taxes	12,458	11,481	-	-	12,458	11,481
Mixed beverage taxes	66	72	-	-	66	72
Occupancy taxes	273	237	-	-	273	237
Gross receipts taxes	4,175	3,967	-	-	4,175	3,967
Investment income	169	293	66	88	235	381
Gain (loss) on asset disposal	100	117	(142)	4	(42)	121
Miscellaneous	1,420	104	-	-	1,420	104
Total revenues	51,083	48,739	28,802	25,348	79,885	74,087
<u>EXPENSES</u>						
Culture and recreation	5,092	5,004	-	-	5,092	5,004
Development services	1,707	1,693	-	-	1,707	1,693
General government	15,699	14,572	-	-	15,699	14,572
Highways and streets	2,923	2,663	-	-	2,923	2,663
Public safety	20,755	21,417	-	-	20,755	21,417
Interest on long-term debt	1,618	1,885	-	-	1,618	1,885
Water and wastewater	-	-	17,827	17,036	17,827	17,036
Drainage utility	-	-	1,178	1,107	1,178	1,107
Golf course	-	-	4,483	4,461	4,483	4,461
Recreational enterprises	-	-	1,983	1,867	1,983	1,867
Total expenses	47,794	47,234	25,471	24,471	73,265	71,705
Increase (decrease) in net assets before transfers	3,289	1,505	3,331	877	6,620	2,382
Transfers	905	647	(905)	(647)	-	-
Increase (decrease) in net assets	4,194	2,152	2,426	230	6,620	2,382
Net assets, beginning	100,125	97,973	70,743	70,513	170,868	168,486
Net assets, ending	\$ 104,319	\$ 100,125	\$ 73,169	\$ 70,743	\$ 177,488	\$ 170,868

- Governmental activities.** Governmental activities increased the City's net assets by \$4,193,682 thereby accounting for 63% of the total growth in net assets. Most revenue categories exceeded projections including sales taxes, gross receipts taxes, and grant revenues. Sound fiscal management, holding departmental expenses to a minimum, and delaying capital purchases allowed the city to realize an increase in net assets before transfers of \$3,288,815. Total revenue for the governmental activities (excluding transfers from business-type activities) increased from the previous year by \$1,921,413. General Revenue, which is primarily made up of property taxes, sales taxes, and car rental taxes had a net increase of \$2,854,931. Property tax revenue declined due to an overall decrease in both the residential and commercial tax base. Sales tax collections increased due to new business openings and an overall upswing in taxable sales. Program revenues, which consist primarily of fines, fees, and charges for services declined \$511,054. The net assets of general governmental operations account for 59% of total net assets.
- Business-type activities.** Business-type activities increased the City's net assets by \$2,425,654 accounting for 37% of the total growth in net assets. Total revenue for the business-type activities increased from the previous year by \$3,453,673 due in part to an increase in water and wastewater rates as well as increased demand. Capital grants and contributions accounted for more than 21% of the revenue increase. Additionally, as stated in the governmental activities, sound fiscal management, departmental budget cuts, and limited capital purchases resulted in an increase in net assets by \$2,425,654. Net assets for business-type activities represent 41% 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 \$26,667,932, an increase of \$2,395,466 in comparison with prior year. Of which, approximately 27% or \$7.3 million constitutes unassigned fund balance in the general fund that is available for spending at the City's discretion. Another \$25,009 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 (\$1,818,957); 2) to pay for specific capital improvements per developer agreements (\$1,484,620); 3) restricted by bond covenant for specific capital projects (\$684,336); and 4) for a variety of other restricted purposes (\$399,048). The remainder of \$14,959,243 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 \$1,517,435. Due to a positive budget variance in overall expenditures, the General Fund ended the year with an increase to fund balance of \$116,103 which represents a positive budget variance of \$1,633,538 resulting primarily from departmental expenditure cuts and personnel savings. Personnel and related benefit savings of approximately \$929,000 resulted primarily from the elimination of positions and holding numerous vacant positions open throughout the year. A decline in mowing expenditures due to a reduction in mowing frequency and severe drought conditions resulted in savings of almost \$37,000. Increased rebate incentive payments from the upsurge in sales tax revenues resulted in increased expenditures of approximately \$44,000. Capital expenditures including street overlay, traffic signals, and sidewalks realized budgetary savings of nearly \$107,000. One-time expenditures were \$434,000 under budget as a result of temporarily delaying purchases and improvements.

The Debt Service fund balance only decreased \$4,262 which is \$148,191 less than the anticipated drawdown of \$152,453. Streets CIP fund balance increased \$2,283,143 due to the receipt of proceeds from the issuance of debt and the funding of the FY2011 approved projects. The Car Rental Tax fund balance was originally budgeted to decrease \$534,725, was revised to a decline of \$784,725, but instead ended the year with a decrease of just over \$295,000 due mainly to increased revenues resulting from an increase in car rental taxes. The non-major governmental funds realized a combined increase in fund balance of \$296,038 primarily resulting from increased sales tax collections. The combined net effect of these changes in governmental fund balances totals \$2,395,466.

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 \$10,079,281; Drainage Utility fund \$1,364,563; Golf Course fund \$1,743,023; and all other non-major recreation enterprise funds combined \$1,993,251. The Water and Wastewater fund increase in unrestricted net assets primarily results from the high volume of water sales due to the extreme temperatures and drought conditions felt in the region. The Drainage Utility fund experienced a decrease in net assets primarily resulting from annual depreciation charges. Unrestricted net assets for the Golf Course fund increased \$291,781 while all other non-major recreation enterprise funds realized an increase of \$402,895. The Golf Course and the Texas Star Sports Complex (non-major recreation enterprise) increases are

primarily attributable to the collection of gas lease payments and gas royalties.

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, 2011, totaled \$178,366,952 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress. The net increase in the City's investment in capital assets for the current fiscal year was \$1,070,145 or less than 1%.

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

- Capital contributions for the year consisted of \$27,390 in Community Development Block Grant (CDBG) contributions for the Senior Center project; \$208,903 in CDBG contributions for wastewater infrastructure along Bayless, Pauline, and Jones; and developer contributions of \$269,161 in utility infrastructure. Federal Emergency Management Grant revenues of approximately \$148,000 provided funding for the purchase of property that had been repeatedly experiencing flooding issues.
- Facility project completions included the new senior center, installation of an emergency generator, and the pavilion at the golf course.
- Miscellaneous drainage improvements and street overlay projects located throughout the city were also completed at a total cost of \$700,811.
- Construction-in-progress additions related to general government operations of \$3,194,451 primarily consisted of Rio Grande Boulevard (\$2,412,048), Baze Road (\$596,625), and Ash Lane (\$178,898).
- Capital asset additions for governmental operations include, but are not limited to, an IVR system at Municipal Court, city-wide radio system replacement, and equipment for the police department.
- Construction-in-progress additions related to business-type operations totaled \$1,525,832 and consisted primarily of wastewater line replacements of \$259,744 and the reclaimed water main for \$1,266,087.
- The water well project was completed at a cost of \$331,160 which included the purchase and installation of a new pump. Wastewater line replacement projects along Fayette, Woodridge/Koen, and Alexander/Norman/Franklin were also completed at a total cost of \$966,700.
- Drainage projects, including Hurricane Creek and Bear Creek Parkway Erosion, in the amount of \$775,585 were completed during the year.
- The installation of the new lighting at the Texas Star Sports Complex was completed in FY2011 at a total cost of \$475,246 most of which was paid from a grant award.

Capital Assets (Net of Accumulated Depreciation)

Amounts shown in 000s	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
	Land	\$ 26,350	\$ 26,212	\$ 3,366	\$ 3,334	\$ 29,716
Buildings	40,212	37,900	2,532	2,538	42,744	40,438
Other improvements	2,453	2,580	11,217	10,761	13,670	13,341
M&E	5,213	4,822	499	455	5,712	5,277
Infrastructure	36,382	36,898	45,422	46,021	81,804	82,919
Construction in Progress	3,194	3,874	1,526	1,902	4,720	5,776
Total	\$ 113,804	\$ 112,286	\$ 64,562	\$ 65,011	\$ 178,366	\$ 177,297

Additional information on the City's capital assets can be found in Note 3 on pages 40-42 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$50,135,818. Of this amount, \$42,964,879 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt, \$7,170,939, represents bonds secured solely by specific revenue sources (i.e. revenue bonds).

Outstanding Debt

Amounts shown in 000s	Governmental activities		Business-Type activities		Total	
	2011	2010	2011	2010	2011	2010
	GO Bonds	\$ 29,235	\$ 30,765	\$ 8,675	\$ 9,160	\$ 37,910
COs	6,590	4,910	-	-	6,590	4,910
GO/CO Deferred Loss	(916)	(945)	(619)	(662)	(1,535)	(1,607)
Revenue Bonds	3,715	4,470	3,580	3,850	7,295	8,320
Revenue Deferred Loss	(47)	(52)	(77)	(86)	(124)	(138)
Totals	\$ 38,577	\$ 39,148	\$ 11,559	\$ 12,262	\$ 50,136	\$ 51,410

In fiscal year 2011, the City issued \$6,575,000 in General Obligation Refunding Bonds to currently refund \$6,770,000 of outstanding general obligation debt. Certificates of Obligation in the amount of \$3,035,000 were also issued. The City's total debt decreased \$1,360,000 or 3% during fiscal year 2011 which is attributed to scheduled annual principal payments combined with the refunded bonds net of the issuance of the refunding bonds and certificates of obligation. 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. 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 42-48.

Economic Factors and Next Year's Budgets and Rates

In the FY2011-12 budget, General Fund revenues and transfers are budgeted to increase by 3% from the 2010-11 budget year with property taxes accounting for 30% of budgeted revenues and

sales tax comprising approximately 28% of budgeted revenues. Certified assessed valuations as of July 1, 2011, increased 5.9% from the preceding year.

As of September 30, 2011, the City's unemployment rate is 7.5% compared to the State of Texas, which is 8.4%. In the FY2011-12 budget, sales tax receipts are projected to increase 3% over prior year estimates. The car rental tax receipts are projected to increase by 1% over FY2011 estimated collections.

Baseline budgeted expenditures in the General Fund are projected to increase approximately 3% from the FY2010-11 original budget. This increase is primarily attributed to personnel costs associated with pay raises. The City elected to use excess reserves in various funds to cash flow capital programs including city computer and technology upgrades, police equipment, digital imaging software update, copier purchases, greens fans at the golf course, ADA improvements, 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 FY2011-12.

For the Water and Wastewater Fund, the FY2011-12 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 \$4.96 per thousand gallons. Monthly water and wastewater base rates remained stable for both residential customers and commercial customers. A wastewater volume charge of \$2.70 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 program in the Water and Wastewater CIP Fund which includes approximately \$950,000 for replacement and relocation of wastewater lines, the feasibility study for the extension of the reclaimed water line, and the demolition of the storage tank and building at the old public works facility.

The Texas Star Golf Course revenues are expected to increase 9% over prior year revenues in anticipation of improvement in the local economy. However, in fiscal year 2011, economic uncertainty, vigorous competition, and extreme weather conditions factored heavily in the operating results for the course. Rounds fell short of projections which lead to green fees and merchandise sales also falling short of estimates. Raven's Grille and the Conference Centre continue to outperform projections with increased sales and bookings.

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, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Deposits and investments	\$ 37,672,012	\$ 15,140,491	\$ 52,812,503
Receivables, net of allowances	7,021,500	3,349,278	10,370,778
Internal balances	(1,767,810)	1,767,810	-
Inventories, at cost	10,124	270,736	280,860
Prepaid items	14,885	30,081	44,966
Restricted assets			
Deposits and investments	684,336	3,088,284	3,772,620
Deferred charges	455,557	155,643	611,200
Net OPEB asset	507,181	124,805	631,986
Capital assets			
Land and construction in progress	29,544,291	4,891,761	34,436,052
Other capital assets, net of accumulated depreciation	84,260,227	59,670,673	143,930,900
Total assets and other debits	158,402,303	88,489,562	246,891,865
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	9,165,396	1,385,842	10,551,238
Accrued liabilities	1,261,010	143,998	1,405,008
Accrued interest payable	218,172	75,157	293,329
Deferred revenue	140,165	69,632	209,797
Money held in escrow	-	1,550,582	1,550,582
Noncurrent liabilities			
Due within one year	3,736,448	748,673	4,485,121
Due in more than one year	39,562,533	11,346,584	50,909,117
Total liabilities	54,083,724	15,320,468	69,404,192
NET ASSETS			
Invested in capital assets, net of related debt	71,051,094	53,132,882	124,183,976
Restricted for			
Debt service	1,818,943	438,948	2,257,891
Impact fees	-	2,649,336	2,649,336
Unrestricted	31,448,542	16,947,928	48,396,470
Total net assets	<u>\$ 104,318,579</u>	<u>\$ 73,169,094</u>	<u>\$ 177,487,673</u>

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, 2011

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	\$ 5,091,589	\$ 69,950	\$ 133	\$ 121,079	\$ (4,900,427)	\$ -	\$ (4,900,427)
Development services	1,707,148	779,939	-	-	(927,209)	-	(927,209)
General and administrative	15,698,832	1,707,890	20,695	-	(13,970,247)	-	(13,970,247)
Highways and streets	2,923,241	-	-	894,323	(2,028,918)	-	(2,028,918)
Public safety	20,754,733	3,271,115	448,576	-	(17,035,042)	-	(17,035,042)
Interest on long-term debt	1,618,420	-	-	-	(1,618,420)	-	(1,618,420)
Total governmental activities	47,793,963	5,828,894	469,404	1,015,402	(40,480,263)	-	(40,480,263)
Business-type activities							
Water & wastewater	17,827,272	19,978,802	-	588,631	-	2,740,161	2,740,161
Drainage utility	1,177,938	694,751	-	184,083	-	(299,104)	(299,104)
Golf	4,483,252	4,746,242	-	-	-	262,990	262,990
Other recreation enterprises	1,982,613	2,684,905	-	-	-	702,292	702,292
Total business-type activities	25,471,075	28,104,700	-	772,714	-	3,406,339	3,406,339
Total primary government	<u>\$ 73,265,038</u>	<u>\$ 33,933,594</u>	<u>\$ 469,404</u>	<u>\$ 1,788,116</u>	(40,480,263)	3,406,339	(37,073,924)
General Revenues							
Taxes							
Property taxes, levied for general purposes					11,855,993	-	11,855,993
Sales taxes					13,252,805	-	13,252,805
Car rental taxes					12,457,910	-	12,457,910
Mixed beverage taxes					66,383	-	66,383
Hotel/motel occupancy taxes					272,809	-	272,809
Gross receipts taxes					4,174,627	-	4,174,627
Investment income					168,929	66,161	235,090
Gain/(loss) on sale of assets					100,110	(141,979)	(41,869)
Miscellaneous					1,419,512	-	1,419,512
Transfers					904,867	(904,867)	-
Total general revenues and transfers					44,673,945	(980,685)	43,693,260
Change in net assets					4,193,682	2,425,654	6,619,336
NET ASSETS, beginning of year					100,124,897	70,743,440	170,868,337
NET ASSETS, end of year					<u>\$ 104,318,579</u>	<u>\$ 73,169,094</u>	<u>\$ 177,487,673</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, 2011**

	General Fund	Debt Service Fund	Streets CIP Fund	Car Rental Tax Fund	Non-major Governmental Funds	Total Governmental Funds
ASSETS						
Deposits and investments	\$ 7,770,706	\$ 673,350	\$ 4,287,236	\$ 11,036,959	\$ 7,650,358	\$ 31,418,609
Receivables						
Property taxes	441,497	188,070	-	-	-	629,567
Accounts receivable and unbilled revenue	1,431,206	-	-	2,098,644	189,020	3,718,870
Accrued interest receivable	14,354	3,000	6,563	9,434	5,622	38,973
Due from other governments	1,523,572	-	-	-	971,890	2,495,462
Prepays and deposits	9,220	-	-	-	5,665	14,885
Inventories, at cost	10,124	-	-	-	-	10,124
Total assets	<u>\$ 11,200,679</u>	<u>\$ 864,420</u>	<u>\$ 4,293,799</u>	<u>\$ 13,145,037</u>	<u>\$ 8,822,555</u>	<u>\$ 38,326,490</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 1,252,449	\$ -	\$ 223,171	\$ 7,563,108	\$ 77,948	\$ 9,116,676
Accrued salaries and wages	641,911	-	-	-	77,891	719,802
Unearned revenue	1,575,757	185,096	-	-	61,227	1,822,080
Total liabilities	3,470,117	185,096	223,171	7,563,108	217,066	11,658,558
Fund Balances						
Nonspendable						
Prepays and inventories	19,344	-	-	-	5,665	25,009
Restricted for						
Debt service	-	679,324	-	-	1,139,633	1,818,957
Capital projects	-	-	684,336	-	1,484,620	2,168,956
Other	311,076	-	-	-	87,972	399,048
Assigned	103,423	-	3,386,292	5,581,929	5,887,599	14,959,243
Unassigned	7,296,719	-	-	-	-	7,296,719
Total fund balances	<u>7,730,562</u>	<u>679,324</u>	<u>4,070,628</u>	<u>5,581,929</u>	<u>8,605,489</u>	<u>26,667,932</u>
Total liabilities and fund balances	<u>\$ 11,200,679</u>	<u>\$ 864,420</u>	<u>\$ 4,293,799</u>	<u>\$ 13,145,037</u>	<u>\$ 8,822,555</u>	<u>\$ 38,326,490</u>

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, 2011**

Total fund balances - governmental funds \$ 26,667,932

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. 111,493,855

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. 455,557

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. (218,172)

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. 7,021,829

Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements. 1,681,915

Long-term liabilities, including bonds payable, compensated absences, and pension and other post employment benefit obligations (assets) are not due and payable in the current period and therefore are not reported in the fund financial statements. (42,784,337)

Net assets of governmental activities \$ 104,318,579

CITY OF EULESS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Debt Service Fund	Streets CIP Fund	Car Rental Tax Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues						
General property tax	\$ 8,625,924	\$ 3,160,655	\$ -	\$ -	\$ -	\$ 11,786,579
Gross receipts tax	4,241,010	-	-	-	272,809	4,513,819
General sales tax	8,306,228	-	-	-	4,946,577	13,252,805
Car rental tax	-	-	-	12,457,910	-	12,457,910
Fines and fees	4,033,868	-	-	-	-	4,033,868
Licenses and permits	744,978	-	-	-	-	744,978
Investment income	47,407	1,724	16,647	42,038	35,748	143,564
DEA revenues	-	-	-	-	6,589	6,589
Intergovernmental	377,660	-	-	-	-	377,660
Rents and royalties	-	711,742	-	-	521,944	1,233,686
Other revenues	762,895	-	-	-	432,071	1,194,966
Total revenues	27,139,970	3,874,121	16,647	12,499,948	6,215,738	49,746,424
Expenditures						
Current						
Culture and recreation	2,571,729	-	-	-	1,764,057	4,335,786
Development services	998,802	-	-	-	342,096	1,340,898
General and administrative	7,219,057	-	-	8,281,599	110,116	15,610,772
Highways and streets	713,742	-	-	-	-	713,742
Public safety	17,857,689	-	-	-	1,635,173	19,492,862
Debt service						
Principal	-	2,690,000	-	-	755,000	3,445,000
Interest and fiscal charges	-	1,614,819	-	-	183,796	1,798,615
Capital outlay	-	-	3,241,504	243,430	1,498,442	4,983,376
Total expenditures	29,361,019	4,304,819	3,241,504	8,525,029	6,288,680	51,721,051
Excess (deficiency) of revenues over expenditures	(2,221,049)	(430,698)	(3,224,857)	3,974,919	(72,942)	(1,974,627)
Other financing sources (uses)						
Proceeds from capital lease	-	-	-	-	494,322	494,322
Proceeds from bond issuances	-	-	3,035,000	-	-	3,035,000
Proceeds from bond refunding	-	6,575,000	-	-	-	6,575,000
Premiums on issuance of bonds	-	390,694	-	-	-	390,694
Payment to escrow agent	-	(6,804,790)	-	-	-	(6,804,790)
Transfers in	2,610,116	265,532	2,488,000	-	332,675	5,696,323
Transfers out	(272,964)	-	(15,000)	(4,270,475)	(458,017)	(5,016,456)
Total other financing sources (uses), net	2,337,152	426,436	5,508,000	(4,270,475)	368,980	4,370,093
Net change in fund balances	116,103	(4,262)	2,283,143	(295,556)	296,038	2,395,466
Fund balances, beginning of year	7,614,459	683,586	1,787,485	5,877,485	8,309,451	24,272,466
Fund balances, end of year	\$ 7,730,562	\$ 679,324	\$ 4,070,628	\$ 5,581,929	\$ 8,605,489	\$ 26,667,932

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, 2011**

Net change in fund balances - total governmental funds \$ 2,395,466

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. 5,951,404

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. (3,906,163)

The issuance of long-term debt (e.g. bonds and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 24,024

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. (750,140)

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. 1,966

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. 211,572

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. 265,553

Change in net assets of governmental activities \$ 4,193,682

CITY OF EULESS, TEXAS
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
SEPTEMBER 30, 2011

(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
Current assets						
Deposits and investments	\$ 10,279,905	\$ 1,199,696	\$ 1,756,538	\$ 1,904,352	\$ 15,140,491	\$ 6,937,739
Accounts receivable and unbilled revenue						
less allowance for uncollectibles of						
\$38,023 for water and wastewater and						
\$524 for drainage utility	2,928,098	238,847	119,924	46,012	3,332,881	135,752
Accrued interest receivable	14,453	1,363	581	-	16,397	3,131
Prepays and deposits	4,386	-	9,553	16,142	30,081	-
Inventory	85,115	-	105,906	79,715	270,736	-
Total unrestricted current assets	13,311,957	1,439,906	1,992,502	2,046,221	18,790,586	7,076,622
Restricted assets						
W&WW impact fees - deposits and investments	2,649,336	-	-	-	2,649,336	-
Revenue bond reserve for debt service	438,948	-	-	-	438,948	-
Total restricted assets	3,088,284	-	-	-	3,088,284	-
Total current assets	16,400,241	1,439,906	1,992,502	2,046,221	21,878,870	7,076,622
Non-current assets						
Bond issuance cost	65,324	-	76,266	14,053	155,643	-
Net OPEB asset	91,452	3,897	23,698	5,758	124,805	-
Total non-current assets	156,776	3,897	99,964	19,811	280,448	-
Property, plant, and equipment in service, at cost						
Land	1,528,966	559,826	692,605	584,532	3,365,929	-
Building	266,059	-	3,523,732	488,275	4,278,066	-
Equipment	947,832	6,400	1,096,608	216,156	2,266,996	7,824,437
Improvements	1,033,401	658,824	8,019,920	8,150,654	17,862,799	-
Construction in progress	1,525,832	-	-	-	1,525,832	-
Utility system	59,934,427	25,078,805	-	-	85,013,232	-
Total property, plant, and equipment in service	65,236,517	26,303,855	13,332,865	9,439,617	114,312,854	7,824,437
Less accumulated depreciation	30,852,957	9,874,039	5,528,388	3,495,036	49,750,420	5,513,774
Net property, plant, and equipment, in service	34,383,560	16,429,816	7,804,477	5,944,581	64,562,434	2,310,663
Total non-current assets	34,540,336	16,433,713	7,904,441	5,964,392	64,842,882	2,310,663
Total assets	\$ 50,940,577	\$ 17,873,619	\$ 9,896,943	\$ 8,010,613	\$ 86,721,752	\$ 9,387,285

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, 2011

(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	\$ 1,230,331	\$ 12,309	\$ 102,266	\$ 40,936	\$ 1,385,842	\$ 48,976
Accrued salaries and wages	272,186	32,877	64,350	18,575	387,988	10,526
Current portion of bonds payable	275,000	-	370,000	140,000	785,000	-
Accrued insurance claims	-	-	-	-	-	538,144
Deferred revenue	-	-	69,632	-	69,632	-
Accrued interest	31,869	-	40,070	3,218	75,157	-
Total current liabilities	1,809,386	45,186	646,318	202,729	2,703,619	597,646
Non-current liabilities						
Customer and escrow deposits	1,550,582	-	-	-	1,550,582	-
Net pension obligation	304,484	34,054	73,125	10,052	421,715	-
Bonds payable	3,227,763	-	6,835,922	580,867	10,644,552	-
Total non-current liabilities	5,082,829	34,054	6,909,047	590,919	12,616,849	-
Total liabilities	6,892,215	79,240	7,555,365	793,648	15,320,468	597,646
NET ASSETS						
Invested in capital assets, net of related debt	30,880,797	16,429,816	598,555	5,223,714	53,132,882	2,310,663
Restricted for						
Impact fees	2,649,336	-	-	-	2,649,336	-
Revenue bond reserve for debt service	438,948	-	-	-	438,948	-
Unrestricted	10,079,281	1,364,563	1,743,023	1,993,251	15,180,118	6,478,976
Total net assets	<u>\$ 44,048,362</u>	<u>\$ 17,794,379</u>	<u>\$ 2,341,578</u>	<u>\$ 7,216,965</u>	71,401,284	<u>\$ 8,789,639</u>

Reconciliation to government-wide statement of net assets

Adjustment to reflect the consolidation of internal service funds' activities related to enterprise funds	1,767,810
Net assets of business-type activities	<u>\$ 73,169,094</u>

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, 2011

	Business - Type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities -
	Water and Wastewater	Drainage Utility	Golf Course	Other Enterprise Funds		Internal Service Funds
Operating revenues						
Water service	\$ 11,563,030	\$ -	\$ -	\$ -	\$ 11,563,030	\$ -
Wastewater service	6,448,051	-	-	-	6,448,051	-
Drainage fees	-	694,751	-	-	694,751	-
Recreation fees	-	-	-	409,942	409,942	-
Insurance premiums	-	-	-	-	-	4,992,834
Service fees and miscellaneous	1,967,721	-	4,746,242	2,274,964	8,988,927	714,417
Total operating revenues	19,978,802	694,751	4,746,242	2,684,906	28,104,701	5,707,251
Operating expenses						
General and administrative	499,764	-	-	-	499,764	871,093
Water production	6,825,578	-	-	-	6,825,578	-
Water distribution	696,909	-	-	-	696,909	-
Utility engineering	289,290	-	-	-	289,290	-
Sewage collection and treatment	2,567,384	-	-	-	2,567,384	-
Nondepartmental	3,357,306	-	-	-	3,357,306	-
Geographic information	440,208	-	-	-	440,208	-
Service center	1,275,933	-	-	-	1,275,933	-
Drainage	-	519,622	-	-	519,622	-
Recreation classes	-	-	-	365,943	365,943	-
Golf course	-	-	1,428,083	-	1,428,083	-
Pro shop	-	-	390,052	-	390,052	-
Food and beverage	-	-	1,399,807	-	1,399,807	-
Conference center	-	-	268,729	-	268,729	-
Cart operations	-	-	196,397	-	196,397	-
Texas Star Sports Complex	-	-	-	1,278,459	1,278,459	-
Arbor Daze	-	-	-	-	-	-
Insurance costs	-	-	-	-	-	4,158,358
Depreciation	1,692,176	658,315	402,396	296,749	3,049,636	780,103
Amortization	14,757	-	49,084	9,262	73,103	-
Total operating expenses	17,659,305	1,177,937	4,134,548	1,950,413	24,922,203	5,809,554
Operating income (loss)	2,319,497	(483,186)	611,694	734,493	3,182,498	(102,303)
Nonoperating revenues (expenses)						
Impact fees	110,567	-	-	-	110,567	-
Gain (loss) on sale of capital assets	4,055	(148,307)	1,790	483	(141,979)	27,293
Investment income	55,410	4,958	3,805	1,988	66,161	25,349
Interest expense	(161,333)	-	(324,171)	(27,136)	(512,640)	-
Total nonoperating revenues (expenses), net	8,699	(143,349)	(318,576)	(24,665)	(477,891)	52,642
Income (loss) before contributions and transfers	2,328,196	(626,535)	293,118	709,828	2,704,607	(49,661)
Developer contribution of assets	478,064	184,083	-	-	662,147	-
Transfers in	-	-	271,916	-	271,916	225,000
Transfers out	(947,933)	(34,864)	(193,986)	-	(1,176,783)	-
Net income (loss)	1,858,327	(477,316)	371,048	709,828	2,461,887	175,339
Net assets, beginning of year	42,190,035	18,271,695	1,970,530	6,507,137		8,614,300
Net assets, end of year	<u>\$ 44,048,362</u>	<u>\$ 17,794,379</u>	<u>\$ 2,341,578</u>	<u>\$ 7,216,965</u>		<u>\$ 8,789,639</u>

Reconciliation to government-wide statement of net assets

Adjustment to reflect the consolidation of internal service funds' activities related to enterprise funds	(36,233)
Change in net assets of business-type activities	<u>\$ 2,425,654</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
YEAR ENDED SEPTEMBER 30, 2011

	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	\$ 19,766,615	\$ 534,559	\$ 5,089,751	\$ 2,669,744	\$ 28,060,669	\$ 5,697,095
Cash payments to suppliers for goods and services	(12,932,360)	(245,281)	(2,154,404)	(1,189,294)	(16,521,339)	(4,979,046)
Cash payments to employees for services	(2,628,801)	(281,734)	(1,499,937)	(440,744)	(4,851,216)	(80,868)
Net cash provided by operating activities	4,205,454	7,544	1,435,410	1,039,706	6,688,114	637,181
NONCAPITAL FINANCING ACTIVITIES						
Transfer in	-	-	271,916	-	271,916	225,000
Transfer out	(947,933)	(34,864)	(193,986)	-	(1,176,783)	-
Net cash provided by (used in) noncapital financing activities	(947,933)	(34,864)	77,930	-	(904,867)	225,000
CAPITAL AND RELATED FINANCING ACTIVITIES						
Impact fees	110,567	-	-	-	110,567	-
Interest paid on bonds	(163,538)	-	(325,375)	(27,600)	(516,513)	-
Reduction in bonds payable	(270,000)	-	(350,000)	(135,000)	(755,000)	-
Purchase of capital assets	(1,356,885)	(77,848)	(175,982)	(476,508)	(2,087,223)	(253,945)
Proceeds from sale of capital assets	4,055	-	1,792	483	6,330	27,662
Net cash used in capital and related financing activities	(1,675,801)	(77,848)	(849,565)	(638,625)	(3,241,839)	(226,283)
INVESTING ACTIVITIES						
Proceeds from sale of investment securities	13,482	-	(581)	-	12,901	1,935
Interest received on investments	55,410	4,958	3,805	1,988	66,161	25,349
Net cash provided by investing activities	68,892	4,958	3,224	1,988	79,062	27,284
Net change in cash and cash equivalents	1,650,612	(100,210)	666,999	403,069	2,620,470	663,182
Cash and cash equivalents, beginning of year	11,717,577	1,299,906	1,089,539	1,501,283	15,608,305	6,274,557
Cash and cash equivalents, end of year	<u>\$ 13,368,189</u>	<u>\$ 1,199,696</u>	<u>\$ 1,756,538</u>	<u>\$ 1,904,352</u>	<u>\$ 18,228,775</u>	<u>\$ 6,937,739</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, 2011

	Business - Type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Water and Wastewater	Drainage Utility	Golf Course	Other Enterprise Funds		
Reconciliation of operating income (loss) to net cash provided by operating activities						
Operating income (loss)	\$ 2,319,497	\$ (483,186)	\$ 611,694	\$ 734,493	\$ 3,182,498	\$ (102,303)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation and amortization	1,706,933	658,315	451,480	306,011	3,122,739	780,103
Changes in assets and liabilities:						
Accounts receivable and unbilled revenue	(289,688)	(160,191)	323,670	(15,164)	(141,373)	(10,156)
Prepays and deposits	438	675	(282)	(2,083)	(1,252)	30,541
Inventory	13,322	-	(18,311)	(8,992)	(13,981)	-
Net OPEB asset	(1,598)	(226)	(452)	(48)	(2,324)	-
Net pension obligation	93,916	14,731	24,544	3,925	137,116	-
Accounts payable	262,837	(33,574)	25,279	17,550	272,092	5,949
Accrued salaries and wages	22,292	11,000	(2,052)	4,014	35,254	1,006
Accrued insurance claims	-	-	-	-	-	(67,959)
Customer and escrow deposit	77,505	-	-	-	77,505	-
Deferred revenue	-	-	19,840	-	19,840	-
Net cash provided by operating activities	\$ 4,205,454	\$ 7,544	\$ 1,435,410	\$ 1,039,706	\$ 6,688,114	\$ 637,181
Noncash financing activities						
Developer contributed assets	\$ 478,064	\$ 184,083	\$ -	\$ -	\$ 662,147	
Reconciliation of cash to balance sheet:						
Cash - current	\$ 10,279,905	\$ 1,199,696	\$ 1,756,538	\$ 1,904,352	\$ 15,140,491	
Cash - restricted	3,088,284	-	-	-	3,088,284	
Cash and cash equivalents	\$ 13,368,189	\$ 1,199,696	\$ 1,756,538	\$ 1,904,352	\$ 18,228,775	

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, 2011**

	<u>Stars Center Escrow Agency Fund</u>	<u>OPEB Trust Fund</u>
ASSETS		
Investments at fair value	<u>\$ 1,420,839</u>	<u>\$ 1,222,027</u>
Total assets	<u><u>\$ 1,420,839</u></u>	1,222,027
LIABILITIES		
Due to other entities	\$ 1,420,547	399
Refunds payable	<u>292</u>	<u>-</u>
Total liabilities	<u><u>\$ 1,420,839</u></u>	<u>399</u>
NET ASSETS		
Held in trust for OPEB		<u><u>\$ 1,221,628</u></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, 2011**

	OPEB Trust Fund
ADDITIONS	
Employer contributions	\$ 658,618
Other contributions	218,334
Investment losses	
Net decrease in fair value of investments	(4,607)
Less: investment expense	(6,904)
Net investment earnings	(11,511)
Total additions	865,441
DEDUCTIONS	
Insurance claims	472,152
Total deductions	472,152
Change in net assets	393,289
Net assets - beginning	828,339
Net assets - ending	\$ 1,221,628

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). As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the City are described below.

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 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. 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.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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 legal compliance. 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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Continued

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.

Streets Capital Improvements Project Fund

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

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.

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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Continued

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 two 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 OPEB Trust Fund accounts for the accumulation and use of resources for benefit payments related to post-employment health care.

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 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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus and Basis of Accounting – Continued

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.

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 hotel/motel 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

For the year ended September 30, 2011, the City has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which redefines how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows on the governmental fund financial statements:

	Reported in					Total Governmental Funds
	General Fund	Debt Service Fund	Street CIP Fund	Car Rental Tax Fund	Nonmajor Governmental Funds	
Nonspendable	\$ 19,344	\$ -	\$ -	\$ -	\$ 5,665	\$ 25,009
Restricted for						
Debt service	-	679,324	-	-	1,139,633	1,818,957
Capital projects	-	-	684,336	-	1,484,620	2,168,956
Court technology	311,076	-	-	-	-	311,076
Juvenile case processing	-	-	-	-	86,727	86,727
Historical preservation	-	-	-	-	1,245	1,245
Assigned						
Capital projects	-	-	3,386,292	5,581,929	3,636,031	12,604,252
Betterments	30,733	-	-	-	-	30,733
Emergency systems	22,805	-	-	-	-	22,805
Tourism and conference facilities Parks, library, and economic development	-	-	-	-	174,678	174,678
Police department	-	-	-	-	682,457	682,457
Grants	-	-	-	-	75,625	75,625
Other	49,885	-	-	-	-	49,885
Unassigned	7,296,719	-	-	-	-	7,296,719
Total	\$ 7,730,562	\$ 679,324	\$ 4,070,628	\$ 5,581,929	\$ 8,605,489	\$ 26,667,932

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.
- b. Restricted for capital projects represents that portion of fund equity legally restricted 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 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.
- e. 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 or resolution) 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 systems represents funding received from the county that are to be used to upgrade emergency 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, radio rebanding, victim assistance, injured animals, betterment, and for emergency system improvements.

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, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, 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, 2011, the City's portfolio contained the following investments:

Investment Type	Book Value	Fair Value	% of Portfolio	WAM	Rating	Rating Agency
Overnight pools						
TexPool	\$ 9,997,357	\$ 9,997,357	17.16%	44	AAAm	S&P
TexStar	11,047,909	11,047,909	18.97%	40	AAAm	S&P
LOGIC	70	70	0.00%	46	AAAm	S&P
	<u>21,045,336</u>	<u>21,045,336</u>	<u>36.13%</u>			
Investment securities						
FFCB	9,772,193	9,781,668	16.79%	72	AA+	S&P
FHLB	15,063,049	15,073,770	25.88%	88	AA+	S&P
FHLMC	9,001,011	9,011,600	15.47%	85	AA+	S&P
FNMA	2,425,000	2,423,971	4.16%	28	AA+	S&P
TVAS	905,973	910,334	1.56%	4	AA+	S&P
	<u>37,167,226</u>	<u>37,201,343</u>	<u>63.87%</u>			
Total portfolio	<u>\$ 58,212,562</u>	<u>\$ 58,246,679</u>	<u>100.00%</u>	86		

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 TVAS – Tennessee Valley Authority. The rating agency acronyms are defined as follows: S&P – Standard and Poor's Ratings Services, a division of the McGraw-Hill Companies, 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 deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and 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, 2011. At year-end, the carrying amount of the City's deposits was a credit balance of \$206,600, with a bank balance of \$713,380. 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

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

NOTE 2. DEPOSITS AND INVESTMENTS

GASB 40 Disclosures – Continued

Deposits – Continued

agreement with Frost National Bank. The market value of the collateral at the close of the fiscal year was \$1,655,868.

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, 2011, 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. TexStar is duly chartered and administered by First Southwest Asset Management, Inc. and JPMorgan Chase. Each of the other pools has established a governing board at least partially comprised of pool participants. Duties of the governing boards include oversight responsibility. The Comptroller and the governing boards 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 portfolios 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, 2011, 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 between 180 and 270 days.

The following table details the maturity schedule for the City’s investments as of September 30, 2011.

<u>Maturity Schedule</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
Overnight	\$ 21,045,336	\$ 21,045,336	36.13%
up to 6 months	6,431,811	6,437,639	11.05%
6 to 9 months	2,003,741	2,007,990	3.45%
9 to 12 months	4,905,555	4,912,503	8.43%
12 to 15 months	2,054,641	2,061,847	3.54%
15 to 18 months	9,345,686	9,359,762	16.07%
Over 18 months	<u>12,425,792</u>	<u>12,421,602</u>	<u>21.33%</u>
Total	<u>\$ 58,212,562</u>	<u>\$ 58,246,679</u>	<u>100.00%</u>

Credit Risk

In compliance with the City’s Investment Policy, as of September 30, 2011, the City minimized credit risk losses due to default of a security issuer or backer, by: limiting investments to the safest types of securities; investing in U.S. Agencies 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, 2011, 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, 2011, was as follows:

	Balance Beginning of Year	Increase	Decrease	Adjustment/ Transfer	Balance End of Year
Governmental activities					
Capital assets not being depreciated					
Land	\$ 26,211,628	\$ 138,211	\$ -	\$ -	\$ 26,349,839
Construction in progress	3,873,590	2,983,365	-	(3,662,503)	3,194,452
Total capital assets not being depreciated	30,085,218	3,121,576	-	(3,662,503)	29,544,291
Capital assets being depreciated					
Buildings	50,936,957	803,985	-	3,004,344	54,745,286
Improvements other than buildings	5,174,071	50,311	-	-	5,224,382
Infrastructure	62,711,339	754,075	-	628,913	64,094,327
Machinery and equipment	6,448,867	1,234,673	(62,747)	29,246	7,650,039
Total capital assets being depreciated	125,271,234	2,843,044	(62,747)	3,662,503	131,714,034
Less accumulated depreciation					
Buildings	(13,036,712)	(1,496,396)	-	-	(14,533,108)
Improvements other than buildings	(2,594,098)	(177,402)	-	-	(2,771,500)
Infrastructure	(25,812,977)	(1,898,855)	-	-	(27,711,832)
Machinery and equipment	(4,464,051)	(333,510)	49,531	-	(4,748,030)
Total accumulated depreciation	(45,907,838)	(3,906,163)	49,531	-	(49,764,470)
Total capital assets being depreciated, net	79,363,396	(1,063,119)	(13,216)	3,662,503	81,949,564
Total governmental fund capital assets, net	109,448,614	2,058,457	(13,216)	-	111,493,855
Internal service funds					
Capital assets being depreciated					
Machinery and equipment	7,728,876	253,945	(158,384)	-	7,824,437
Total internal service assets being depreciated	7,728,876	253,945	(158,384)	-	7,824,437
Less accumulated depreciation					
Machinery and equipment	(4,891,685)	(780,103)	158,014	-	(5,513,774)
Total internal service funds capital assets, net	2,837,191	(526,158)	(370)	-	2,310,663
Total governmental activities capital assets, net	<u>\$ 112,285,805</u>	<u>\$ 1,532,299</u>	<u>\$ (13,586)</u>	<u>\$ -</u>	<u>\$ 113,804,518</u>

**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	\$ 3,333,929	\$ 32,000	\$ -	\$ -	\$ 3,365,929
Construction in progress	1,902,176	907,952	-	(1,284,296)	1,525,832
Total assets not being depreciated	5,236,105	939,952	-	(1,284,296)	4,891,761
Capital assets being depreciated					
Buildings	4,157,117	269,256	(148,307)	-	4,278,066
Equipment	2,223,061	164,106	(120,171)	-	2,266,996
Improvements	16,792,273	471,346	-	599,180	17,862,799
Utility system	83,423,402	904,715	-	685,116	85,013,233
Total capital assets being depreciated	106,595,853	1,809,423	(268,478)	1,284,296	109,421,094
Less accumulated depreciation					
Buildings	(1,619,544)	(126,043)	-	-	(1,745,587)
Equipment	(1,768,415)	(119,943)	120,171	-	(1,768,187)
Improvements	(6,030,827)	(615,087)	-	-	(6,645,914)
Utility system	(37,402,169)	(2,188,563)	-	-	(39,590,732)
Total accumulated depreciation	(46,820,956)	(3,049,636)	120,171	-	(49,750,421)
Total capital assets being depreciated, net	59,774,897	(1,240,213)	(148,307)	1,284,296	59,670,673
Total business-type activities capital assets, net	\$ 65,011,002	\$ (300,261)	\$ (148,307)	\$ -	\$ 64,562,434

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

Governmental activities

General administrative	\$ 289,202
Public safety	619,259
Development services	328,924
Culture and recreation	671,613
Highways and streets	1,997,165
Total depreciation expense - governmental activities	<u>\$ 3,906,163</u>

Business-type activities

Water and wastewater	\$ 1,692,176
Drainage utility	658,315
Golf course	402,396
Other	296,749
Total depreciation expense - business-type activities	<u>\$ 3,049,636</u>

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

NOTE 3. CAPITAL ASSETS – CONTINUED

Outstanding commitments at September 30, 2011, under authorized construction contracts, were approximately \$2,131,442. 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, 2011, bonds payable consisted of the following individual issues:

	<u>Governmental</u>	<u>Business-type</u>
\$6,000,000 Series 2001, General Obligation Bonds, dated April 1, 2001, partially refunded in 2006 and 2011, due in annual installments through 2013, bearing interest rates of 4.50% to 6.50%.	\$ 400,000	\$ -
\$5,455,000 Series 2001, Revenue Certificates of Obligation, dated April 1, 2001, partially refunded in 2006 and 2011, due in annual installments through 2012, bearing interest rates of 4.50% to 6.50%.	270,000	-
\$6,430,000 Series 2002, Sales Tax Revenue Refunding Bonds, dated June 14, 2002, due in annual installments through 2015, bearing interest rates of 3.00% to 4.40%.	2,655,000	-
\$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%.	1,900,000	-
\$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%.	-	8,675,000
\$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%.	2,395,000	-
\$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%.	3,285,000	-

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

NOTE 4. LONG-TERM DEBT – CONTINUED

	<u>Governmental</u>	<u>Business-type</u>
\$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%.	\$ -	\$ 1,590,000
\$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%.	10,305,000	-
\$5,080,000 Series 2006, General Obligation Refunding Bonds, partially refunded in 2011, dated January 30, 2006, due in annual installments through 2013, bearing interest at 3.93%.	40,000	-
\$1,630,000 Series 2006, Sales Tax Revenue Refunding Bonds, dated January 30, 2006, due in annual installments through 2019, bearing interest at 3.88%.	1,060,000	-
\$2,530,000 Series 2006, Waterworks and Sewer System Revenue Refunding Bonds, dated January 30, 2006, due in annual installments through 2020, bearing interest at 3.88%.	-	1,990,000
\$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%.	7,620,000	-
\$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	-
	<u>\$ 39,540,000</u>	<u>\$ 12,255,000</u>

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4. LONG-TERM DEBT – CONTINUED

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2011:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due within One Year
Governmental activities					
General obligation bonds	\$ 30,765,000	\$ 6,575,000	\$ (8,105,000)	\$ 29,235,000	\$ 2,300,000
Certificates of obligation	4,910,000	3,035,000	(1,355,000)	6,590,000	455,000
Sales tax revenue bonds	4,470,000	-	(755,000)	3,715,000	780,000
Deferred loss on refunding bonds	(996,596)	(311,251)	344,859	(962,988)	(106,567)
Premium/discount on bonds	260,900	391,095	(62,500)	589,495	62,502
Compensated absences	1,580,168	1,153,698	(1,122,455)	1,611,411	161,141
Net pension obligation	1,420,336	4,073,807	(3,329,976)	2,164,167	-
Capital leases	-	438,226	(81,330)	356,896	84,372
Total governmental activities	42,409,808	15,355,575	(14,466,402)	43,298,981	3,736,448
Business-type activities					
Water and sewer revenue bonds	3,850,000	-	(270,000)	3,580,000	275,000
General obligation refunding bonds	9,160,000	-	(485,000)	8,675,000	510,000
Deferred loss on refunding bonds	(747,823)	-	51,628	(696,195)	(51,628)
Premium/discount on bonds	(138,352)	-	9,098	(129,254)	(9,098)
Compensated absences	233,541	215,750	(205,300)	243,991	24,399
Net pension obligation	284,599	793,832	(656,716)	421,715	-
Total business-type activities	12,641,965	1,009,582	(1,556,290)	12,095,257	748,673
Total primary government	\$ 55,051,773	\$ 16,365,157	\$ (16,022,692)	\$ 55,394,238	\$ 4,485,121

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4. LONG-TERM DEBT – CONTINUED

Defeased Debt Outstanding

In fiscal year 2011, the City executed a current refunding of series 2001 general obligation refunding bonds and series 2011 and series 2006 certificates of obligation totaling \$6,770,000. The bonds and certificates were refunded with the issuance of \$6,575,000 of series 2011 general obligation refunding bonds dated January 15, 2011 bearing stated interest rates ranging from 2.00% to 4.00%. The net proceeds from the refunding issue plus a cash contribution totaling \$6,803,791 provided sufficient resources for the completion of the current refunding transaction.

The current refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt of \$311,251. The difference reported in the accompanying financial statements as a reduction of bonds payable is amortized annually through the year 2021 using the effective interest method.

As a result of the current refunding, the City reduced its total debt service requirements over the next ten years by \$398,978, which resulted in an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$413,898.

All previously defeased debt has been redeemed.

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

NOTE 4. LONG-TERM DEBT – CONTINUED

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for each bond type for the years subsequent to September 30, 2011, are as follows:

General Obligation Bonds:

	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2012	\$ 2,300,000	\$ 1,121,388	\$ 510,000	\$ 338,656	\$ 4,270,044
2013	2,730,000	1,042,359	525,000	322,475	4,619,834
2014	2,785,000	949,983	545,000	304,406	4,584,389
2015	2,890,000	849,290	560,000	285,069	4,584,359
2016	3,005,000	734,558	585,000	264,666	4,589,224
2017-2021	12,280,000	2,023,393	2,365,000	1,045,266	17,713,659
2022-2026	3,245,000	337,670	2,915,000	488,453	6,986,123
2027	-	-	670,000	15,075	685,075
	\$ 29,235,000	\$ 7,058,641	\$ 8,675,000	\$ 3,064,066	\$ 48,032,707

Certificates of Obligation:

	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2012	\$ 455,000	\$ 286,216	\$ -	\$ -	\$ 741,216
2013	320,000	266,031	-	-	586,031
2014	335,000	253,928	-	-	588,928
2015	340,000	241,051	-	-	581,051
2016	360,000	226,625	-	-	586,625
2017-2021	2,055,000	871,363	-	-	2,926,363
2022-2026	1,860,000	365,900	-	-	2,225,900
2027-2030	865,000	92,931	-	-	957,931
	\$ 6,590,000	\$ 2,604,045	\$ -	\$ -	\$ 9,194,045

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

NOTE 4. LONG-TERM DEBT – CONTINUED

Annual Requirements to Retire Debt Obligations – Continued

Revenue Bonds:

	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2012	\$ 780,000	\$ 153,498	\$ 275,000	\$ 152,972	\$ 1,361,470
2013	810,000	122,490	285,000	142,194	1,359,684
2014	850,000	88,998	305,000	130,927	1,374,925
2015	885,000	53,162	315,000	118,723	1,371,885
2016	185,000	15,132	325,000	105,955	631,087
2017-2021	205,000	15,908	1,615,000	308,976	2,144,884
2022-2024	-	-	460,000	46,750	506,750
	<u>\$ 3,715,000</u>	<u>\$ 449,188</u>	<u>\$ 3,580,000</u>	<u>\$ 1,006,497</u>	<u>\$ 8,750,685</u>

Water and sewer revenue bonds authorized and unissued as of September 30, 2011, 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.

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

NOTE 4. LONG-TERM DEBT – CONTINUED

Annual Requirements to Retire Debt Obligations – Continued

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, 2011.

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.

As of September 30, 2011, capital lease annual amortization is as follows:

	Governmental Activities	Business-Type Activities	
2012	\$ 97,720	\$ -	\$ 97,720
2013	97,719	-	97,719
2014	97,720	-	97,720
2015	97,720	-	97,720
	<u>390,879</u>	-	<u>390,879</u>
Less interest:	<u>(33,982)</u>	-	<u>(33,982)</u>
Present value of remaining payments	<u>\$ 356,897</u>	<u>\$ -</u>	<u>\$ 356,897</u>

Equipment and related accumulated amortization under capital leases are as follows at September 30, 2011:

	Governmental Activities	Business-Type Activities
Equipment	\$ 494,322	\$ -
Less: accumulated amortization	<u>-</u>	<u>-</u>
Net book value	<u>\$ 494,322</u>	<u>\$ -</u>

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

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 \$8,626,000 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 minimal in the year ended September 30, 2011 and are included as operating expenses.

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	Streets CIP	Governmental	Governmental
<u>Transfers out</u>					
General	\$ -	\$ -	\$ -	\$ 32,675	\$ 32,675
Car rental tax	1,333,333	199,142	2,488,000	250,000	4,270,475
Street CIP	-	15,000	-	-	15,000
Water and wastewater	947,933	-	-	-	947,933
Drainage utility	34,864	-	-	-	34,864
Golf course	193,986	-	-	-	193,986
Non-major governmental	100,000	51,390	-	50,000	201,390
Total transfers in	<u>\$ 2,610,116</u>	<u>\$ 265,532</u>	<u>\$ 2,488,000</u>	<u>\$ 332,675</u>	<u>\$ 5,696,323</u>

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

NOTE 7. INTERFUND TRANSFERS – CONTINUED

	Transfers in			Total Transfers Out
	<i>Major Enterprise</i>			
	Internal Service	Golf Course	Subtotal Proprietary	
<u>Transfers out</u>				
General	\$ 225,000	\$ 15,289	\$ 240,289	\$ 272,964
Car rental tax	-	-	-	4,270,475
Street CIP	-	-	-	15,000
Water and wastewater	-	-	-	947,933
Drainage utility	-	-	-	34,864
Golf course	-	-	-	193,986
Non-major governmental	-	256,627	256,627	458,017
	<u>-</u>	<u>256,627</u>	<u>256,627</u>	<u>458,017</u>
Total transfers in	<u>\$ 225,000</u>	<u>\$ 271,916</u>	<u>\$ 496,916</u>	<u>\$ 6,193,239</u>

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, the golf course fund, and nonmajor 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 streets CIP fund to the debt service fund to transfer a portion of the proceeds from debt issuance.
- 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 streets CIP fund to provide funding for approved capital projects.
- The car rental tax fund to the nonmajor governmental funds to provide start-up money for the Glade Parks Public Improvement District.
- The non-major governmental funds to nonmajor governmental funds for approved capital projects.
- The general 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.

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

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.

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 \$4,217,094. During fiscal year 2011, the City and the City's employees contributed approximately \$3,576,616 and \$1,070,354 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:

	2011	2010
Unpaid claims, beginning of year	\$ 546,269	\$ 486,838
Incurred claims	2,984,821	3,855,832
Paid claims	(3,037,748)	(3,796,401)
Unpaid claims, end of year	\$ 493,342	\$ 546,269

Settlement amounts have not exceeded stop loss insurance coverage for the year ended September 30, 2011 or any of the three preceding years ended September 30.

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

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

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 2009	Plan Year 2010
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

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

NOTE 9. EMPLOYEE RETIREMENT SYSTEM – CONTINUED

Contribution – Continued

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)	\$ 4,845,567
Interest on net pension obligations	127,870
Adjustment to the ARC	<u>(105,798)</u>
Annual pension cost (APC)	4,867,639
Contributions made	<u>3,986,693</u>
Increase (decrease) in net pension obligation	880,946
Net pension obligation, beginning of year	<u>1,704,935</u>
Net pension obligation, end of year	<u><u>\$ 2,585,881</u></u>

The required contribution rates for fiscal year 2011 were determined as a part of the December 31, 2008 and 2009 actuarial valuations. Additional information from those valuations, as well as the December 31, 2010 valuations.

Valuation date	December 31, 2008	December 31, 2009	December 31, 2010	Restructured December 31, 2010
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining amortization period	29 years - closed period	28 years - closed period	27.1 years - closed period	27.2 years - closed period
Asset valuation method	Amortized Cost	10 year Smoothed Market	10 year Smoothed Market	10 year Smoothed Market
Actuarial assumption				
Investment rate of return	7.5%	7.5%	7.5%	7.0%
Project salary increases	Varies by age/service	Varies by age/service	Varies by age/service	Varies by age/service
Inflation	3%	3%	3%	3%
Cost of living adjustments	2.1%	2.1%	2.1%	2.1%
Euleless payroll growth assumptions	3%	3%	3%	3%

The TMRS Board of Trustees, in an effort to assist cities with increases greater than .5% in the required contribution rates occurring as a result of the changes in funding method and assumptions, voted to (1) extend the period for amortizing the unfunded actuarial accrued liability (UAAL) to a 30-year closed period, and (2) allow the contribution rate increase to be phased in over an 8-year period (2010-2017) in determining the required contribution rate. Both options are automatic, but not mandatory. At a city's request, TMRS will recalculate the contribution rate for a city that chooses a 25-year, closed amortization period. Cities may also choose to pay contributions in excess of the phase-in rate.

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

NOTE 9. EMPLOYEE RETIREMENT SYSTEM – CONTINUED

Contribution – Continued

For cities with repeating features in their plans, these 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.

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

The funded status under the two separate actuarial valuations 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
2008	\$ 67,152,370	\$ 96,562,897	\$ 29,410,527	69.54%	\$ 22,690,833	129.61%
2009	71,502,626	102,289,037	30,786,411	69.90%	22,810,769	134.96%
2010	78,228,514	109,788,494	31,559,980	71.25%	22,615,709	139.55%
2010*	111,425,190	134,305,874	22,880,684	82.96%	22,615,709	101.17%

* Restructured

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
2009	\$ 4,116,079	\$ 4,116,079	100%	\$ -
2010	4,525,085	2,820,150	79%	1,704,935
2011	4,867,639	3,986,692	82%	2,585,881

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

NOTE 9. EMPLOYEE RETIREMENT SYSTEM – CONTINUED

Contribution – Continued

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, 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. 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

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

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Postemployment Healthcare Plan – Continued

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 to be held in the City’s Agency Account. The assets of the Trust are available only to pay postemployment healthcare benefits of eligible employees and dependents of the City 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.

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	\$ 657.26	\$ 7.08
Retiree plus children	1,162.32	11.58
Retiree plus spouse	1,386.80	13.76
Retiree plus family	1,723.54	19.44

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

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Funding Policy – Continued

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 following:

Service	Contribution Discount			
	Retiree Only	Children	Retiree plus Spouse	plus Family
10-14 years	15%	30%	30%	30%
15-19 years	25%	40%	40%	40%
20-24 years	35%	50%	50%	50%
25-29 years	50%	65%	65%	65%
30+ years	60%	75%	75%	75%

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	Contribution Discount			
	Retiree Only	Children	Retiree plus Spouse	plus Family
20-24 years	35%	50%	50%	50%
25-29 years	50%	65%	65%	65%
30+ years	60%	75%	75%	75%

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.

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

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

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. 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.

Annual required contribution	\$ 860,892
Interest on net OPEB obligation	(43,394)
Adjustments to annual required contribution	<u>51,075</u>
Annual OPEB cost (expense)	868,573
Contributions made	<u>(880,652)</u>
Change in OPEB obligation	(12,079)
Net OPEB obligation (asset) - beginning of year	<u>(619,908)</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ (631,987)</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 2010 are as follows:

<u>Fiscal Year Ended</u>	<u>Discount Rate</u>	<u>Annual OPEB Cost</u>	<u>% of Annual Cost Contributed</u>	<u>Net OPEB Obligation</u>	
9/30/2009	7.00%	\$ 596,540	149.17%	\$ (293,324)	
9/30/2010	7.00%	661,422	149.38%	(619,908)	
9/30/2011	7.00%	868,574	101.39%	(631,987)	
<u>Actuarial Valuation October 1</u>	<u>Actuarial Value of Assets</u>	<u>Discount Rate</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>
2008	\$ -	7%	\$ 5,785,752	-	\$ 5,785,752
2009	400,005	7%	6,651,203	6.0%	6,251,198
2010	828,339	7%	8,368,989	9.9%	7,540,650

The actuarial accrued liability is determined under the projected unit credit cost method.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Funding Status and Funding Progress

As of October 1, 2010, the most recent actuarial valuation date, the plan was 90.1% unfunded. The actuarial value of assets was \$828,339, resulting in an UAAL of \$7,540,650.

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 multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 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 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.

Supplemental Death Benefits Plan

Plan Description

During the current fiscal year, the City discontinued participation in the TMRS Supplemental Death Benefits plan. Coverage is now provided via an insurance policy provided by the City.

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

NOTE 11. SUBSEQUENT EVENT

Early in fiscal year 2012, the City executed a current refunding in the amount of \$710,000 and an advance refunding of \$5,015,000 (total of \$5,725,000) of general obligation bonds and certificates of obligation. The bonds and certificates were refunded with a single issue of \$5,995,000 General Obligation Refunding Bonds, Series 2012. The proceeds of the refunding bonds provided resources to purchase U. S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds will be considered to be defeased and the liability will be removed from the City's financial records in fiscal year 2012. The refundings were undertaken to reduce total debt service payments over the next thirteen years by \$562,514 and to obtain an economic gain of \$455,005.

At the same time, the Euless Development Corporation, a blended component unit of the City, also executed a current refunding of its outstanding debt of \$3,715,000 of sales tax revenue bonds. The bonds were refunded with a single issue of \$3,785,000 Sales Tax Revenue Refunding Bonds, Series 2012. 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 \$206,585.

NOTE 12. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of September 30, 2011, the following individual funds had an excess of expenditures over appropriations:

Police drug enforcement fund	\$44,346
Public safety grant special revenue fund	26,496
Juvenile case special revenue fund	173

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EULESS, TEXAS
SCHEDULE OF FUNDING PROGRESS FOR PARTICIPATION IN
TEXAS MUNICIPAL RETIREMENT SYSTEM
SEPTEMBER 30, 2011

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
2001	\$ 45,049,200	\$ 53,684,325	\$ 8,635,125	83.91%	\$ 15,092,260	57.22%
2002	47,212,730	57,449,068	10,236,338	82.18%	16,788,857	60.97%
2003	50,659,933	63,214,918	12,554,985	80.14%	17,207,460	72.96%
2004	54,239,808	67,007,298	12,767,490	80.95%	17,435,628	73.23%
2005	57,323,394	70,878,494	13,555,100	80.88%	18,324,792	73.97%
2006	61,871,370	76,751,170	14,879,800	80.61%	19,224,466	77.40%
2007	64,572,668	91,528,002	26,955,334	70.55%	20,652,795	130.52%
2008	67,152,370	96,562,897	29,410,527	69.54%	22,690,833	129.61%
2009	71,502,626	102,289,037	30,786,411	69.90%	22,810,769	134.96%
2010	78,228,514	109,788,494	31,559,980	71.25%	22,615,709	139.55%
2010*	111,425,190	134,305,874	22,880,684	82.96%	22,615,709	101.17%

* Restructured

The Schedule of Funding Progress summarizes the actuarial value of the plan's assets and actuarial accrued liability as of December 31, 2010 and each of the nine 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, 2010, the plan's funded ratio was 82.96%.

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, 2010, the plan's ratio of the UAAL to its covered payroll decreased to 101%.

	Calendar Years				
	2011	2010	2009	2008	2007
City's annual contribution stated as a % of covered payroll	17.99%	16.49%	15.19%	14.51%	14.25%

Note Source: TMRS Comprehensive Annual Report for the Year Ending December 31, 2010 and City records.

**CITY OF EULESS, TEXAS
SCHEDULE OF FUNDING PROGRESS – OPEB TRUST
SEPTEMBER 30, 2011**

Actuarial Valuation October 1	Actuarial Value of Assets	Discount Rate	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)
2008	\$ -	7%	\$ 5,785,752	0%	\$ 5,785,752
2009	400,005	7%	6,651,203	6%	6,251,198
2010	828,339	7%	8,368,989	10%	7,540,650

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 preceding calendar years 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%. During the year ended September 30, 2011, the plan's funded ratio rose to 10%.

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, 2011

	<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 property tax				
Current and delinquent taxes	\$ 8,578,493	\$ 8,578,493	\$ 8,565,215	\$ (13,278)
Penalty and interest	85,000	85,000	60,709	(24,291)
Total property tax	8,663,493	8,663,493	8,625,924	(37,569)
Gross receipts tax				
Telephone line access fee	405,000	405,000	392,760	(12,240)
Electric company	1,600,000	1,600,000	1,629,194	29,194
Gas company	358,580	358,580	334,123	(24,457)
Cable TV	553,537	553,537	683,100	129,563
City garbage service	175,000	175,000	173,596	(1,404)
Water and wastewater system	926,515	926,515	947,933	21,418
Others	91,600	91,600	80,304	(11,296)
Total gross receipts tax	4,110,232	4,110,232	4,241,010	130,778
General sales tax	8,000,337	8,000,337	8,306,228	305,891
Fines and fees				
Municipal court fines	2,952,045	2,952,045	2,691,775	(260,270)
Jail income	250,000	250,000	302,047	52,047
Dog licenses and pound fees	7,000	7,000	7,425	425
Ambulance fees	885,000	885,000	830,955	(54,045)
Library fees	36,100	36,100	35,809	(291)
Zoning fees	7,675	7,675	27,336	19,661
Deferred adjudication fee	160,000	160,000	138,521	(21,479)
Total fines and fees	4,297,820	4,297,820	4,033,868	(263,952)
Licenses and permits				
Building permits	430,000	430,000	406,495	(23,505)
Miscellaneous permits	235,475	235,475	215,990	(19,485)
Minimum housing	246,000	246,000	122,493	(123,507)
Total licenses and permits	911,475	911,475	744,978	(166,497)
Investment income	125,000	125,000	47,407	(77,593)
Intergovernmental	349,229	349,229	377,660	28,431
Other revenues				
Rental income	275,000	275,000	514,852	239,852
Swimming pools	15,000	15,000	17,613	2,613
Miscellaneous income	171,550	171,550	230,430	58,880
Total other revenues	461,550	461,550	762,895	301,345
Total revenues	26,919,136	26,919,136	27,139,970	220,834

CITY OF EULESS, TEXAS
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2011
(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	\$ 2,721,926	\$ 2,721,926	\$ 2,571,729	\$ 150,197
Development services	1,203,905	1,203,905	998,802	205,103
General and administrative	7,823,218	7,823,218	7,219,057	604,161
Highways and streets	886,220	886,220	713,742	172,478
Public safety	18,360,521	18,360,521	17,857,689	502,832
Total expenditures	<u>30,995,790</u>	<u>30,995,790</u>	<u>29,361,019</u>	<u>1,634,771</u>
Excess (deficiency) of revenues over expenditures	(4,076,654)	(4,076,654)	(2,221,049)	1,855,605
Other financing sources (uses)				
Transfers in	2,814,848	2,814,848	2,610,116	(204,732)
Transfers out	<u>(255,629)</u>	<u>(255,629)</u>	<u>(272,964)</u>	<u>(17,335)</u>
Total other financing sources (uses), net	<u>2,559,219</u>	<u>2,559,219</u>	<u>2,337,152</u>	<u>(222,067)</u>
Net change in fund balance	(1,517,435)	(1,517,435)	116,103	1,633,538
Fund balance, beginning of year	<u>7,614,459</u>	<u>7,614,459</u>	<u>7,614,459</u>	<u>-</u>
Fund balance, end of year	<u>\$ 6,097,024</u>	<u>\$ 6,097,024</u>	<u>\$ 7,730,562</u>	<u>\$ 1,633,538</u>

CITY OF EULESS, TEXAS
BUDGETARY COMPARISON SCHEDULE – CAR RENTAL TAX SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2011

	<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	\$ 12,000,000	\$ 12,000,000	\$ 12,457,910	\$ 457,910
Investment income	60,000	60,000	42,038	(17,962)
Total revenues	12,060,000	12,060,000	12,499,948	439,948
Expenditures				
General and administrative	8,000,000	8,000,000	8,281,599	(281,599)
Capital outlay	574,250	574,250	243,430	330,820
Total expenditures	8,574,250	8,574,250	8,525,029	49,221
Excess of revenues over expenditures	3,485,750	3,485,750	3,974,919	489,169
Other financing uses				
Transfers out	(4,020,475)	(4,270,475)	(4,270,475)	-
Total other financing uses	(4,020,475)	(4,270,475)	(4,270,475)	-
Net change in fund balance	(534,725)	(784,725)	(295,556)	489,169
Fund balance, beginning of year	5,877,485	5,877,485	5,877,485	-
Fund balance, end of year	<u>\$ 5,342,760</u>	<u>\$ 5,092,760</u>	<u>\$ 5,581,929</u>	<u>\$ 489,169</u>

CITY OF EULESS, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2011

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 21, 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 and car rental tax special revenue fund present a comparison of budgetary data to actual results. The general fund and car rental tax special revenue fund 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 sale of assets seized in connection with drug arrests. Revenues are used solely for police department expenditures.

Half-Penny Sales Tax Fund – 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.

Crime Control and Prevention District Fund – to account for the revenues and expenditures of this component unit of the City of Eules. 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.

Glade Parks 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 (which has no activity for FY 2011).

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.

NON-MAJOR GOVERNMENTAL FUNDS – Continued

CAPITAL PROJECTS

Park Improvements Certificates of Obligation Fund (1990) – to account for the construction of park facilities. Financing was provided from the sale of Certificates of Obligation of \$2,000,000 in 1990.

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

Half-Penny Sales Tax Capital Projects Fund – to account for bond proceeds to be expended for construction 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 Obligation 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, 2011**

Special Revenue Funds

	Special Revenue Funds							Special Revenue Funds Total
	Hotel/Motel Fund	Police Drug Enforcement Fund	Half Penny Sales Tax Fund	Crime Control and Prevention District Fund	Public Safety Grant Fund	Juvenile Case Fund	Glade Parks Public Improvement District Fund	
ASSETS								
Deposits and investments	\$ 98,340	\$ 266,963	\$ 1,758,497	\$ 153,942	\$ 61,152	\$ 88,103	\$ 198,610	\$ 2,625,607
Accounts receivable	77,832	-	-	256	15,268	3,806	-	97,162
Accrued interest receivable	-	-	278	-	-	-	-	278
Due from other governments	-	-	666,850	305,040	-	-	-	971,890
Prepays	204	-	5,351	110	-	-	-	5,665
Total assets	\$ 176,376	\$ 266,963	\$ 2,430,976	\$ 459,348	\$ 76,420	\$ 91,909	\$ 198,610	\$ 3,700,602
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 249	\$ 2,344	\$ 73,858	\$ -	195	\$ -	\$ -	\$ 76,646
Accrued salaries and wages	-	-	34,515	41,400	600	1,376	-	77,891
Deferred revenue	-	-	57,421	-	-	3,806	-	61,227
Total liabilities	249	2,344	165,794	41,400	795	5,182	-	215,764
Fund Balances								
Nonspendable	204	-	5,351	110	-	-	-	5,665
Restricted, debt service	-	-	941,023	-	-	-	198,610	1,139,633
Restricted, historical preservation	1,245	-	-	-	-	-	-	1,245
Restricted, juvenile case processing	-	-	-	-	-	86,727	-	86,727
Restricted, development agreements	-	-	-	-	-	-	-	-
Assigned	174,678	264,619	1,318,808	417,838	75,625	-	-	2,251,568
Total fund balances	176,127	264,619	2,265,182	417,948	75,625	86,727	198,610	3,484,838
Total liabilities and fund balances	\$ 176,376	\$ 266,963	\$ 2,430,976	\$ 459,348	\$ 76,420	\$ 91,909	\$ 198,610	\$ 3,700,602

Capital Projects Funds

Park Improvements Certificates of Obligation Fund (1990)	Street Assessments 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
\$ -	\$ 44,970	\$ 1,497,131	\$ 1,484,620	\$ 195,203	\$ 108,507	\$ 1,414,091	280,229	\$ 5,024,751	\$ 7,650,358
-	-	-	-	-	-	91,858	-	91,858	189,020
-	-	2,153	-	-	-	3,191	-	5,344	5,622
-	-	-	-	-	-	-	-	-	971,890
-	-	-	-	-	-	-	-	-	5,665
\$ -	\$ 44,970	\$ 1,499,284	\$ 1,484,620	\$ 195,203	\$ 108,507	\$ 1,509,140	\$ 280,229	\$ 5,121,953	\$ 8,822,555
\$ -	\$ -	\$ 1,302	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,302	\$ 77,948
-	-	-	-	-	-	-	-	-	77,891
-	-	-	-	-	-	-	-	-	61,227
-	-	1,302	-	-	-	-	-	1,302	217,066
-	-	-	-	-	-	-	-	-	5,665
-	-	-	-	-	-	-	-	-	1,139,633
-	-	-	-	-	-	-	-	-	1,245
-	-	-	-	-	-	-	-	-	86,727
-	-	-	1,484,620	-	-	-	-	1,484,620	1,484,620
-	44,970	1,497,982	-	195,203	108,507	1,509,140	280,229	3,636,031	5,887,599
-	44,970	1,497,982	1,484,620	195,203	108,507	1,509,140	280,229	5,120,651	8,605,489
\$ -	\$ 44,970	\$ 1,499,284	\$ 1,484,620	\$ 195,203	\$ 108,507	\$ 1,509,140	\$ 280,229	\$ 5,121,953	\$ 8,822,555

CITY OF EULESS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue Funds							Special Revenue Funds Totals
	Hotel/Motel Fund	Police Drug Enforcement Fund	Half Penny Sales Tax Fund	Crime Control and Prevention District Fund	Public Safety Grant Fund	Juvenile Case Fund	Glade Parks Public Improvement District Fund	
Revenues								
Gross receipts tax	\$ 272,809	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 272,809
General sales tax	-	-	3,322,491	1,624,086	-	-	-	4,946,577
Investment income	136	266	10,020	152	-	77	-	10,651
DEA revenues	-	6,589	-	-	-	-	-	6,589
Rents and royalties	-	-	68,115	-	-	-	-	68,115
Other revenues	9	83,833	-	-	90,197	79,510	-	253,549
Total revenues	272,954	90,688	3,400,626	1,624,238	90,197	79,587	-	5,558,290
Expenditures								
Culture and recreation	-	-	1,763,638	-	-	-	-	1,763,638
Development services	-	-	342,096	-	-	-	-	342,096
General and administrative	7,235	-	42,559	-	-	50,322	-	100,116
Public safety	-	47,346	-	1,466,089	121,738	-	-	1,635,173
Debt service								
Principal	-	-	755,000	-	-	-	-	755,000
Interest and fiscal charges	-	-	183,796	-	-	-	-	183,796
Capital outlay	-	-	-	67,859	-	-	-	67,859
Total expenditures	7,235	47,346	3,087,089	1,533,948	121,738	50,322	-	4,847,678
Excess (deficiency) of revenues over expenditures	265,719	43,342	313,537	90,290	(31,541)	29,265	-	710,612
Other financing sources (uses)								
Transfers in	-	-	-	-	32,675	-	250,000	282,675
Transfers out	(256,627)	-	(50,000)	-	-	-	(51,390)	(358,017)
Proceeds from capital lease	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	(256,627)	-	(50,000)	-	32,675	-	198,610	(75,342)
Net change in fund balances	9,092	43,342	263,537	90,290	1,134	29,265	198,610	635,270
Fund balance, beginning of year	167,035	221,277	2,001,645	327,658	74,491	57,462	-	2,849,568
Fund balance, end of year	\$ 176,127	\$ 264,619	\$ 2,265,182	\$ 417,948	\$ 75,625	\$ 86,727	\$ 198,610	\$ 3,484,838

Capital Projects Funds

Park Improvements Certificates of Obligation Fund (1990)	Street Assessments 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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 272,809
-	-	-	-	-	-	-	-	-	4,946,577
-	-	7,670	4,196	264	137	12,454	376	25,097	35,748
-	-	-	-	-	-	-	-	-	6,589
-	-	-	-	-	-	453,829	-	453,829	521,944
-	-	-	26,347	-	-	152,175	-	178,522	432,071
-	-	7,670	30,543	264	137	618,458	376	657,448	6,215,738
-	-	-	419	-	-	-	-	419	1,764,057
-	-	-	-	-	-	-	-	-	342,096
-	-	-	-	-	-	-	10,000	10,000	110,116
-	-	-	-	-	-	-	-	-	1,635,173
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	755,000
-	-	-	-	-	-	-	-	-	183,796
125	-	70,575	-	-	-	1,359,883	-	1,430,583	1,498,442
125	-	70,575	419	-	-	1,359,883	10,000	1,441,002	6,288,680
(125)	-	(62,905)	30,124	264	137	(741,425)	(9,624)	(783,554)	(72,942)
-	-	50,000	-	-	-	-	-	50,000	332,675
-	-	-	-	-	-	(100,000)	-	(100,000)	(458,017)
-	-	-	-	-	-	494,322	-	494,322	494,322
-	-	50,000	-	-	-	394,322	-	444,322	368,980
(125)	-	(12,905)	30,124	264	137	(347,103)	(9,624)	(339,232)	296,038
125	44,970	1,510,887	1,454,496	194,939	108,370	1,856,243	289,853	5,459,883	8,309,451
\$ -	\$ 44,970	\$ 1,497,982	\$ 1,484,620	\$ 195,203	\$ 108,507	\$ 1,509,140	\$ 280,229	\$ 5,120,651	\$ 8,605,489

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, 2011

	<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	\$ 267,000	\$ 267,000	\$ 272,809	\$ 5,809
Investment income	500	500	136	(364)
Other revenues	-	-	9	9
	<u>267,500</u>	<u>267,500</u>	<u>272,954</u>	<u>5,454</u>
Expenditures				
General and administrative	<u>10,000</u>	<u>10,000</u>	<u>7,235</u>	<u>2,765</u>
	<u>10,000</u>	<u>10,000</u>	<u>7,235</u>	<u>2,765</u>
Other financing uses				
Transfers out	<u>(256,627)</u>	<u>(256,627)</u>	<u>(256,627)</u>	<u>-</u>
	<u>(256,627)</u>	<u>(256,627)</u>	<u>(256,627)</u>	<u>-</u>
Net change in fund balance	873	873	9,092	8,219
Fund balance, beginning of year	<u>167,035</u>	<u>167,035</u>	<u>167,035</u>	<u>-</u>
Fund balance, end of year	<u>\$ 167,908</u>	<u>\$ 167,908</u>	<u>\$ 176,127</u>	<u>\$ 8,219</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, 2011

	<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	\$ 4,000	\$ 4,000	\$ 266	\$ (3,734)
DEA revenues	-	-	6,589	6,589
Other revenues	-	-	83,833	83,833
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	4,000	4,000	90,688	86,688
Expenditures				
Public safety	3,000	3,000	47,346	(44,346)
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	3,000	3,000	47,346	(44,346)
Net change in fund balance	1,000	1,000	43,342	42,342
Fund balance, beginning of year	<hr/> 221,277	<hr/> 221,277	<hr/> 221,277	<hr/> -
Fund balance, end of year	<hr/> <hr/> \$ 222,277	<hr/> <hr/> \$ 222,277	<hr/> <hr/> \$ 264,619	<hr/> <hr/> \$ 42,342

CITY OF EULESS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
HALF-PENNY SALES TAX SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2011

	<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	\$ 3,200,135	\$ 3,200,135	\$ 3,322,491	\$ 122,356
Rents and Royalties	-	-	68,115	68,115
Investment income	1,500	1,500	10,020	8,520
Total revenues	3,201,635	3,201,635	3,400,626	198,991
Expenditures				
Culture and recreation	1,922,327	1,922,327	1,763,638	158,689
Development services	474,043	474,043	342,096	131,947
General and administrative	176,181	176,181	42,559	133,622
Debt service				
Principal	755,000	755,000	755,000	-
Interest and fiscal charges	183,812	183,812	183,796	16
Total expenditures	3,511,363	3,511,363	3,087,089	424,274
Other financing uses				
Transfers in	-	-	-	-
Transfers out	(50,000)	(50,000)	(50,000)	-
Total other financing uses	(50,000)	(50,000)	(50,000)	-
Net change in fund balance	(359,728)	(359,728)	263,537	623,265
Fund balance, beginning of year	2,001,645	2,001,645	2,001,645	-
Fund balance, end of year	\$ 1,641,917	\$ 1,641,917	\$ 2,265,182	\$ 623,265

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, 2011

	<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	\$ 1,585,522	\$ 1,585,522	\$ 1,624,086	\$ 38,564
Investment income	500	500	152	(348)
Total revenues	1,586,022	1,586,022	1,624,238	38,216
Expenditures				
Public safety	1,526,885	1,526,885	1,466,089	60,796
Capital outlay	75,733	75,733	67,859	7,874
Total expenditures	1,602,618	1,602,618	1,533,948	68,670
Net change in fund balance	(16,596)	(16,596)	90,290	106,886
Fund balance, beginning of year	327,658	327,658	327,658	-
Fund balance, end of year	<u>\$ 311,062</u>	<u>\$ 311,062</u>	<u>\$ 417,948</u>	<u>\$ 106,886</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, 2011

	<u>Budgeted Amounts</u>		Actual GAAP Basis	Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Other revenues	<u>\$ 79,613</u>	<u>\$ 79,613</u>	<u>\$ 90,197</u>	<u>\$ 10,584</u>
Total revenues	79,613	79,613	90,197	10,584
Expenditures				
Public safety	<u>95,242</u>	<u>95,242</u>	<u>121,738</u>	<u>(26,496)</u>
Total expenditures	95,242	95,242	121,738	(26,496)
Other financing sources				
Transfers in	<u>15,629</u>	<u>15,629</u>	<u>32,675</u>	<u>17,046</u>
Total other financing sources	<u>15,629</u>	<u>15,629</u>	<u>32,675</u>	<u>17,046</u>
Net change in fund balance	-	-	1,134	1,134
Fund balance, beginning of year	<u>74,491</u>	<u>74,491</u>	<u>74,491</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 74,491</u></u>	<u><u>\$ 74,491</u></u>	<u><u>\$ 75,625</u></u>	<u><u>\$ 1,134</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, 2011

	<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	\$ -	\$ -	\$ 77	\$ 77
Other revenues	75,000	75,000	79,510	4,510
Total revenues	75,000	75,000	79,587	4,587
Expenditures				
General and administrative	50,149	50,149	50,322	(173)
Total expenditures	50,149	50,149	50,322	(173)
Net change in fund balance	24,851	24,851	29,265	4,414
Fund balance, beginning of year	57,462	57,462	57,462	-
Fund balance, end of year	<u>\$ 82,313</u>	<u>\$ 82,313</u>	<u>\$ 86,727</u>	<u>\$ 4,414</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, 2011**

(1 of 2)

ASSETS	<u>Recreation Classes</u>	<u>Texas Star Sports Complex</u>	<u>Arbor Daze</u>	<u>Totals</u>
Current assets				
Deposits and investments	\$ 390,974	\$ 1,482,332	\$ 31,046	\$ 1,904,352
Accounts receivable and unbilled revenue	-	46,012	-	46,012
Prepays and deposits	589	15,553	-	16,142
Inventory	-	79,715	-	79,715
Total current assets	391,563	1,623,612	31,046	2,046,221
Non-current assets				
Bond issuance cost, net	-	14,053	-	14,053
Net OPEB asset	555	5,203	-	5,758
Total non-current assets	555	19,256	-	19,811
Property, plant, and equipment, at cost				
Land	-	584,532	-	584,532
Building	-	488,275	-	488,275
Equipment	89,658	126,498	-	216,156
Improvements	-	8,150,654	-	8,150,654
Total property, plant, and equipment	89,658	9,349,959	-	9,439,617
Less accumulated depreciation	71,328	3,423,708	-	3,495,036
Net property, plant, and equipment	18,330	5,926,251	-	5,944,581
Total non-current assets	18,885	5,945,507	-	5,964,392
Total assets	<u>\$ 410,448</u>	<u>\$ 7,569,119</u>	<u>\$ 31,046</u>	<u>\$ 8,010,613</u>

**CITY OF EULESS, TEXAS
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
SEPTEMBER 30, 2011**

(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	\$ 5,038	\$ 35,898	\$ -	\$ 40,936
Accrued salaries and wages	2,021	16,554	-	18,575
Current portion of bonds payable	-	140,000	-	140,000
Accrued interest	-	3,218	-	3,218
Total current liabilities	7,059	195,670	-	202,729
Non-current liabilities				
Net pension obligation	168	9,884	-	10,052
Bonds payable	-	580,867	-	580,867
Total non-current liabilities	168	590,751	-	590,919
Total liabilities	7,227	786,421	-	793,648
NET ASSETS				
Invested in capital assets, net of related debt				
	18,330	5,205,384	-	5,223,714
Unrestricted	384,891	1,577,314	31,046	1,993,251
Total net assets	\$ 403,221	\$ 6,782,698	\$ 31,046	\$ 7,216,965

CITY OF EULESS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2011

	<u>Recreation Classes</u>	<u>Texas Star Sports Complex</u>	<u>Arbor Daze</u>	<u>Totals</u>
Operating revenues				
Recreation fees	\$ 409,942	\$ -	\$ -	\$ 409,942
Service fees and miscellaneous	-	2,274,964	-	2,274,964
Total operating revenues	409,942	2,274,964	-	2,684,906
Operating expenses				
Recreation classes	365,943	-	-	365,943
Texas Star Sports Complex	-	1,278,459	-	1,278,459
Depreciation	4,467	292,282	-	296,749
Amortization	-	9,262	-	9,262
Total operating expenses	370,410	1,580,003	-	1,950,413
Operating income	39,532	694,961	-	734,493
Nonoperating revenues (expenses)				
Investment income	462	1,510	16	1,988
Gain on sale of capital asset	237	246	-	483
Interest expense	-	(27,136)	-	(27,136)
Total nonoperating revenues (expenses), net	699	(25,380)	16	(24,665)
Change in net assets	40,231	669,581	16	709,828
Net assets, beginning of year	362,990	6,113,117	31,030	6,507,137
Net assets, end of year	<u>\$ 403,221</u>	<u>\$ 6,782,698</u>	<u>\$ 31,046</u>	<u>\$ 7,216,965</u>

**CITY OF EULESS, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2011**

	<u>Recreation Classes</u>	<u>Texas Star Sports Complex</u>	<u>Arbor Daze</u>	<u>Totals</u>
OPERATING ACTIVITIES				
Cash received from customers	\$ 409,992	\$ 2,259,752	\$ -	\$ 2,669,744
Cash payments to suppliers for goods and services	(222,312)	(966,982)	-	(1,189,294)
Cash payments to employees for services	(142,391)	(298,353)	-	(440,744)
Net cash provided by operating activities	45,289	994,417	-	1,039,706
CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest paid on bonds	-	(27,600)	-	(27,600)
Reduction in bonds payable	-	(135,000)	-	(135,000)
Purchase of capital assets	-	(476,508)	-	(476,508)
Proceeds from sale of capital assets	237	246	-	483
Net cash provided by (used in) capital and related financing activities	237	(638,862)	-	(638,625)
INVESTING ACTIVITIES				
Interest received on investments	462	1,510	16	1,988
Net cash provided by investing activities	462	1,510	16	1,988
Net change in cash and cash equivalents	45,988	357,065	16	403,069
Cash and cash equivalents, beginning of year	344,986	1,125,267	31,030	1,501,283
Cash and cash equivalents, end of year	<u>\$ 390,974</u>	<u>\$ 1,482,332</u>	<u>\$ 31,046</u>	<u>\$ 1,904,352</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income	\$ 39,532	\$ 694,961	\$ -	\$ 734,493
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	4,467	301,544	-	306,011
Changes in assets and liabilities				
Accounts receivable and unbilled revenue	50	(15,212)	-	(15,162)
Deferred income	-	-	-	-
Prepays and deposits	(529)	(1,556)	-	(2,085)
Net OPEB asset	-	(48)	-	(48)
Net pension obligation	164	3,761	-	3,925
Inventory	-	(8,992)	-	(8,992)
Accounts payable	975	16,575	-	17,550
Accrued salaries and wages	630	3,384	-	4,014
Net cash provided by operating activities	<u>\$ 45,289</u>	<u>\$ 994,417</u>	<u>\$ -</u>	<u>\$ 1,039,706</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 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, 2011**

	Equipment Replacement Fund	Insurance Fund	Risk Management Workers Compensation Fund	Total
ASSETS				
Deposits and investments	\$ 2,602,217	\$ 3,257,403	\$ 1,078,119	\$ 6,937,739
Accounts receivable	-	135,752	-	135,752
Accrued interest receivable	831	2,300	-	3,131
Total current assets	2,603,048	3,395,455	1,078,119	7,076,622
Property, plant, and equipment, at cost				
Equipment	7,750,832	54,956	18,649	7,824,437
Less accumulated depreciation	5,446,650	54,956	12,168	5,513,774
Net property, plant, and equipment	2,304,182	-	6,481	2,310,663
Total assets	4,907,230	3,395,455	1,084,600	9,387,285
LIABILITIES				
Accounts payable	10,244	17,009	21,723	48,976
Accrued salary and wages	-	7,158	3,368	10,526
Accrued insurance claims	-	493,342	44,802	538,144
Total current liabilities	10,244	517,509	69,893	597,646
NET ASSETS				
Invested in capital assets, net of related debt	2,304,182	-	6,481	2,310,663
Unrestricted	2,592,804	2,877,946	1,008,226	6,478,976
Total net assets	\$ 4,896,986	\$ 2,877,946	\$ 1,014,707	\$ 8,789,639

CITY OF EULESS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2011

	Equipment Replacement Fund	Insurance Fund	Risk Management Fund	Total
Operating revenues				
Insurance premiums	\$ -	\$ 4,646,970	\$ 345,864	\$ 4,992,834
Service fees and miscellaneous	686,740	27,677	-	714,417
Total operating revenues	686,740	4,674,647	345,864	5,707,251
Operating expenses				
General and administrative	45,034	754,923	71,136	871,093
Insurance costs	-	3,622,204	536,154	4,158,358
Depreciation	779,340	-	763	780,103
Total operating expenses	824,374	4,377,127	608,053	5,809,554
Operating income (loss)	(137,634)	297,520	(262,189)	(102,303)
Nonoperating revenues				
Gain on sale of capital assets	27,293	-	-	27,293
Investment income	9,715	14,543	1,091	25,349
Total nonoperating revenues	37,008	14,543	1,091	52,642
Income (loss) before transfers	(100,626)	312,063	(261,098)	(49,661)
Other financing sources				
Transfers in	-	-	225,000	225,000
Change in net assets	(100,626)	312,063	(36,098)	175,339
Net assets, beginning of year	4,997,612	2,565,883	1,050,805	8,614,300
Net assets, end of year	\$ 4,896,986	\$ 2,877,946	\$ 1,014,707	\$ 8,789,639

**CITY OF EULESS, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2011**

	Equipment Replacement Fund	Insurance Fund	Risk Manage- ment Fund	Total
OPERATING ACTIVITIES				
Cash received from customers	\$ 686,740	\$ 4,664,491	\$ 345,864	\$ 5,697,095
Cash payments to suppliers for goods and services	(35,039)	(4,352,194)	(591,813)	(4,979,046)
Cash payments to employees for services	-	(38,504)	(42,364)	(80,868)
Net cash provided by (used in) operating activities	651,701	273,793	(288,313)	637,181
NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	225,000	225,000
Net cash provided by noncapital financing activities	-	-	225,000	225,000
CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(253,945)	-	-	(253,945)
Proceeds from sale of capital assets	27,662	-	-	27,662
Net cash used in capital and related financing activities	(226,283)	-	-	(226,283)
INVESTING ACTIVITIES				
Proceeds from sale of investment securities	25	1,910	-	1,935
Interest received on investments	9,715	14,543	1,091	25,349
Net cash provided by investing activities	9,740	16,453	1,091	27,284
Net increase (decrease) in cash and cash equivalents	435,158	290,246	(62,222)	663,182
Cash and cash equivalents, beginning of year	2,167,059	2,967,157	1,140,341	6,274,557
Cash and cash equivalents, end of year	\$ 2,602,217	\$ 3,257,403	\$ 1,078,119	\$ 6,937,739
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (137,634)	\$ 297,520	\$ (262,189)	\$ (102,303)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation expense	779,340	-	763	780,103
Change in assets and liabilities				
Receivables	-	(10,156)	-	(10,156)
Prepays	-	30,541	-	30,541
Accounts payable	9,995	9,165	(13,211)	5,949
Accrued salaries and wages	-	(350)	1,356	1,006
Accrued insurance claims	-	(52,927)	(15,032)	(67,959)
Net cash provided by (used in) operating activities	\$ 651,701	\$ 273,793	\$ (288,313)	\$ 637,181

**CITY OF EULESS, TEXAS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
STARS CENTER ESCROW AGENCY FUND
YEAR ENDED SEPTEMBER 30, 2011**

	<u>Balance October 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2011</u>
Assets				
Investments at fair value	\$ 1,421,596	\$ 1,817	\$ (2,574)	\$ 1,420,839
Total assets	<u>\$ 1,421,596</u>	<u>\$ 1,817</u>	<u>\$ (2,574)</u>	<u>\$ 1,420,839</u>
Liabilities				
Due to other entities	\$ 1,420,547	\$ -	\$ -	\$ 1,420,547
Refunds payable	<u>1,049</u>	<u>292</u>	<u>(1,049)</u>	<u>292</u>
Total liabilities	<u>\$ 1,421,596</u>	<u>\$ 292</u>	<u>\$ (1,049)</u>	<u>\$ 1,420,839</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 NINE FISCAL YEARS
(Accrual Basis of Accounting – Unaudited)

Table 1

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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
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
Unrestricted	<u>14,945,063</u>	<u>14,657,018</u>	<u>17,512,832</u>	<u>25,497,497</u>	<u>27,104,410</u>	<u>31,041,434</u>	<u>29,885,070</u>	<u>24,933,443</u>	<u>31,448,528</u>
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>
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
Restricted for debt service	632,189	-	-	-	-	-	3,963,919	438,340	438,948
Restricted for impact fees	-	-	-	-	-	-	-	2,999,156	2,649,336
Unrestricted	<u>14,009,239</u>	<u>16,906,068</u>	<u>15,830,507</u>	<u>19,099,883</u>	<u>16,421,971</u>	<u>16,900,637</u>	<u>12,980,130</u>	<u>13,987,730</u>	<u>16,947,928</u>
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>
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
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
Unrestricted	<u>28,954,302</u>	<u>31,563,086</u>	<u>33,343,339</u>	<u>44,597,380</u>	<u>43,526,381</u>	<u>47,942,071</u>	<u>42,865,200</u>	<u>38,921,173</u>	<u>48,396,456</u>
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>

Note: City of Euless first applied GASB Statement 34 in fiscal year ended 9/30/2003; government-wide financial information for years prior is not available.

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

Table 2

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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
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
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
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
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
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
Total governmental activities expenses	<u>37,919,573</u>	<u>38,446,558</u>	<u>38,878,883</u>	<u>42,389,370</u>	<u>44,903,809</u>	<u>48,411,684</u>	<u>47,681,428</u>	<u>47,234,117</u>	<u>47,793,963</u>
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
Drainage utility	812,785	793,358	875,995	884,763	1,059,272	932,771	947,869	1,107,206	1,177,938
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
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
Total business-type activities expenses	<u>19,069,003</u>	<u>19,310,994</u>	<u>20,526,869</u>	<u>22,015,374</u>	<u>22,837,728</u>	<u>23,971,757</u>	<u>23,278,307</u>	<u>24,470,139</u>	<u>25,471,075</u>
Total primary government expenses	<u>56,988,576</u>	<u>57,757,552</u>	<u>59,405,752</u>	<u>64,404,744</u>	<u>67,741,537</u>	<u>72,383,441</u>	<u>70,959,735</u>	<u>71,704,256</u>	<u>73,265,038</u>
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
Development services	628,585	817,293	896,894	841,033	833,822	688,348	783,955	751,323	779,939
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
Highways and streets	-	-	-	6,300	(8,026)	722,334	11,008	-	-
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
Operating grants and contributions	515,039	517,307	1,302,332	592,231	411,857	486,862	487,059	511,093	469,404
Capital grants and contributions	-	-	-	8,706	2,199,106	1,885,266	268,130	602,372	1,015,402
Total governmental activities program revenues	<u>6,145,365</u>	<u>6,116,635</u>	<u>7,266,923</u>	<u>7,752,309</u>	<u>9,195,437</u>	<u>10,678,767</u>	<u>9,740,388</u>	<u>7,824,754</u>	<u>7,313,700</u>
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
Drainage utility	626,199	643,229	659,949	658,231	701,476	661,725	689,889	691,800	694,751
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
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
Operating grants and contributions	-	-	3,308,393	-	-	-	-	-	-
Capital grants and contributions	2,849,795	-	-	312,835	1,012,919	2,183,600	1,705,746	26,400	772,714
Total business-type activities program revenues	<u>21,926,475</u>	<u>18,943,980</u>	<u>23,983,241</u>	<u>22,332,284</u>	<u>20,907,231</u>	<u>24,418,001</u>	<u>24,549,783</u>	<u>25,256,545</u>	<u>28,877,414</u>
Total primary government program revenues	<u>28,071,840</u>	<u>25,060,615</u>	<u>31,250,164</u>	<u>30,084,593</u>	<u>30,102,668</u>	<u>35,096,768</u>	<u>34,290,171</u>	<u>33,081,299</u>	<u>36,191,114</u>
	(Continued)								

CITY OF EULESS, TEXAS
CHANGES IN NET ASSETS – LAST NINE 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)
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
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>
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
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
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
Mixed beverage taxes	82,920	82,058	82,759	85,659	87,400	84,653	76,433	71,653	66,383
Hotel/motel occupancy taxes	154,164	167,259	179,989	216,591	240,457	234,780	185,417	237,429	272,809
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
Investment income	580,245	463,239	870,841	1,611,815	2,031,580	1,727,542	863,225	292,761	168,929
Contributions from property owners	1,814,257	3,191,097	1,229,401	-	-	-	-	-	-
Gain/(loss) on disposal of assets	41,807	30,811	(21,023)	24,866	74,163	71,143	37,909	116,978	100,110
Miscellaneous	102,193	18,208	-	-	-	-	11,018	103,569	1,419,512
Transfers	(1,535,227)	340,834	608,721	709,969	617,418	(1,012,140)	90,303	647,463	904,867
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>
Business-type activities:									
Investment income	320,233	266,240	407,468	771,888	1,023,865	726,385	254,071	87,799	66,161
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)
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>
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>
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
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
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>
	(concluded)	(concluded)	(concluded)	(concluded)	(concluded)	(concluded)	(concluded)	(concluded)	(concluded)

Note: City of Euleless first applied GASB Statement 34 in fiscal year ended 9/30/2003; government-wide financial information for years prior is not available.

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved for other	\$ 141,886	\$ 136,167	\$ 193,253	\$ 239,592	\$ 310,956	\$ 392,950	\$ 362,018	\$ 354,882	\$ 492,776	\$ -
Nonspendable	-	-	-	-	-	-	-	-	-	19,344
Restricted	-	-	-	-	-	-	-	-	-	311,076
Assigned	-	-	-	-	-	-	-	-	-	103,423
Unreserved/Unassigned	<u>6,845,070</u>	<u>6,039,430</u>	<u>5,552,863</u>	<u>6,363,113</u>	<u>8,989,805</u>	<u>10,594,492</u>	<u>8,355,946</u>	<u>7,288,976</u>	<u>7,121,683</u>	<u>7,296,719</u>
Total general fund	<u>\$ 6,986,956</u>	<u>\$ 6,175,597</u>	<u>\$ 5,746,116</u>	<u>\$ 6,602,705</u>	<u>\$ 9,300,761</u>	<u>\$ 10,987,442</u>	<u>\$ 8,717,964</u>	<u>\$ 7,643,858</u>	<u>\$ 7,614,459</u>	<u>\$ 7,730,562</u>
All Other Governmental Funds										
Reserved for:										
Debt service	\$ 1,344,435	\$ 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	1,683,008	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	1,323	1,245	1,245	1,245	1,245	1,245	1,245	1,245	7,677	-
Unreserved, reported in:										
Special revenue funds	9,376,163	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	9,200,172	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
Restricted for:										
Debt service	-	-	-	-	-	-	-	-	-	1,818,957
Capital projects	-	-	-	-	-	-	-	-	-	2,168,956
Other	-	-	-	-	-	-	-	-	-	87,972
Assigned	-	-	-	-	-	-	-	-	-	14,855,820
Total all other governmental funds	<u>\$ 21,605,101</u>	<u>\$ 17,298,172</u>	<u>\$ 22,416,020</u>	<u>\$ 22,311,246</u>	<u>\$ 18,250,295</u>	<u>\$ 19,451,941</u>	<u>\$ 20,321,476</u>	<u>\$ 20,482,416</u>	<u>\$ 16,658,007</u>	<u>\$ 18,937,370</u>

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues:										
General property tax	\$ 8,845,813	\$ 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
Gross receipts tax	3,767,478	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
General sales tax	8,922,660	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
Car rental tax	10,148,812	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
Fines and fees	3,237,217	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
Licenses and permits	1,188,231	1,009,058	1,190,059	870,010	806,476	804,404	752,421	783,955	719,918	744,978
Investment income	898,590	566,049	444,653	798,485	1,468,812	1,784,492	1,512,898	742,444	253,302	143,564
DEA revenues	133,138	45,997	128,341	14,607	77,461	5,360	26,580	14,883	15,350	6,589
Intergovernmental	421,176	326,493	292,265	303,713	315,487	334,979	353,567	379,503	376,512	377,660
Rents and royalties	-	-	-	-	-	-	-	-	1,620,210	1,233,686
Other revenues	1,790,164	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
Total revenues	39,353,279	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
Expenditures:										
Culture and recreation	3,277,615	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
Development services	1,046,331	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
General and administrative	11,748,167	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
Highways and streets	750,218	973,493	766,030	670,742	656,964	693,711	943,171	861,885	610,996	713,742
Public safety	12,187,878	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
Debt Service:										
Principal	2,164,866	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
Interest and fiscal charges	4,072,936	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
Issuance costs	-	85,363	80,000	128,000	97,810	5,946	-	-	95,000	178,229
Capital outlay	7,349,486	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
Total expenditures	42,597,497	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
Excess (deficiency) of revenues over (under) expenditures	(3,244,218)	(2,235,195)	(894,767)	645,625	(188,380)	2,785,910	(162,799)	(778,469)	(3,379,711)	(1,974,627)
Other Financing Sources (Uses):										
Proceeds from capital lease	-	-	-	-	-	-	-	-	-	494,322
Proceeds from issuance of debt	6,437,616	5,535,295	7,580,000	13,900,000	6,710,000	-	-	-	8,110,000	9,610,000
Payment of escrow for refunding	(6,315,299)	(5,492,201)	-	(14,386,070)	(6,879,482)	-	-	-	(8,443,763)	(6,804,790)
Bond premium	-	-	-	508,038	-	-	-	-	-	390,694
Bond discount	-	-	-	-	-	-	-	-	(94,828)	-
Transfers in	3,683,309	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
Transfers out	(3,821,573)	(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)
Total other financing sources	(15,947)	(2,883,092)	5,583,134	106,189	(1,174,516)	102,418	(1,237,140)	(134,697)	(474,097)	4,370,093
Net change in fund balances	\$(3,260,165)	\$(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
Debt service as a percentage of noncapital expenditures	17.7%	16.4%	16.2%	14.8%	13.2%	12.3%	11.4%	11.4%	11.9%	11.6%

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				
2002	1,642,632,027	375,015,487	2,017,647,514	210,303,809	1,807,343,705	0.497254
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

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
2002	0.311966	0.185288	0.497254	1.6530	1.6168	0.2748	0.2341	0.1064
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

Sources: City of Euless Budget Office, Tarrant Appraisal District

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

Table 7

Fiscal Year 2011			Fiscal Year 2002		
Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value (1)	Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value (2)
Ean Holdings, LLC	\$ 49,711,429	1.97 %	Southwestern Bell Telephone Company	\$ 50,036,810	2.77 %
Avis Budget Group LLC	45,130,291	1.79	Hertz Rent-a-Car	45,816,078	2.53
Hertz Corp	41,602,475	1.65	National Rental Systems Inc	43,368,908	2.40
UDR The Mandolin LLC	36,867,932	1.46	Avis Rent-a-Car, Inc.	37,977,230	2.10
Oncor Electric Delivery Co. LLC	35,123,308	1.39	The Bear Apartments	31,526,719	1.74
Somerset Village Partners LP	33,352,614	1.32	Somerset Village Partners LP	31,013,586	1.72
CMF 15 Portfolio LLC	29,790,000	1.18	Saluda Apartments, LP	28,689,759	1.59
IRA Stoneleigh Feeco LLC	29,411,000	1.17	Southwest Properties	26,515,780	1.47
Seramont II LP	28,439,000	1.13	Budget Rent-a-Car	20,235,256	1.12
Glade 121 LP	25,466,768	1.01	TXU Electric	20,227,350	1.12
Total	\$ 354,894,817	14.07 %	Total	\$ 335,407,476	18.56 %

Source: Tarrant County Tax Office

Note:

(1) Total Taxable Assessed Value including real and personal property for tax year 2010 (fiscal year 2011) is \$2,522,998,708.

(2) Total Taxable Assessed Value including real and personal property for tax year 2001 (fiscal year 2002) is \$1,807,343,705.

**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
2002	9,208,653	33,559	9,242,212	8,668,507	93.79%	531,034	9,199,541	99.54%	42,671	0.46%
2003	9,862,626	(55,776)	9,806,850	9,639,278	98.29%	129,475	9,768,753	99.61%	38,097	0.39%
2004	10,219,893	52,820	10,272,713	10,026,897	97.61%	205,269	10,232,165	99.61%	40,547	0.39%
2005	10,789,150	55,557	10,844,706	10,663,367	98.33%	135,989	10,799,356	99.58%	45,351	0.42%
2006	11,194,338	1,398	11,195,736	11,007,368	98.32%	170,934	11,178,302	99.84%	17,434	0.16%
2007	11,908,489	(9,110)	11,899,379	11,801,183	99.17%	82,381	11,883,564	99.87%	15,815	0.13%
2008	12,083,956	(39,549)	12,044,407	11,986,396	99.52%	40,697	12,027,093	99.86%	17,315	0.14%
2009	12,747,343	(125,979)	12,621,364	12,556,281	99.48%	8,237	12,564,518	99.55%	56,846	0.45%
2010	12,318,061	(16,154)	12,301,907	12,182,266	99.03%	49,596	12,231,862	99.43%	70,045	0.57%
2011	11,796,659	-	11,796,659	11,637,719	98.65%	-	11,637,719	98.65%	158,940	1.35%

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			
2002	12,409,653	22,910,000	10,040,000	9,325,000	3,590,000	1,460,000	10,985,000	-	70,719,653	5.93%	1,532
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

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)	Debt to Taxable Assessed Value	Debt Per Capita
	General Obligation Bonds	Certificates of Obligation	Total				
2002	\$ 12,409,653	\$ 22,910,000	\$ 35,319,653	46,166	\$ 1,807,343,705	1.95%	\$ 765
2003	15,381,815	18,420,000	33,801,815	47,950	1,962,426,253	1.72%	705
2004	17,525,000	21,915,000	39,440,000	49,750	2,069,693,324	1.91%	793
2005	27,410,000	10,365,000	37,775,000	49,950	2,185,914,016	1.73%	756
2006	28,820,000	7,175,000	35,995,000	50,750	2,253,534,573	1.60%	709
2007	27,350,000	6,475,000	33,825,000	52,900	2,440,482,117	1.39%	639
2008	25,985,000	5,735,000	31,720,000	53,400	2,582,911,400	1.23%	594
2009	24,350,000	5,330,000	29,680,000	54,073	2,660,000,740	1.12%	549
2010	22,655,000	4,910,000	27,565,000	54,200	2,589,844,156	1.06%	509
2011	21,615,000	6,590,000	28,205,000	51,277	2,522,998,708	1.12%	550

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).

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, 2011 – (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	\$ 306,615,184	9.66%	\$ 29,619,027
Hurst-Eules-Bedford Independent School District	342,772,417	20.53%	70,371,177
Tarrant County	333,561,836	2.07%	6,904,730
Tarrant County Hospital District	58,565,000	2.07%	1,212,296
Tarrant County College District	27,327,140	2.07%	<u>565,672</u>
Subtotal, overlapping debt			108,672,902
City of Eules (direct debt)	28,205,000	100.00%	<u>28,205,000</u>
Total direct and overlapping debt			<u><u>\$ 136,877,902</u></u>

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
2002	\$ 11,719,411	\$ 10,298,940	\$ 1,420,471	\$ 580,000	\$ 231,234	\$ 811,234	1.75
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

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
2002	\$ 645,852	\$ 241,034	\$ 404,818	\$ 75,000	\$ 74,041	\$ 149,041	2.72
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

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)
2002	46,166	\$ 25,837	\$ 1,192,791	N/A	19,500	4.6%
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%

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

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

Table 15

2011			2002		
<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	833	3.41%	Warrantech	598	2.94%
LSG Sky Chefs, Inc.	571	2.34%	City of Euless	368	1.81%
Autogrill Group, Inc.	462	1.89%	Super Target	300	1.47%
City of Euless	362	1.48%	Tarrant Printing	190	0.93%
Redi-Mix Concrete	350	1.43%	Atlas Match	150	0.74%
Life Outreach International	186	0.76%	Home Depot	150	0.74%
Super Target	180	0.74%	Aerobotics	136	0.67%
Lowe's	110	0.45%	First Odyssey Group	100	0.49%
Home Depot	117	0.48%	Office Depot	100	0.49%
TJ Lambrecht Construction	120	0.49%	Ferguson Enterprises	100	0.49%
Total	<u>3,291</u>	<u>13.46%</u>		<u>2,192</u>	<u>11.31%</u>

Source: 2002 Official Statement, TWC website, US Census website, City of Euless Economic Development Department

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

Table 16

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government and Administration	52.25	52.25	52.25	51.25	50.75	53.00	54.50	54.50	50.00	48.50
Public Safety	116.00	117.00	117.00	118.00	120.00	123.00	126.00	126.00	118.00	121.00
Fire Safety	61.00	61.00	61.00	64.00	67.00	70.00	73.00	73.00	71.00	71.00
Development Services	13.00	15.00	15.00	12.00	12.00	12.00	12.00	12.00	11.50	13.50
Culture and Recreational	35.75	35.75	35.75	35.75	35.75	36.50	36.00	36.00	30.00	31.00
Water and Wastewater	51.00	49.00	49.00	48.00	49.50	50.00	50.00	50.00	46.00	42.00
Golf Course	15.25	15.25	15.25	15.25	15.25	15.25	15.25	17.25	13.00	13.00
Public Works	15.75	15.75	15.75	15.75	15.75	15.75	15.75	15.75	14.00	17.50
Service Center	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	5.00	5.00
Risk Management / Insurance	2.00	2.00	2.00	2.00	2.00	1.50	1.50	1.50	1.50	1.50
Total	368.00	369.00	369.00	368.00	374.00	383.00	390.00	392.00	360.00	364.00

Source: City Budget Office

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

Table 17

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police										
Number of Certified Officers	81	81	81	82	82	82	85	85	85	85
Number of Citations Issued	23,719	27,145	25,491	32,200	38,359	34,368	26,503	29,925	24,126	21,790
Fire										
Number of Certified Firefighters	59	59	59	62	65	68	71	70	69	69
Number of Alarms	4,530	4,849	4,699	3,949	3,661	3,675	4,197	3,827	4,097	4,196
Number of EMS Calls	1,125	2,320	1,854	2,202	2,317	2,561	2,688	2,634	2,793	2,848
Municipal Court										
Cases Filed	33,980	35,385	34,258	41,027	46,085	39,096	30,551	33,670	31,442	27,022
Development										
Number Residential Inspections - New	107	182	518	319	315	58	77	100	101	52
Number Commercial Inspections - New	8	4	13	8	10	24	28	16	14	11
Number Multifamily Inspections - New	4	1	0	0	0	0	0	0	0	0
Public Works										
Street Overlay (Square Footage)	767,154	1,238,046	1,004,735	1,391,889	1,117,894	664,472	999,285	797,326	770,380	953,406
Cultural and Recreational										
Parks and Recreation										
Recreation Center Memberships	3,649	4,427	4,123	4,260	4,160	3,990	3,944	3,703	2,443	4,337
Class Attendance (Youth/Adult)	11,099	17,532	24,522	24,575	25,704	29,067	59,541	74,452	56,833	28,804
Water and Wastewater										
Number of Water Consumers	22,615	23,231	23,848	25,012	24,486	24,484	24,608	24,677	24,760	24,924
Water Produced (In Gallons x 1000)	474,987	555,046	384,306	314,085	372,695	414,934	348,548	730,291	579,154	477,914
Water Purchased - TRA (In Gallons x 1000)	1,839,498	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
Water Supplied (In Gallons x 1000)	2,314,485	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
Annual Rainfall (In Inches)	38.34	30.75	41.08	32.51	20.74	53.51	27.10	36.32	38.65	22.26
Golf Course										
Number of Paid Rounds Played	29,961	30,861	33,146	32,725	36,639	35,094	36,528	43,029	32,996	35,075

Source: City Departments
Comprehensive Annual Financial Report
City Budget Office

Notes: N/A - Data not available.

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

Table 18

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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 (1)	182.0	182.0	182.0	182.0	182.0	211.0	217.6	217.6	217.6	332.1
Cultural and Recreational										
Swimming Pools	3	3	3	3	3	3	3	3	3	3
Parks	16	16	16	16	17	17	17	17	17	17
Parks Land (Acres)	539	539	539	539	566	632	632	632	632	632
Community Buildings	5	5	5	5	5	5	5	5	5	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	24	35	35	35	35	33	33
Library Holdings	98,314	106,442	96,228	99,972	97,334	98,613	101,672	103,122	106,121	111,852
Water and Wastewater										
Water Mains (miles)	202.00	209.00	210.00	212.00	218.00	222.10	226.80	226.80	228.20	228.50
Fire Hydrants	1,215	1,318	1,318	1,318	1,377	1,441	1,477	1,477	1,525	1,526
Wastewater Mains (miles)	149.0	157.0	161.0	162.0	162.0	168.0	186.3	186.3	186.5	186.7

Source: City Departments

(1) 2002 through 2010 are reported in linear miles. 2011 is reported in lane miles.