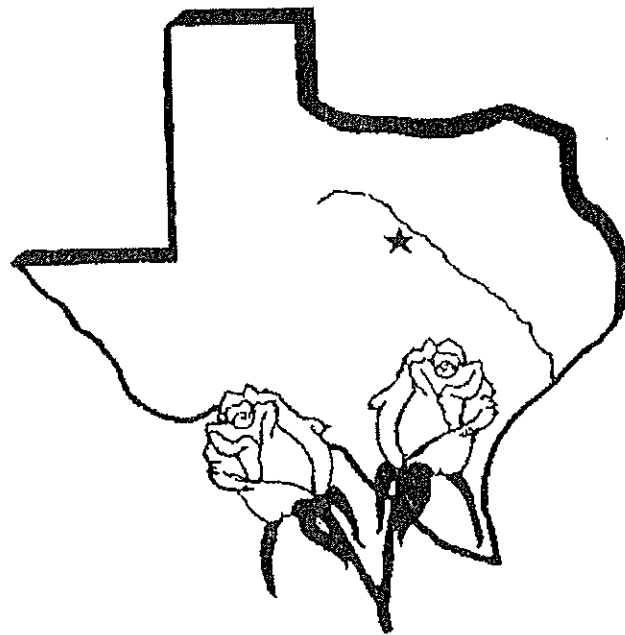


City of Glen Rose



AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

CLIFF S. MAY
CERTIFIED PUBLIC ACCOUNTANT

GRANBURY, TEXAS

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CITY OF GLEN ROSE
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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**CITY OF GLEN ROSE, TEXAS
ANNUAL FINANCIAL REPORT**
For the year ended September 30, 2012

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Cliff S. May
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INDEPENDENT AUDITOR'S REPORT

The Honorable Members of the City Council
City of Glen Rose, Texas

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Glen Rose, Texas as of and for the year ended September 30, 2012 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Glen Rose, Texas management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Glen Rose, Texas, as of September 30, 2010, and the respective changes in financial position and, where applicable, cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 2-6 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.



Granbury, Texas
April 2, 2013

CITY OF GLEN ROSE, TEXAS
Management's Discussion and Analysis
For the year ended September 30, 2012

The discussion and analysis of the City of Glen Rose, Texas's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2012. It should be read in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year ending September 30, 2012 by \$18,278,068 (net assets). Of this amount, \$5,677,028 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors, \$97,217 is restricted for debt service, and \$1,654,245 has been restricted by the City for future capital improvements.
- The City's total net assets increased by \$709,813.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,624,627.
- At the end of the current fiscal year, unrestricted fund balance for the General Fund was \$1,673,028 or 86% of the total General Fund expenditures.
- The City's total liabilities increased by \$165,106.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements.

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the city include general government and administration, public safety, and cultural and recreation. The business-type activities of the City include water and sewer operations. The City has one component unit reported. The Glen Rose 4B Economic Development Corporation is a non-profit corporation formed in May 2007 for the purpose of increasing employment opportunities and for public improvement projects.

The government-wide financial statements can be found on pages 8-11 of this report.

CITY OF GLEN ROSE, TEXAS
Management's Discussion and Analysis
For the year ended September 30, 2012

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

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

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

The City maintains four (4) governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service Fund, Convention and Visitor's Bureau, and the Capital Projects Fund.

Proprietary Funds – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the proprietary funds to account for its water and sewer operations.

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 of the Municipal Utility which is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 18-21 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 22-31 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve, over time, as a useful indicator of government's financial position. In the case of the City, assets exceeded liabilities by \$18,278,068 as of September 30, 2012.

The largest portion of the City's net assets (59%) reflects its investments in capital assets (e.g., land, buildings, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF GLEN ROSE, TEXAS
Management's Discussion and Analysis
For the year ended September 30, 2012

CITY OF GLEN ROSE'S NET ASSETS

	Governmental Activities <u>2012</u>	Business- Type Activities <u>2012</u>	<u>Total</u>	2011 <u>Total</u>
Current and other assets	\$ 4,079,880	\$4,295,136	\$ 8,375,016	\$ 7,613,034
Capital assets	<u>8,151,036</u>	<u>5,583,542</u>	<u>13,734,578</u>	<u>13,621,641</u>
Total Assets	<u>12,230,916</u>	<u>9,878,678</u>	<u>22,109,594</u>	<u>21,234,675</u>
Current liabilities	244,609	23,194	267,803	255,939
Other liabilities	174,171	504,552	678,723	460,481
Long term liabilities	<u>2,885,000</u>	<u>-</u>	<u>2,885,000</u>	<u>2,950,000</u>
Total Liabilities	<u>3,303,780</u>	<u>527,746</u>	<u>3,831,526</u>	<u>3,666,420</u>
Net Assets:				
Invested in capital assets, net of related debt	5,266,036	5,583,542	10,849,578	10,562,640
Restricted	1,751,462	-	1,751,462	1,862,308
Unrestricted	<u>1,909,638</u>	<u>3,767,390</u>	<u>5,677,028</u>	<u>5,143,307</u>
Total Net Assets	<u>\$ 8,927,136</u>	<u>\$9,350,932</u>	<u>\$18,278,068</u>	<u>\$ 17,568,255</u>

As of September 30, 2012, the City is able to report positive balances in three categories of net assets, both for the government as a whole, as well as for its separate categories- governmental and business-type activities.

Analysis of the City's Operations – The following table provides a summary of the City's operations for the year ended September 30, 2012. Governmental activities increased the City's net assets by \$412,721, accounting for 58% of the total growth in net assets. Business-type activities increased the City's net assets by \$297,092, accounting for 42% of the total growth in net assets.

	Governmental Activities <u>2012</u>	Business- Type Activities <u>2012</u>	<u>Total</u>	2011 <u>Total</u>
Revenues:				
Program Revenues:				
Charges for services	\$ 523,593	\$ 1,475,200	\$ 1,998,793	\$ 1,909,080
Grant proceeds	-	-	-	35,030
General Revenues:				
Ad valorem taxes	671,081	-	671,081	675,344
Sales taxes	662,908	-	662,908	666,316
Franchise taxes	143,793	-	143,793	136,661
Hotel/Motel taxes	261,047	-	261,047	274,400
Miscellaneous	7,743	-	7,743	1,620
Investment earnings	<u>3,502</u>	<u>3,788</u>	<u>7,290</u>	<u>6,778</u>
Total revenues	<u>2,273,667</u>	<u>1,478,988</u>	<u>3,752,655</u>	<u>3,705,229</u>

CITY OF GLEN ROSE, TEXAS
Management's Discussion and Analysis
For the year ended September 30, 2012

	Governmental Activities <u>2012</u>	Business- Type Activities <u>2012</u>	<u>Total</u>	2011 <u>Total</u>
Expenses:				
General government	492,544	-	492,544	381,329
Public safety	307,441	-	307,441	293,261
Highways and streets	340,639	-	340,639	459,616
Culture and recreation	947,322	-	947,322	938,182
Interest and fees on long-term debt	111,450	-	111,450	112,850
Municipal utilities	-	1,125,896	1,125,896	923,190
Total expenses	<u>2,199,396</u>	<u>1,125,896</u>	<u>3,325,292</u>	<u>3,108,428</u>
Increase in net assets before transfers	74,271	353,092	427,363	596,801
Transfers	338,450	(56,000)	282,450	273,850
Increase in net assets	<u>412,721</u>	<u>297,092</u>	<u>709,813</u>	<u>870,651</u>
Net assets - beginning of year	8,514,415	9,053,840	17,568,255	16,697,604
Net assets - end of year	<u>\$ 8,927,136</u>	<u>\$ 9,350,932</u>	<u>\$18,278,068</u>	<u>\$ 17,568,255</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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 government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,624,627. Of this balance, \$97,217 was restricted for debt service, \$1,654,245 has been restricted by the City and is to be used for future capital projects. The remaining \$1,873,165 is unreserved and available for new spending.

In the General fund, The City budgeted for a decrease in fund balance of \$108,993. Actual fund balance increased by \$256,560.

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

Unrestricted net assets of the proprietary fund (Utility Fund) are \$3,767,390. The Utility Fund had a net assets increase in 2012 of \$297,092.

Budgetary Highlights- The City made minor revisions to the original budget. All the revisions were to individual line items within the same departments of the City.

CAPITAL ASSETS

The City of Glen Rose's investment in capital assets for its governmental and business-type activities as of September 30, 2011, amounts to \$13,734,578 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, infrastructure and construction in progress.

CITY OF GLEN ROSE, TEXAS
Management's Discussion and Analysis
For the year ended September 30, 2012

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

- \$301,707 was used for park equipment and improvements.
- Street improvements and extensions of \$151,499 were completed during the year.

Cost of capital assets, net of accumulated depreciation, as of September 30, 2012 was:

	Governmental Activities <u>2012</u>	Business- Type Activities <u>2012</u>	<u>Total</u>	2011 <u>Total</u>
Land	\$ 1,434,775	\$ 69,537	\$ 1,504,312	\$ 1,504,312
Building	1,022,236	50,681	1,072,917	962,576
Machinery and equipment	293,089	202,656	495,745	533,262
Improvements	5,400,936	5,260,668	10,661,604	10,621,491
Net assets - end of year	<u>\$ 8,151,036</u>	<u>\$ 5,583,542</u>	<u>\$13,734,578</u>	<u>\$ 13,621,641</u>

Additional information on the City's capital assets can be found in Note 3 on page 26 of this report.

DEBT ADMINISTRATION

The City issued \$3,020,000 in General Obligation Refunding Bonds in August, 2010. Proceeds were used to refund the 2009 Combination Tax & Revenue Certificates of Obligation Bonds and pay issuance cost. At year end, the outstanding balance was \$2,885,000.

During the current fiscal year, the City's utility fund made its last payment on the 2004 Combination Tax & Waterworks and Sewer System Surplus Revenue Refunding Bonds.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the fiscal year 2012-13 budget, General Fund revenues and transfers in are budgeted to increase by 1.74% from the fiscal year 2011-2012 budget due to an increase in projected sales tax revenue. Expenditures are budgeted to increase 15.55%, the majority of which is for capital expenditures.

The property tax revenue rate will decrease to \$0.39521 per \$100 valuation for the 2012-2013 year.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the City Secretary, at P O Box 1949, Glen Rose, Texas 76043, call (254) 897-2272.

BASIC FINANCIAL STATEMENTS

CITY OF GLEN ROSE, TEXAS
Government-wide Statement of Net Assets
September 30, 2012

PRIMARY
GOVERNMENT

ASSETS	Governmental Activities	Business-type Activities	Total	Component Unit
Pooled cash and cash equivalents	\$ 1,070,118	\$ 1,313,081	\$ 2,383,199	\$ -
Non-pooled cash and cash equivalents	2,312,340	2,715,527	5,027,867	175,440
Sales and use taxes receivable	111,531	-	111,531	36,543
Hotel occupancy taxes receivable	62,454	-	62,454	-
Property taxes receivable	46,175	-	46,175	-
Accounts receivable	4,487	216,619	221,106	-
Allowance for uncollectible accounts	-	(42,986)	(42,986)	-
Prepaid expense	15,096	-	15,096	-
Due from other governments	1,736	-	1,736	-
Due from other funds	390,196	-	390,196	87,159
Restricted assets:				
Pooled cash and cash equivalents	-	45,119	45,119	-
Non-pooled cash and cash equivalents	-	47,776	47,776	-
Land	1,434,775	69,537	1,504,312	-
Buildings	1,311,359	66,299	1,377,658	-
Improvements other than buildings	6,261,285	8,703,828	14,965,113	-
Machinery and equipment	917,947	654,109	1,572,056	-
Accumulated depreciation	(1,774,330)	(3,910,231)	(5,684,561)	-
Other assets	65,747	-	65,747	80,000
Total assets	\$ 12,230,916	\$ 9,878,678	\$ 22,109,594	\$ 379,142

See accompanying notes to basic financial statements.

**PRIMARY
GOVERNMENT**

LIABILITIES	Governmental Activities	Business-type Activities	Total	Component Unit
Accounts payable	\$ 132,823	\$ 17,693	\$ 150,516	\$ -
Accrued payroll	7,197	-	7,197	-
Due to other governments	37,901	-	37,901	-
Other liabilities	66,688	5,501	72,189	-
Payable from restricted assets				
Deposits	-	90,492	90,492	-
Due to other funds	87,159	390,196	477,355	-
Certificates of obligations	2,885,000	-	2,885,000	-
Deferred income	13,859	-	13,859	-
Compensated absences	73,153	23,864	97,017	-
Total liabilities	3,303,780	527,746	3,831,526	-
NET ASSETS				
Investment in capital assets, net of debt	5,266,036	5,583,542	10,849,578	-
Restricted				
Debt service	97,217	-	97,217	-
Construction	1,654,245	-	1,654,245	-
Unrestricted net assets	1,909,638	3,767,390	5,677,028	379,142
Total net assets	\$ 8,927,136	\$ 9,350,932	\$ 18,278,068	\$ 379,142

CITY OF GLEN ROSE, TEXAS
Government-wide Statement of Activities
For the year ended September 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> <u>Fees, Fines</u> <u>and Charges</u> <u>for Services</u>
Primary government:		
Governmental activities:		
Administrative department	\$ 492,544	\$ -
Street and park department	340,639	-
Inspection/ordinance department	50,849	10,709
Animal control department	150,902	57,468
Convention and visitors bureau	362,297	2,435
Judicial department	14,772	39,946
Police department	90,918	83,638
Preservation department	14,795	-
Oakdale Park	570,230	329,397
Interest and fees on long-term debt	111,450	-
Total governmental activities	<u>2,199,396</u>	<u>523,593</u>
Business-type activities:		
Municipal utility	<u>1,125,896</u>	<u>1,475,200</u>
Total business-type activities	<u>1,125,896</u>	<u>1,475,200</u>
Total primary government	<u>\$ 3,325,292</u>	<u>\$ 1,998,793</u>
Component unit:		
Community development	<u>\$ 67,343</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Primary Government			
	Governmental Activities	Business-Type Activities	Total	
Primary government:				
Governmental activities:				
Administrative department	\$ (492,544)	\$ -	\$ (492,544)	\$ -
Street and park department	(340,639)	-	(340,639)	-
Inspection/ordinance department	(40,140)	-	(40,140)	-
Animal control department	(93,434)	-	(93,434)	-
Convention and visitors bureau	(359,862)	-	(359,862)	-
Judicial department	25,174	-	25,174	-
Police department	(7,280)	-	(7,280)	-
Preservation department	(14,795)	-	(14,795)	-
Oakdale Park	(240,833)	-	(240,833)	-
Interest and fees on long-term debt	(111,450)	-	(111,450)	-
Total governmental activities	<u>(1,675,803)</u>	<u>-</u>	<u>(1,675,803)</u>	<u>-</u>
Business-type activities:				
Municipal utility	-	349,304	349,304	-
Total business-type activities	<u>-</u>	<u>349,304</u>	<u>349,304</u>	<u>-</u>
Total primary government	<u>(1,675,803)</u>	<u>349,304</u>	<u>(1,326,499)</u>	<u>-</u>
Component Unit:				
Community development	-	-	-	(67,343)
General revenues:				
Taxes:				
Property, levied for general purposes	671,081	-	671,081	-
Franchise	143,793	-	143,793	-
Sales	662,908	-	662,908	218,214
Hotel/Motel	261,047	-	261,047	-
Investment earnings	3,502	3,788	7,290	223
Miscellaneous	7,743	-	7,743	-
Transfers	338,450	(56,000)	282,450	(282,450)
Total general revenues and transfers	<u>2,088,524</u>	<u>(52,212)</u>	<u>2,036,312</u>	<u>(64,013)</u>
Change in net assets	412,721	297,092	709,813	(131,356)
Net assets - beginning of year	8,514,415	9,053,840	17,568,255	510,498
Net assets - end of year	<u>\$ 8,927,136</u>	<u>\$ 9,350,932</u>	<u>\$ 18,278,068</u>	<u>\$ 379,142</u>

CITY OF GLEN ROSE, TEXAS
Balance Sheet
September 30, 2012

Assets	General Fund	Debt Service	Convention and Visitors' Bureau	Total Government Funds
Pooled cash and cash equivalents	\$ 1,067,207	\$ -	\$ 2,911	\$ 1,070,118
Non-pooled cash and cash equivalents	2,028,897	97,217	186,226	2,312,340
Sales and use taxes receivable	111,531	-	-	111,531
Hotel occupancy taxes receivable	-	-	62,454	62,454
Property taxes receivable	46,175	-	-	46,175
Accounts receivable	4,487	-	-	4,487
Prepaid expense	15,096	-	-	15,096
Due from other governments	1,736	-	-	1,736
Due from other funds	438,455	-	-	438,455
Total assets	\$ 3,713,584	\$ 97,217	\$ 251,591	\$ 4,062,392
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 129,628	\$ -	\$ 3,195	\$ 132,823
Accrued payroll	7,197	-	-	7,197
Due to other governments	37,901	-	-	37,901
Other liabilities	66,688	-	-	66,688
Due to other funds	87,159	-	48,259	135,418
Deferred revenue	57,738	-	-	57,738
Total liabilities	386,311	-	51,454	437,765
Fund balances:				
Reserved for debt service	-	97,217	-	97,217
Restricted for construction	1,654,245	-	-	1,654,245
Unrestricted	1,673,028	-	200,137	1,873,165
Fund balance	3,327,273	97,217	200,137	3,624,627
Total liabilities and fund balances	\$ 3,713,584	\$ 97,217	\$ 251,591	\$ 4,062,392

See accompanying notes to basic financial statements.

CITY OF GLEN ROSE, TEXAS
 Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Assets
 September 30, 2012

Total fund balances - total governmental funds \$ 3,624,627

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

1. Capital assets net of accumulated depreciation are not financial resources and, therefore, are not reported in the funds. See note 3 for additional detail. In addition, long-term liabilities are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The City's infrastructure assets are also required to be included in the government-wide financial statements. The net effect of including the beginning balances for capital assets (net of accumulated depreciation), the infrastructure assets, and long-term liabilities in the governmental activities is to increase net assets. 4,920,457
2. Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the 2012 capital outlays is to increase net assets. 457,561
3. Repayment of the principal of long-term debt uses current financial resources of governmental funds but does not have any effect on net assets. 65,000
4. Long-term debt issuance costs do not require current financial resources. Therefore, the other assets are not reported as an asset in the Governmental Funds Balance Sheet. 65,747
5. Various reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue and the liability for compensated absences as expenses. (14,560)
6. The 2012 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets. (191,696)

Net assets of governmental activities \$ 8,927,136

CITY OF GLEN ROSE, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the year ended September 30, 2012

	General	Debt Service	Convention and Visitors' Bureau	Total Governmental Funds
Revenues:				
Taxes:				
Property	\$ 691,830	\$ -	\$ -	\$ 691,830
Franchise	143,793	-	-	143,793
Sales	662,908	-	-	662,908
Occupancy	-	-	261,047	261,047
Licenses and permits	10,709	-	-	10,709
Intergovernmental revenues	54,967	-	-	54,967
Fines and forfeitures	126,085	-	-	126,085
Charges for services	329,397	-	-	329,397
Miscellaneous revenue	7,743	-	2,435	10,178
Investment income	3,225	51	226	3,502
Total revenues	2,030,657	51	263,708	2,294,416
Expenditures:				
Current:				
General government	460,514	-	-	460,514
Public safety	270,798	-	-	270,798
Highways and streets	204,814	-	-	204,814
Culture and recreation	542,410	-	357,221	899,631
Debt service:				
Principal retirement	-	65,000	-	65,000
Interest and fiscal charges	-	111,450	-	111,450
Capital outlay	457,561	-	-	457,561
Total expenditures	1,936,097	176,450	357,221	2,469,768
Excess of revenues over expenditures	94,560	(176,399)	(93,513)	(175,352)
Other financing sources (uses):				
Transfers in (out)	162,000	176,450	-	338,450
Excess (deficiency) of revenues and other sources over expenditures and other uses	256,560	51	(93,513)	163,098
Fund balance at beginning of year	3,070,713	97,166	293,650	3,461,529
Fund balance at end of year	\$ 3,327,273	\$ 97,217	\$ 200,137	\$ 3,624,627

See accompanying notes to basic financial statements.

CITY OF GLEN ROSE, TEXAS
 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance
 of Government Funds to the Statement of Activities
 For the year ended September 30, 2012

Total net change in fund balances - total governmental funds	\$	163,098
Amounts reported of governmental activities in the statement of net assets are different because:		
1. Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2011 capital outlays is to increase net assets.		457,561
2. Various reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue and adjusting various liabilities.		(79,188)
3. Depreciation and amortization is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation and amortization is to decrease net assets.		(193,750)
4. Repayment of the principal of long-term debt uses current financial resources of governmental funds but does not have any effect on net assets.		65,000
5. Refund of prior year bond issuance cost		-
Change in net assets of governmental activities	<u>\$</u>	<u>412,721</u>

CITY OF GLEN ROSE, TEXAS
Statement of Net Assets
Proprietary Funds
September 30, 2012

		Municipal Utility
ASSETS		
Pooled cash and cash equivalents	\$	1,313,081
Non-pooled cash and cash equivalents		2,715,527
Accounts receivable		216,619
Allowance for uncollectible accounts		(42,986)
Restricted assets:		
Pooled cash and cash equivalents		45,119
Non-pooled cash and cash equivalents		47,776
Land		69,537
Buildings		66,299
Improvements other than buildings		8,703,828
Machinery and equipment		654,109
Accumulated depreciation		(3,910,231)
Total assets	\$	9,878,678

See accompanying notes to basic financial statements.

	<u>Municipal Utility</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 17,693
Payable from restricted assets	
Deposits	90,492
Due to other funds	390,196
Other liabilities	5,501
Compensated absences	<u>23,864</u>
Total liabilities	<u>527,746</u>
<u>NET ASSETS</u>	
Investment in capital assets, net of debt	5,583,542
Unrestricted net assets	<u>3,767,390</u>
Total net assets	<u>\$ 9,350,932</u>

CITY OF GLEN ROSE, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the year ended September 30, 2012

	Municipal Utility
Operating revenues:	
Charges for services	\$ 1,432,371
Miscellaneous	42,829
Total operating revenues	1,475,200
Operating expenses:	
Personnel services	322,275
Purchased water	252,050
Supplies and maintenance	172,586
Heat, light, and power	89,969
Miscellaneous	32,188
Depreciation & amortization	254,984
Total operating expenses	1,124,052
Income from operations	351,148
Nonoperating income (expenses)	
Interest income	3,788
Interest expense and fiscal charges	(1,844)
Total nonoperating income (expenses)	1,944
Income before contributions and transfers	353,092
Transfers to other funds	(56,000)
Change in net assets	297,092
Net assets at beginning of year	9,053,840
Net assets at end of year	\$ 9,350,932

See accompanying notes to basic financial statements.

CITY OF GLEN ROSE, TEXAS
Statement of Cash Flows
Proprietary Funds
For the year ended September 30, 2012

		Municipal Utility
Cash flows from operating activities:		
Income from operations	\$	351,148
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization	\$ 254,984	
Increase in accounts receivable	(515)	
Increase in due to other funds	280,185	
Increase in payables and accrued liabilities	2,089	
Increase in customer deposits	9,867	
		546,610
Net cash provided (used) by operating activities		897,758
Cash flows from financing activities:		
Purchase of property, plant, and equipment	(99,525)	
Interest paid on revenue bonds and notes	(1,844)	
Principal paid on revenue bond	(109,001)	
Payment to General Fund	(56,000)	
		(266,370)
Net cash provided (used) by financing activities		
Cash flows from investing activities:		
Interest income		3,788
Net increase in cash		635,176
Cash and cash equivalents - October 1		3,486,327
Cash and cash equivalents - September 30	\$	4,121,503

CITY OF GLEN ROSE, TEXAS
Notes to Basic Financial Statements
For the year ended September 30, 2012

Note 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the City of Glen Rose, Texas (City) are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2012.

Financial Reporting Entity

The City includes all of the funds and account groups relevant to the operations of the City. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City.

The financial statements of the City include those of separately administered organizations that are controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment to the governing boards. The City has one component unit which is discretely presented. The Glen Rose 4B Economic Development Corporation is a non-profit corporation formed in May 2007 for the purpose of increasing employment opportunities and for public improvement projects. The Corporation operates under the authority of Vernon's Civil Statutes, Article 5190.6, Section 4B. Since the City Council appoints its Board of Directors, approves its budgets, and exercises final authority over its operations, the Glen Rose 4B Economic Development Corporation is considered to be part of the City's reporting entity and presented in the accompanying basic financial statements as a discretely presented component unit. The Glen Rose 4B Economic Development Corporation utilizes full accrual accounting.

Basis of Presentation – Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given 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.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary financial statements also report using this same focus and basis of accounting although internal activity is not eliminated. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

CITY OF GLEN ROSE, TEXAS
Notes to Basic Financial Statements
For the year ended September 30, 2012

Major revenue sources susceptible to accrual include: sales and use taxes, hotel/motel taxes, property taxes, franchise taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the funds. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and included administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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

Fund Financial Statements

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported in separate columns with composite columns for non-major funds.

Major Governmental Funds

General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from sales taxes collected by Glen Rose 4B Economic Development Corporation and transferred to the City for payment. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Special Revenue Fund

The Special Revenue Fund is used to account for the proceeds of specific revenue resources (other than assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. There is one special revenue fund: Convention and Visitors' Bureau.

Proprietary Funds

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 its only proprietary fund – the Municipal Utility Fund.

CITY OF GLEN ROSE, TEXAS
Notes to Basic Financial Statements
For the year ended September 30, 2012

Note 3-Changes in Capital Assets

	Capital Assets Not Depreciated		Capital Assets Depreciated			Total
	Land	In Progress	Buildings	Improve. Other than Buildings	Machinery and Equipment	
Primary Government						
<i>Governmental activities</i>						
Balance, September 30, 2010	\$ 1,434,775	\$ -	\$ 1,165,899	\$ 5,965,650	\$ 901,481	\$ 9,467,805
Increases	-	-	145,460	295,635	16,466	457,561
Decreases	-	-	-	-	-	-
Balance, September 30, 2011	<u>1,434,775</u>	<u>-</u>	<u>1,311,359</u>	<u>6,261,285</u>	<u>917,947</u>	<u>9,925,366</u>
Accumulated Depreciation						
Balance, September 30, 2010	-	-	255,662	749,132	577,840	1,582,634
Increases	-	-	33,461	111,217	47,018	191,696
Decreases	-	-	-	-	-	-
Balance, September 30, 2011	<u>-</u>	<u>-</u>	<u>289,123</u>	<u>860,349</u>	<u>624,858</u>	<u>1,774,330</u>
<i>Governmental activities</i>						
Capital Assets, Net	\$ <u>1,434,775</u>	\$ <u>-</u>	\$ <u>1,022,236</u>	\$ <u>5,400,936</u>	\$ <u>293,089</u>	\$ <u>8,151,036</u>
<i>Business-type activities</i>						
Balance, September 30, 2010	\$ 69,537	\$ -	\$ 66,299	\$ 8,636,362	\$ 622,050	\$ 9,394,248
Increases	-	-	-	67,466	32,059	99,525
Decreases	-	-	-	-	-	-
Balance, September 30, 2011	<u>69,537</u>	<u>-</u>	<u>66,299</u>	<u>8,703,828</u>	<u>654,109</u>	<u>9,493,773</u>
Accumulated Depreciation						
Balance, September 30, 2010	-	-	13,960	3,231,389	412,429	3,657,778
Increases	-	-	1,658	211,771	39,024	252,453
Decreases	-	-	-	-	-	-
Balance, September 30, 2011	<u>-</u>	<u>-</u>	<u>15,618</u>	<u>3,443,160</u>	<u>451,453</u>	<u>3,910,231</u>
<i>Business-type activities</i>						
Capital Assets, Net	\$ <u>69,537</u>	\$ <u>-</u>	\$ <u>50,681</u>	\$ <u>5,260,668</u>	\$ <u>202,656</u>	\$ <u>5,583,542</u>
Primary Government						
Capital Assets, Net	\$ <u>1,504,312</u>	\$ <u>-</u>	\$ <u>1,072,917</u>	\$ <u>10,661,604</u>	\$ <u>495,745</u>	\$ <u>13,734,578</u>

CITY OF GLEN ROSE, TEXAS
Notes to Basic Financial Statements
For the year ended September 30, 2012

Note 4-Long-Term Obligations

Changes in Long-Term Liabilities

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

	Balance September 30, 2011	<u>Additions</u>	<u>Reductions</u>	Balance September 30, 2012
Governmental activities:				
General obligation bonds	\$2,950,000	\$ -	\$ 65,000	\$2,885,000
Business-type activities:				
Revenue bonds payable	\$ 109,001	\$ -	\$ 109,001	\$ -

General Long – Term Liabilities

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

	<u>Interest Rates</u>	Balance September 30, 2012
Certificates of obligation bonds:		
Governmental activities:		
\$3,020,000 - 2010 General Obligation Refunding Bonds, due August 12, 2034	2.00%-4.25%	\$2,885,000

The annual requirements to amortize the bonded debt outstanding as of September 30, 2012 follows:

<u>Governmental Activities</u>			
<u>Year end September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2013	\$ 65,000	\$ 110,150	\$ 175,150
2014	65,000	108,850	173,850
2015	70,000	107,550	177,550
2016	100,000	106,150	206,150
2017	105,000	103,150	208,150
Subsequent	2,480,000	1,011,513	3,491,513
	<u>\$ 2,885,000</u>	<u>\$ 1,547,363</u>	<u>\$ 4,432,363</u>

CITY OF GLEN ROSE, TEXAS
Notes to Basic Financial Statements
For the year ended September 30, 2012

Note 5-Interfund Receivables and Payables

The following is a summary of amounts due from and due to other funds:

	<u>Due From</u>	<u>Due To</u>
General Fund		
Municipal Utility Fund	\$ 390,196	\$ -
Convention & Visitors' Bureau	48,259	-
4-B Sales Tax Fund	-	87,159
	<u>438,455</u>	<u>87,159</u>
 Municipal Utility Fund		
General Fund	-	390,196
 Convention & Visitors' Bureau		
General Fund	-	48,259
 4-B Sales Tax Fund		
General Fund	87,159	-
	<u>\$ 525,614</u>	<u>\$ 525,614</u>

Note 6-Pension Plan

Plan Description

The City of Glen Rose and the Municipal Utility System (System) provide pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined contribution plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

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

Employee Deposit Rate:	7%
Matching Ratio (City to employee):	2 to 1
A member is vested after:	5 years
Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the City are:	5yrs/age60, 20 yrs/any age
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating

CITY OF GLEN ROSE, TEXAS
Notes to Basic Financial Statements
For the year ended September 30, 2012

Contributions:

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

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rates goes into effect. The annual pension costs and contributions for the last three fiscal years are as follows: 2012 - \$133,339; 2011 - \$123,589; 2010 - \$128,236.

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2019 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011 follows:

Valuation Date	<u>12/31/09</u>	<u>12/31/10</u>	<u>12/31/11</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	28.1 years; closed period	26.9 years; closed period	25.9 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed	10-year Smoothed	10-year Smoothed
Actuarial Assumptions:			
Investment Rate of Return*	7.5%	7.0%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

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

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

CITY OF GLEN ROSE, TEXAS
Notes to Basic Financial Statements
For the year ended September 30, 2012

The following is a schedule of actuarial liabilities and funding progress:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2009	\$1,328,071	\$ 2,040,178	65.1%	\$ 712,107	\$738,319	96.5%
12/31/2010	1,898,608	2,545,238	74.5%	646,630	792,842	81.6%
12/31/2010	2,068,694	2,698,547	76.7%	629,853	803,237	78.4%

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

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

Contributions:

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

The City's contributions to the TMRS SDBF for the years ended 2012, 2011 and 2010 were \$2,733, \$3,266 and \$3,447, respectively, which equaled the required contributions each year.

Note 7-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. They maintain commercial insurance covering risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses. Settled claims did not exceed the commercial coverage during the fiscal years ended September 30, 2007-2012.

Note 8-Fund Balance

Fund balance in the general fund has been reserved for future construction in the amount of \$1,654,245.

Note 9-Water Contract

The City entered into a contract with the Somervell County Water District (District) on March 30, 2009 for the purchase of all its treated water used by the City for both its own use within the City's service area and for the retail distribution to all of its customers within such area as served by the City's water distribution system up to, but not to exceed 225 million gallons in any calendar year. As part of the agreement, the city will terminate the use of its groundwater supply, excepting only such supplies required by the City which exceed the maximum deliveries or during emergency conditions when the District is unable to deliver the water to the City in the quantity or of the quality required by the agreement. The City began receiving treated water on October 20, 2011 which is the effective date of the contract.

CITY OF GLEN ROSE, TEXAS
Notes to Basic Financial Statements
For the year ended September 30, 2012

Terms of the contract call for the City to pay the District \$1.75 per 1,000 gallons of treated water delivered to the City. During the initial period of the contract, two years, the City shall be deemed to have taken and used a minimum annual average daily amount of 300,000 gallons, for which they will be charged \$191,625 annually or \$15,968.75 prorated per month. Such charge shall be considered the City's minimum annual payment. Monthly volumes delivered in excess of such minimum shall be additionally billed to the City at the \$1.75 rate.

After two years, the rate charged to the City shall be adjusted by the District to reflect any changes in their projected cost. However, the rate shall not be increased or decreased by more than 15% of the preceding year's rate.

Note 10-Texas Water Development Board

The Texas Water Development Board (TWDB) approved by resolution a grant in the amount of \$370,000 and a \$370,000 loan from the Economically Distressed Areas Program to the City on July 19, 2012. The City plans to use the funds to complete planning and design activities for a project to correct deficiencies in the wastewater system.

The City plans to begin the project in the next fiscal year.

