

**CITY OF
GLENN HEIGHTS, TEXAS**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR
ENDED SEPTEMBER 30, 2012**

Prepared by:

The City's Finance Department

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CITY OF GLENN HEIGHTS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2012

**Page
Number**

INTRODUCTORY SECTION

Letter of Transmittal	i – v
GFOA Certificate of Achievement	vi
List of Elected and Appointed Officials	vii
Organizational Chart.....	viii

FINANCIAL SECTION

Independent Auditors’ Report.....	1 – 2
Management’s Discussion and Analysis	3 – 11
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets.....	12
Statement of Activities.....	13 – 14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15 – 16
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds.....	18 – 19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	20

(continued)

CITY OF GLENN HEIGHTS, TEXAS

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
(Continued)
SEPTEMBER 30, 2012**

**Page
Number**

FINANCIAL SECTION (Continued)

Fund Financial Statements (Continued)

Statement of Net Assets – Proprietary Fund.....	21
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund.....	22
Statement of Cash Flows – Proprietary Fund	23
Notes to Financial Statements.....	24 – 43

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	44
Schedule of Funding Progress – Texas Municipal Retirement System – City of Glenn Heights.....	45
Notes to Required Supplementary Information	46

Nonmajor Governmental Funds

Combining Balance Sheet.....	47 – 48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	49 – 50

(continued)

CITY OF GLENN HEIGHTS, TEXAS

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
(Continued)
SEPTEMBER 30, 2012**

	<u>Table Number</u>	<u>Page Number</u>
FINANCIAL SECTION (Continued)		
Individual Fund Schedules		
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Debt Service Fund		51
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Municipal Court Technology Fund		52
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Municipal Court Security Fund		53
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – 911 Wireless Fund		54
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Grants Fund		55
STATISTICAL SECTION		
Net Assets by Component.....	1	56 – 57
Changes in Net Assets	2	58 – 61
Fund Balances of Governmental Funds	3	62
Changes in Fund Balances of Governmental Funds	4	63 – 66
Assessed Value and Estimated Actual Value of Taxable Property	5	67
Direct and Overlapping Property Tax Rates	6	68

(continued)

CITY OF GLENN HEIGHTS, TEXAS

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
(Continued)
SEPTEMBER 30, 2012**

	<u>Table Number</u>	<u>Page Number</u>
STATISTICAL SECTION (Continued)		
Principal Property Taxpayers.....	7	69
Property Tax Levies and Collections.....	8	70
Ratios of Outstanding Debt by Type	9	71
Ratios of Net General Bonded Debt Outstanding.....	10	72
Computation of Direct and Overlapping Debt.....	11	73
Legal Debt Margin Information.....	12	74
Demographic and Economic Statistics	13	75
Principal Employers in Surrounding Area.....	14	76
Employees by Function/Program.....	15	77
Operating Indicators by Function/Program	16	78 – 79
Capital Asset Statistics by Function/Program.....	17	80
COMPLIANCE SECTION		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		81 – 82
Schedule of Findings and Responses.....		83 – 86

INTRODUCTORY SECTION

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March 11, 2013

Honorable Mayor and Members of the City Council
City of Glenn Heights
Glenn Heights, Texas

The Finance Department is pleased to submit the Comprehensive Annual Financial Report of the City of Glenn Heights, Texas for the fiscal year ended September 30, 2012. This report was prepared through the cooperative efforts of the Finance Department and the City's independent auditor. It is published to provide the City Council, staff, citizens, bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government.

Responsibility for both the accuracy of the data and completeness and fairness of the presentation rests with the City. We believe the data, as presented, is accurate in all material respects. It is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds, and all disclosures necessary have been included to enable the reader to gain the maximum understanding of the City's financial affairs.

Management's discussion and analysis (MD&A) begins on page 3 and provides a narrative introduction, overview, and analysis of the City's basic financial statements. The MD&A also provides readers with management's viewpoint of the City's financial performance and should be read in conjunction with the financial statements.

CITY PROFILE

The City of Glenn Heights, Texas, a predominately residential community situated in Dallas and Ellis Counties, is a Texas municipality that incorporated in 1969 to operate as a general law city. In August 1987, the City adopted its charter and currently operates as a home rule city. The City lies at the hub of Interstate 35E and Texas Farm-To-Market Road 664. Glenn Heights is a short drive from downtown Dallas and has an estimated population of 11,330 residents. The City operates under a council-manager form of government. The Council is comprised of seven officials including a mayor and six council members.

THE REPORTING ENTITY AND ITS SERVICES

Generally accepted accounting principles require that basic financial statements present the City (the primary government) and its component units. The Council has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also

has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the Government Accounting Standards Board (GASB) in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity. The City is regulated by the Code of State Statutes of the State of Texas and is authorized to perform the following services: public safety (police and fire), development services (public works, planning, and inspections), economic development, sanitation, water and sewer utilities, storm drainage and general administrative services.

ECONOMIC OUTLOOK AND FINANCIAL CONDITION

The information presented in the financial statements should be considered from the broad perspective of the specific environment within which the City operates.

In recent years, the City of Glenn Heights has experienced excellent growth in population. The 1990 census was 4,564, and the 2010 census is 11,278, an increase of 247% over the past 20 years. The City's current ad valorem tax base is 91% residential and 9% commercial. The City recognizes the value of commercial development to its economic base and continues to encourage commercial growth that will be beneficial to the community.

In January 2009, the City Council directed the City Manager to focus on the future of the City by developing a Five-Year Strategic Plan for 2009-2014. The purpose of the Strategic Plan is to formally assess needs and resources, look forward five years, and create a formal plan for the future growth and sustainability of the City. The Strategic Plan establishes broad goals, identifies strategic issues, and states general priorities as defined by the governing body, staff, and citizens. What makes this plan different is that it is endorsed and adopted by City Council, will be reviewed and modified on an annual basis, has strategies for implementation, key indicators of success and is incorporated into the staff work plans and the City's annual budgets. Also the plan will only be effective if it reflects the concerns, values, and priorities of our citizens, therefore, our plan review process and future modifications will include citizen involvement and staff at all levels of the organization.

On February 21 and 28, 2009, City Council and City Staff Department Heads held joint workshops to focus on the Strategic priorities for the City, its strengths, weaknesses, challenges and opportunities. The discussions had four primary themes which reflect the City's vision and mission statements: 1) Great Neighborhoods, 2) A Safe City, 3) A Healthy and Sound Economy, and 4) An Effective Government. The key result of the workshops and subsequent discussions was the development of the eleven (11) strategic goals to be addressed in the City of Glenn Heights Strategic Plan. The strategic issues are:

1. Neighborhood Vitality
2. Public Safety and Emergency Preparedness
3. Economic Development
4. Infrastructure Sustainability
5. City Council and Staff Accountability
6. Customer Service, Communication and Involvement
7. Fiscal Accountability and Integrity

8. Technology
9. Education Advocacy
10. Recreation, Arts and Culture
11. Environmental, Health and Human Services

The Glenn Heights Strategic Plan is a roadmap and provides a framework for the City's services, programs and activities for the future. There are obstacles that hinder the City's abilities to attain these goals. One major obstacle is identifying available funding sources. For example, since one cent of City sales tax goes to funding mass public transportation (Dallas Area Rapid Transit) and is not available to fund other special service funds, long-term financial planning will be crucial in meeting certain goals such as economic development and infrastructure sustainability.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's proprietary funds are budgeted and maintained on this same basis of accounting for management purposes and converted to full accrual accounting for external reporting purposes.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. The internal control structure is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of the control should not exceed the benefits likely to be derived and the evaluation of cost and benefits requires estimates and judgments by management. We believe the City's internal control structure is adequate to safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The budgetary process begins each year with the preparation of revenue estimates by the City's Department of Finance and expenditure estimates by each City department. Estimates are reviewed by the City Manager and evaluated within the total financial framework. Budget proposals are then recommended by the City Manager and reviewed extensively by the City Council, a process that includes public hearings. After the public hearings, the City Council may make changes as deemed appropriate. The budget is then adopted by ordinance, as well as the City's ad valorem tax rate. All of the City's governmental funds as well as enterprise funds (water and sewer, and drainage) are included in the annual budgetary process.

The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual budget adopted by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amounts) is established at the fund level. Department Directors are authorized to transfer budgeted expenditures between line items within their respective departments while the City Manager is authorized to transfer budgeted expenditures between departments within a City fund. However, any revisions that alter total expenditures of a City fund must be approved by the City Council.

LONG-TERM FINANCIAL PLANNING

The City of Glenn Heights maintains sufficient cash reserves and unassigned fund balances/unrestricted net assets in its general and utility fund to avoid borrowing for general operating purposes and to handle emergency situations, while providing quality service levels to the public.

During fiscal year 2006, the City obtained certificates of obligation for \$2,535,000. These funds were used for major street improvements.

During fiscal year 2008, the City obtained certificate of obligation for \$2,050,000. These funds were used for major water, wastewater, and drainage infrastructure improvements.

During fiscal year 2010, the City refunded the 2003 certificates of obligation by obtaining a general obligation refunding bond.

During fiscal year 2012, the City held its first general obligation bond election. Proposition 1 was for \$8,000,000 to construct a Town Center, and Proposition 2 was for \$7,500,000 for street improvements. Both propositions failed.

AUDIT

The City Charter requires an annual audit of the books of accounts, financial records and transactions of all departments of the City by independent certified public accountants selected and engaged by the City Council.

We are proud to say that the City's auditors, Pattillo, Brown & Hill, LLP, issued an unqualified opinion on the City's financial statements for the year ended September 30, 2012. This report is included in the financial section of this report.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Glenn Heights for its Comprehensive Annual Financial Report (CAFR) for fiscal year ended 2011. This was the fourth consecutive year that the City has received this prestigious award. The Certificate of Achievement is a prestigious national award that recognizes 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 with contents that conform to program standards. In addition, an award winning CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA for their consideration.

CONCLUSION

The preparation of this report could not be accomplished without the dedicated services of the City's auditors and staff of the City's Finance Department. Staff has devoted extra hours and exhibited dedicated effort in ensuring the accuracy and timeliness of this report.

Respectfully submitted,



Cheryl R. Estes, CPA
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to
City of Glenn Heights
Texas

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

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



Christopher P. Movill

President

Jeffrey R. Enos

Executive Director

CITY OF GLENN HEIGHTS, TEXAS

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2012

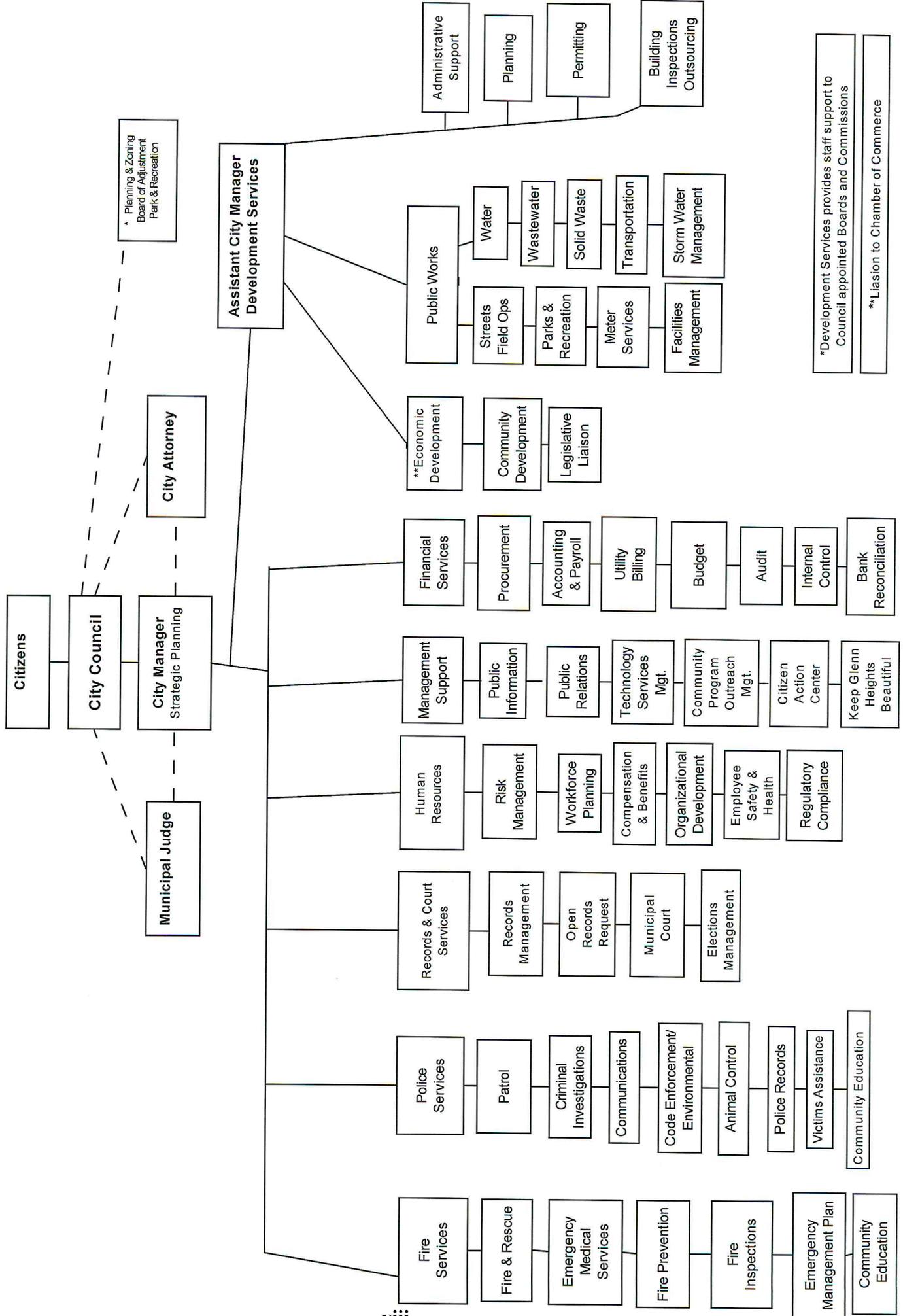
ELECTED OFFICIALS

Victor Pereira	Mayor
Jesus Humphrey	Council Member, Place 1
Leon Tate	Council Member, Place 2
Kathy Dixon	Mayor Pro-Tem, Place 3
Vacant	Council Member, Place 4
Elizabeth Cox	Council Member, Place 5
Vacant	Council Member, Place 6

APPOINTED OFFICIALS

Scott Moore	City Manager
Judy Bell	Assistant to City Manager
Cheryl Estes	Director of Finance
Jeremiah Quarles	Director of Economic Development
Phillip M. Prasifka	Chief of Police
Vacant	Fire Chief
Othel Murphree	City Secretary
Debbie Rutherford	Director of Human Resources
Judy Bell	Executive General Manager of Municipal Services and Planning
Connie Hearne	Management Analyst

CITY OF GLENN HEIGHTS
Organizational Chart - Functional
Effective October 1, 2010



*Planning & Zoning Board of Adjustment Park & Recreation

*Development Services provides staff support to Council appointed Boards and Commissions

**Liaison to Chamber of Commerce

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Member of the City of Council
City of Glenn Heights, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Glenn Heights, 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 Glenn Heights, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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, and each major fund of the City of Glenn Heights, Texas, as of September 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2013, on our consideration of the City of Glenn Heights, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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, budgetary information, and retirement system schedule of funding progress information on pages 3 through 11 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Pattillo, Brown & Hill, L.L.P.

March 11, 2013

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Glenn Heights, Texas' we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City. We encourage the readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended September 30, 2012, the City's assets exceeded its liabilities by \$15,712,042(net assets). Of this amount, \$3,126,920 (or 19.9%) was unrestricted.
- For the fiscal year ended September 30, 2012, net assets increased by \$665,545. In fiscal year 2011 the increase was \$3,215,209. The increase in fiscal year 2012 is significantly less due to a one-time capital grant and contribution being received for construction of City infrastructure (streets and drainage) in fiscal year 2011.
- At fiscal year-end, the City's governmental funds reported combined ending fund balances of \$3,429,168, of which \$1,233,334 (or 36.0%) was available for spending at the City's discretion (unassigned and committed).
- For fiscal year 2012, the City's total capital assets net of accumulated depreciation decreased by \$149,328. The decrease is primarily due depreciation of capital assets.
- The City's long-term liabilities decreased by \$435,994. While certain capital acquisitions were financed with capital leases (\$175,592), bond and capital lease payables decreased by the amount of annual debt payments.

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OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two types of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City’s *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City’s operations in *more detail* than the government-wide statements.
- *Governmental fund* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- The financial statements also include *notes to the financial statements* explaining some of the information in the financial statements and provide more detailed data.
- The report also contains other supplementary information in addition to the basic financial statements themselves.

Figure A-1 shows how the parts of this annual report are arranged and related to one another.

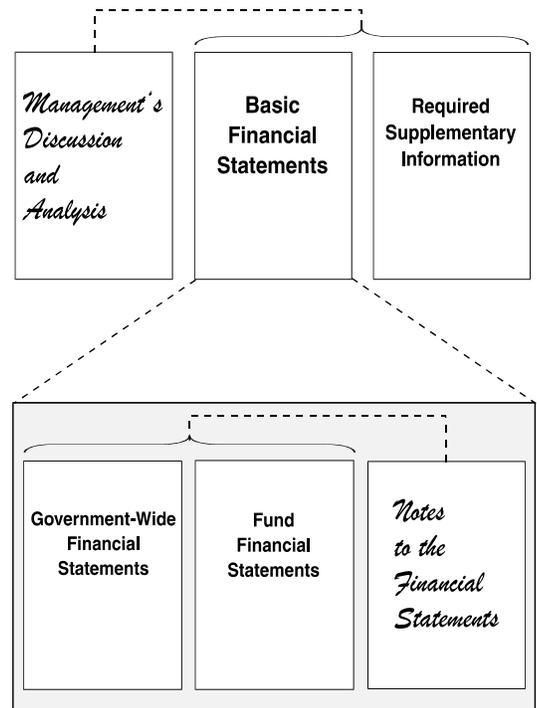
The remainder of this overview explains the structure and contents of each of the statements.

Government-wide Financial Statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector businesses. The statement of net assets includes *all* of the government’s assets and liabilities. In the statement of activities, all of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid, and all of the City’s *governmental activities* and City services are combined and show how they are financed.

Both government-wide statements report the City’s *net assets* and how they have changed. Net assets, the difference between the City’s assets and liabilities, are one way to measure the City’s financial health or position. Over time, increases or decreases in the City’s net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

FIGURE A-1
REQUIRED COMPONENTS OF THE CITY’S ANNUAL FINANCIAL REPORT



Summary  Detail

Fund Financial Statements

The fund financial statements provide more detailed information about the City’s most significant (major) *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific revenue sources and spending for particular purposes.

- *Governmental fund*—The City’s basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. Because these funds do not encompass the additional long-term focus of the government-wide statements, additional information is provided following each fund statement that explains the relationship (or differences) between them.
- Some funds are required by State law, such as the debt service fund.
- Management may establish other funds to control and manage money for particular purposes or to show that it is properly using certain revenue resources, such as capital project funds.

Figure A-2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover, and the types of information they contain.

Figure A-2 - Major Features of the City's Government-wide and Fund Financial Statements			
<i>Type of Statements</i>	Government-Wide	Fund Level	
		Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government, except fiduciary funds	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private business: utilities
<i>Required financial statements</i>	<ul style="list-style-type: none"> ◆ Statement of Net Assets ◆ Statement of Activities 	<ul style="list-style-type: none"> ◆ Balance Sheet ◆ Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> ◆ Statement of Net Assets ◆ Statement of Revenues, Expenses & Changes in Fund Balances ◆ Statement of Cash Flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after year end; expenditures when goods or services have been received and payment is made during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

THE CITY AS A WHOLE (GOVERNMENT-WIDE)

FINANCIAL ANALYSIS

Net assets serve over time as a useful indicator of a government's financial condition. As noted earlier, the City's assets exceeded its liabilities by \$15,712,042.

The largest portion of the City's net assets, \$11,113,006 or 70.73%, represents the City's investment in capital (e.g., land, buildings, vehicles, equipment, and infrastructure) less any debt used to acquire assets still outstanding at year end. Although the City's investment in 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. Another portion of the City's net assets, \$1,472,116 or 9.37%, represents resources that are subject to external restrictions on how they may be used (i.e., debt service, public safety, and capital improvements). The remaining portion, \$3,126,920 or 19.90% may be used at the City's discretion to meet ongoing obligations to its citizens and creditors (unrestricted).

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

CITY'S NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 4,184,682	\$ 4,314,012	\$ 2,807,053	\$ 2,234,188	\$ 6,991,735	\$ 6,548,200
Capital assets, net	6,002,868	6,049,003	9,818,567	9,922,060	15,821,435	15,971,063
Total assets	<u>10,187,550</u>	<u>10,363,015</u>	<u>12,625,620</u>	<u>12,156,248</u>	<u>22,813,170</u>	<u>22,519,263</u>
Current and other liabilities	421,489	546,886	556,141	402,159	977,630	949,045
Long-term liabilities	4,240,135	4,448,367	1,883,363	2,075,354	6,123,498	6,523,721
Total liabilities	<u>4,661,624</u>	<u>4,995,253</u>	<u>2,439,504</u>	<u>2,477,513</u>	<u>7,101,128</u>	<u>7,472,766</u>
Net assets:						
Invested in capital assets, net of related debt	3,101,367	3,019,534	8,011,639	7,876,598	11,113,006	10,896,132
Restricted	911,058	841,581	561,058	684,813	1,472,116	1,526,394
Unrestricted	<u>1,513,501</u>	<u>1,506,647</u>	<u>1,613,419</u>	<u>1,117,324</u>	<u>3,126,920</u>	<u>2,623,971</u>
Total net assets	<u>\$ 5,525,926</u>	<u>\$ 5,367,762</u>	<u>\$ 10,186,116</u>	<u>\$ 9,678,735</u>	<u>\$ 15,712,042</u>	<u>\$ 15,046,497</u>

The following table provides a summary of the City's operations for the year ended September 30, 2012. Overall, the City had an increase in net assets of \$665,545. This increase is attributable to the governmental activities for \$158,164 and business-type activities for \$507,381. In fiscal year 2011, the City received a one-time capital contribution of the Hampton and Bear Creek intersection from Dallas County (\$1.8 million); therefore, capital grants and contributions decreased in fiscal year 2012. Additionally, governmental activities charges for services decreased primarily as a result of a reduction of court fines assessed and permits issued, resulting in a decrease of approximately \$150 thousand and \$50 thousand, respectively. Additionally, business-type activities revenues decreased primarily a result of less water sold to customers in fiscal year 2012. Fiscal year 2011 was an abnormally dry year, thus, less water was sold in fiscal year 2012 compared to fiscal year 2011 decreasing revenue by \$170 thousand.

Total expenses for governmental activities increased by \$215,956, and total expenses for the City's business-type activities increased by \$12,815. Expenses for governmental activities in fiscal year 2012 increased as compared to 2011 due to capital assets being put into service and depreciated in fiscal year 2012. Governmental activities depreciation expense increased by \$175 thousand compared to fiscal year 2011. Expenses for business-type activities were relatively the same as fiscal year 2011.

CHANGE IN THE CITY'S NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 773,914	\$ 1,084,837	\$ 4,899,160	\$ 5,116,753	\$ 5,673,074	\$ 6,201,590
Operating grants and contributions	275,541	115,774	-	-	275,541	115,774
Capital grants and contributions	104,799	1,910,756	174,407	137,981	279,206	2,048,737
General revenues:						
Property taxes	3,113,736	3,255,045	-	-	3,113,736	3,255,045
Sales taxes	370,598	417,009	-	-	370,598	417,009
Franchise fees	371,361	353,784	-	-	371,361	353,784
Interest	10,017	11,681	3,888	7,879	13,905	19,560
Other	26,087	32,902	-	-	26,087	32,902
Total revenues	<u>5,046,053</u>	<u>7,181,788</u>	<u>5,077,455</u>	<u>5,262,613</u>	<u>10,123,508</u>	<u>12,444,401</u>
Expenses:						
General government	1,014,655	1,136,770	-	-	1,014,655	1,136,770
Public safety	3,059,521	2,910,502	-	-	3,059,521	2,910,502
Development services	611,556	478,843	-	-	611,556	478,843
Parks and recreation	268,638	259,338	-	-	268,638	259,338
Economic development	100,897	34,966	-	-	100,897	34,966
Interest and fiscal charges	188,226	207,118	-	-	188,226	207,118
Water, sewer, drainage	-	-	4,214,470	4,201,655	4,214,470	4,201,655
Total expenses	<u>5,243,493</u>	<u>5,027,537</u>	<u>4,214,470</u>	<u>4,201,655</u>	<u>9,457,963</u>	<u>9,229,192</u>
Change in net assets before transfers	(197,440)	2,154,251	862,985	1,060,958	665,545	3,215,209
Transfers	<u>355,604</u>	<u>562,512</u>	<u>(355,604)</u>	<u>(562,512)</u>	-	-
Change in net assets	158,164	2,716,763	507,381	498,446	665,545	3,215,209
Net assets, beginning	<u>5,367,762</u>	<u>2,650,999</u>	<u>9,678,735</u>	<u>9,180,289</u>	<u>15,046,497</u>	<u>11,831,288</u>
Net assets, ending	<u>\$ 5,525,926</u>	<u>\$ 5,367,762</u>	<u>\$ 10,186,116</u>	<u>\$ 9,678,735</u>	<u>\$ 15,712,042</u>	<u>\$ 15,046,497</u>

FINANCIAL ANALYSIS AND BUDGETARY HIGHLIGHTS OF CITY FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. The following tables reflect activity for both the governmental funds and utility funds. For external reporting purposes, the City's utility funds are reported using the full accrual basis of accounting to conform with generally accepted accounting principles.

GOVERNMENTAL FUNDS

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,429,168. Approximately 33.55% of the total amount constitutes unassigned fund balance, which is available for spending at the City's discretion.

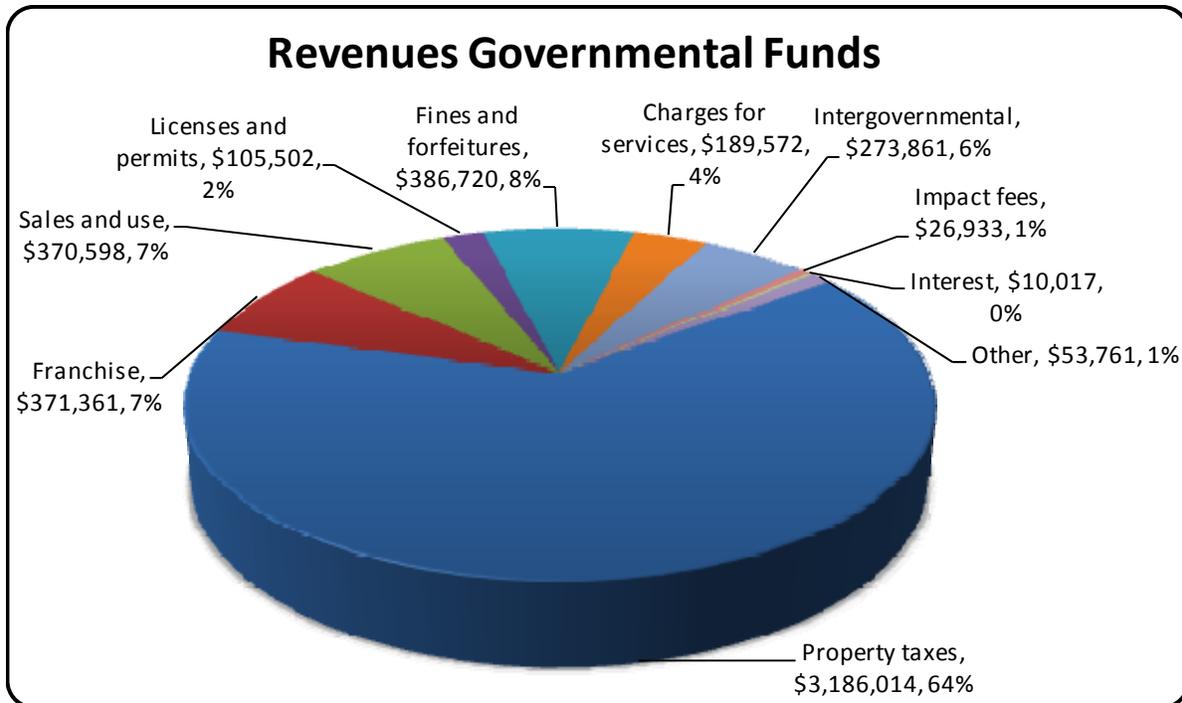
The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,150,334, while total fund balance was \$1,299,598. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 24.44% of total General Fund expenditures, while total fund balance represents 27.61% of that same amount. The net increase in fund balance during the current year in the General Fund was \$96,516. An analysis of the General Fund operations in the current year is as follows:

- The City's property tax rate for maintenance and operations decreased from \$0.6514 to \$0.6314 in the current fiscal year decreasing M&O taxes by \$127 thousand over the previous fiscal year.
- Fines and forfeitures decreased by \$82 thousand over the previous fiscal year. This decrease was due to the Selective Traffic Enforcement Program (STEP) ending in fiscal year 2011.
- Licenses and permits decreased by \$40 thousand as a result of less building permits being issued.
- Intergovernmental revenue increased as a new firefighter grant (\$225 thousand) was earned in fiscal year 2012 and a CDBG grant (\$72 thousand) ended in fiscal year 2011, which results in an increase of \$153 thousand.
- General Fund expenditures decreased slightly (\$100 thousand) when compared with the previous year.

The Debt Service Fund has a total fund balance of \$290,786, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the Debt Service Fund was \$329. This increase was approximately the same when compared with the previous year.

The Bonds Fund has a total fund balance of \$1,190,369, all of which is restricted for capital projects. The net decrease in fund balance during the current year in the Bonds Fund was \$126,844. This decrease is due to capital expenditures related to water and sewer projects.

The majority of revenues for the City's governmental funds are generated from taxes (64.05%), fines and forfeitures (7.77%), and franchise fees (7.47%). The remaining 20.71% is obtained from charges for services, grants and contributions, licenses and permits, and other miscellaneous sources.



UTILITY FUNDS

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

Unrestricted net assets of the Water and Sewer and Drainage funds at the end of the year amounted to \$1,522,278 and \$91,141, respectively. The total growth in net assets for both funds was \$308,991 and \$198,390, respectively. Other factors concerning the finance of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

General Fund revenues were \$161,235 less than expected. Revenue sources were less than anticipated in licenses and permits and fines and forfeitures as a result of less building permits being issued and less fines being issued as a result of the STEP program ending in fiscal year 2011. Overall expenditures were \$351,789 less than budgeted. See details of budget and actual revenues and expenditures on page 45.

City policy requires the General unassigned fund balance to reflect no less than 60 days of General Fund expenditures. At September 30, 2012, unassigned General fund balance reflected 89 days total General Fund expenditures.

CAPITAL ASSETS

As of September 30, 2012, the City had invested \$23,010,514 in a broad range of capital assets, including infrastructure, equipment, buildings, and equipment. More detailed information about the City's capital assets can be found in the notes to the financial statements on pages 33 and 34.

CITY'S CAPITAL ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 850,176	\$ 820,176	\$ 35,161	\$ 35,161	\$ 885,337	\$ 855,337
Construction in progress	166,503	149,480	-	42,910	166,503	192,390
Buildings	131,805	131,805	224,274	136,774	356,079	268,579
Improvements	761,000	569,611	-	-	761,000	569,611
Infrastructure	4,098,957	4,082,667	14,085,316	13,932,196	18,184,273	18,014,863
Vehicles and equipment	1,688,980	1,660,358	968,342	859,492	2,657,322	2,519,850
Total cost	7,697,421	7,414,097	15,313,093	15,006,533	23,010,514	22,420,630
Accumulated depreciation	(1,694,553)	(1,365,394)	(5,494,526)	(5,084,473)	(7,189,079)	(6,449,867)
Total capital assets, net	\$ <u>6,002,868</u>	\$ <u>6,048,703</u>	\$ <u>9,818,567</u>	\$ <u>9,922,060</u>	\$ <u>15,821,435</u>	\$ <u>15,970,763</u>

During the current year, significant additions to capital assets include the following:

- Vehicles – \$175,592 (financed with capital leases)
- Park donation from homeowners association – \$104,800
- Drainage system – \$123,670 (received CDBG grant)
- Portable building donated – \$60,200

DEBT ADMINISTRATION

At year-end, the City had \$5,959,034 in outstanding debt, as shown below. More detailed information about the City's debt is presented in the notes to the financial statements on pages 35 through 38.

CITY'S LONG-TERM DEBT

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Certificates of obligation	\$ 3,875,000	\$ 4,160,000	\$ -	\$ -	\$ 3,875,000	\$ 4,160,000
General obligation refunding bonds	-	-	1,715,000	1,865,000	1,715,000	1,865,000
Notes payable	-	-	81,591	97,514	81,591	97,514
Capital leases	237,478	186,382	49,965	86,132	287,443	272,514
	\$ <u>4,112,478</u>	\$ <u>4,346,382</u>	\$ <u>1,846,556</u>	\$ <u>2,048,646</u>	\$ <u>5,959,034</u>	\$ <u>6,395,028</u>

As stated above, the City replaced and financed certain vehicles using capital leases during the current year. While capital leases increased, in the current fiscal year, notes and bonds decreased by the amount of annual payments made.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In fiscal year 2013, the City's net taxable property values decreased approximately 1.84%, from \$396,680,143 in FY 2012 to \$389,507,832 in FY 2013. Although the City's total property tax rate remained the same at \$0.7950, the City's I&S tax rate decreased from \$0.1636 to \$0.115935, and the City's M&O tax rate increased from \$0.63140 to \$0.679065, resulting in an anticipated increase in M&O tax revenue next year of approximately \$136,891.

While total General Fund revenues adopted in FY 2013 are expected to increase by approximately 6% when compared to FY 2012 actual revenues, total General Fund expenditures budgeted in FY 2013 are expected to decrease by approximately 3% when compared to FY 2012 actual expenditures. City management anticipates ending FY 2013 with approximately 117 days of fund balance unassigned.

Utility rates remained the same in FY 2013 as in FY 2012. While FY 2013 budgeted revenues decreased by less than 1% when compared to FY 2012 actual revenues, FY 2013 budgeted expenses increased approximately 3%. The increase in expenditures relates to anticipated capital expenditures.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Any questions about this report or need for additional financial information should be addressed to City of Glenn Heights, Attn: City Secretary, 1938 South Hampton Road, Glenn Heights, TX, 75154.

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**BASIC
FINANCIAL STATEMENTS**

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CITY OF GLENN HEIGHTS, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,235,660	\$ 984,891	\$ 4,220,551
Restricted cash and cash equivalents	-	1,173,318	1,173,318
Receivables, net	623,063	687,069	1,310,132
Internal balances	215,706	(215,706)	-
Due from other governments	22,827	-	22,827
Prepaid expenses	66,818	140,683	207,501
Deferred charges	20,608	36,798	57,406
Capital assets:			
Non-depreciable	1,016,679	35,161	1,051,840
Depreciable, net	<u>4,986,189</u>	<u>9,783,406</u>	<u>14,769,595</u>
Total assets	<u>10,187,550</u>	<u>12,625,620</u>	<u>22,813,170</u>
LIABILITIES			
Accounts payable	246,958	130,466	377,424
Accrued liabilities	73,424	22,798	96,222
Accrued interest	27,589	-	27,589
Unearned revenue	73,518	-	73,518
Customer deposits	-	402,877	402,877
Long-term liabilities:			
Due within one year	427,645	282,822	710,467
Due in more than one year	<u>3,812,490</u>	<u>1,600,541</u>	<u>5,413,031</u>
Total liabilities	<u>4,661,624</u>	<u>2,439,504</u>	<u>7,101,128</u>
NET ASSETS			
Investment in capital assets, net of related debt	3,101,367	8,011,639	11,113,006
Restricted for:			
Debt service	263,197	-	263,197
Street improvements	216,106	-	216,106
Public safety	235,053	-	235,053
Parks	196,702	-	196,702
Water and sewer improvements	-	561,058	561,058
Unrestricted	<u>1,513,501</u>	<u>1,613,419</u>	<u>3,126,920</u>
Total net assets	<u>\$ 5,525,926</u>	<u>\$ 10,186,116</u>	<u>\$ 15,712,042</u>

The accompanying notes are an integral part of these financial statements.

CITY OF GLENN HEIGHTS, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 1,014,655	\$ 147,104	\$ -	\$ -
Public safety	3,059,521	496,191	273,861	-
Development services	611,556	111,229	-	-
Parks and recreation	268,638	-	-	104,799
Economic development	100,897	19,390	1,680	-
Interest on long-term debt	188,226	-	-	-
Total governmental activities	<u>5,243,493</u>	<u>773,914</u>	<u>275,541</u>	<u>104,799</u>
Business-type activities:				
Water and sewer	4,077,224	4,650,370	-	174,407
Drainage	137,246	248,790	-	-
Total business-type activities	<u>4,214,470</u>	<u>4,899,160</u>	<u>-</u>	<u>174,407</u>
Total primary government	<u>\$ 9,457,963</u>	<u>\$ 5,673,074</u>	<u>\$ 275,541</u>	<u>\$ 279,206</u>

General revenues:
 Property taxes
 Sales taxes
 Franchise fees
 Interest
 Miscellaneous
 Transfers
 Total general revenues and transfers

Change in net assets

Net assets, beginning

Net assets, ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenues and Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total
\$(867,551)	\$ -	\$(867,551)
(2,289,469)	-	(2,289,469)
(500,327)	-	(500,327)
(163,839)	-	(163,839)
(79,827)	-	(79,827)
(188,226)	-	(188,226)
<u>(4,089,239)</u>	<u>-</u>	<u>(4,089,239)</u>
-	747,553	747,553
<u>-</u>	<u>111,544</u>	<u>111,544</u>
<u>-</u>	<u>859,097</u>	<u>859,097</u>
<u>(4,089,239)</u>	<u>859,097</u>	<u>(3,230,142)</u>
3,113,736	-	3,113,736
370,598	-	370,598
371,361	-	371,361
10,017	3,888	13,905
26,087	-	26,087
<u>355,604</u>	<u>(355,604)</u>	<u>-</u>
<u>4,247,403</u>	<u>(351,716)</u>	<u>3,895,687</u>
158,164	507,381	665,545
<u>5,367,762</u>	<u>9,678,735</u>	<u>15,046,497</u>
<u>\$ 5,525,926</u>	<u>\$ 10,186,116</u>	<u>\$ 15,712,042</u>

CITY OF GLENN HEIGHTS, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Bonds</u>
ASSETS			
Cash and cash equivalents	\$ 1,271,486	\$ 287,444	\$ 1,192,934
Receivables:			
Taxes	185,803	28,049	-
Accounts	336,560	-	-
Court fines	72,651	-	-
Due from other governments	-	-	-
Due from other funds	1,664	-	-
Prepaid items	<u>66,264</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 1,934,428</u>	 <u>\$ 315,493</u>	 <u>\$ 1,192,934</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 239,462	\$ -	\$ 2,565
Accrued liabilities	71,124	-	-
Due to other funds	-	-	-
Deferred revenue	<u>324,244</u>	<u>24,707</u>	<u>-</u>
Total liabilities	<u>634,830</u>	<u>24,707</u>	<u>2,565</u>
Fund balances:			
Nonspendable - prepaid items	66,264	-	-
Restricted for:			
Debt service	-	290,786	-
Capital projects	-	-	1,190,369
Street improvements	-	-	-
Public safety	-	-	-
Park improvements	-	-	-
Committed for SAFER firefighters	83,000	-	-
Unassigned	<u>1,150,334</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,299,598</u>	<u>290,786</u>	<u>1,190,369</u>
 Total liabilities and fund balances	 <u>\$ 1,934,428</u>	 <u>\$ 315,493</u>	 <u>\$ 1,192,934</u>

The accompanying notes are an integral part of these financial statements.

<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
\$ 483,796	\$ 3,235,660
-	213,852
-	336,560
-	72,651
22,827	22,827
215,706	217,370
<u>554</u>	<u>66,818</u>
<u>\$ 722,883</u>	<u>\$ 4,165,738</u>
\$ 4,931	\$ 246,958
2,300	73,424
1,664	1,664
<u>65,573</u>	<u>414,524</u>
<u>74,468</u>	<u>736,570</u>
554	66,818
-	290,786
-	1,190,369
216,106	216,106
235,053	235,053
196,702	196,702
-	83,000
-	<u>1,150,334</u>
<u>648,415</u>	<u>3,429,168</u>
<u>\$ 722,883</u>	<u>\$ 4,165,738</u>

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CITY OF GLENN HEIGHTS, TEXES

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

SEPTEMBER 30, 2012

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balances - governmental funds balance sheet	\$ 3,429,168
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,002,868
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Property taxes	127,423
Court fines	125,331
Ambulance	88,252
Long-term liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.	
Certificates of obligation	(3,875,000)
Capital leases	(237,478)
Compensated absences	(127,657)
Costs of issuance long-term debt	20,608
Interest payable on long-term debt	(27,589)
Net assets of governmental activities - statement of net assets	\$ <u>5,525,926</u>

The accompanying notes are an integral part of these financial statements.

CITY OF GLENN HEIGHTS, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Bonds</u>
REVENUES			
Property taxes	\$ 2,533,109	\$ 652,905	\$ -
Franchise	371,361	-	-
Sales and use	370,598	-	-
Licenses and permits	105,502	-	-
Fines and forfeitures	370,905	-	-
Charges for services	101,330	-	-
Intergovernmental	13,000	-	-
Impact fees	-	-	-
Interest	7,181	85	1,951
Other	<u>53,761</u>	<u>-</u>	<u>-</u>
Total revenues	<u>3,926,747</u>	<u>652,990</u>	<u>1,951</u>
EXPENDITURES			
Current:			
General government	1,015,733	-	-
Public safety	2,602,744	-	-
Development services	454,939	-	-
Parks and recreation	176,094	-	-
Economic development	100,897	-	-
Capital outlay	227,581	-	-
Debt service:			
Principal	118,893	285,000	-
Interest and other charges	<u>9,631</u>	<u>171,711</u>	<u>-</u>
Total expenditures	<u>4,706,512</u>	<u>456,711</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(779,765)</u>	<u>196,279</u>	<u>1,951</u>
OTHER FINANCING SOURCES (USES)			
Insurance proceeds	8,275	-	-
Issuance of capital leases	175,592	-	-
Transfers in	700,860	-	-
Transfers out	<u>(8,446)</u>	<u>(195,950)</u>	<u>(128,795)</u>
Total other financing sources (uses)	<u>876,281</u>	<u>(195,950)</u>	<u>(128,795)</u>
NET CHANGE IN FUND BALANCES	96,516	329	(126,844)
FUND BALANCES, BEGINNING	<u>1,203,082</u>	<u>290,457</u>	<u>1,317,213</u>
FUND BALANCES, ENDING	<u>\$ 1,299,598</u>	<u>\$ 290,786</u>	<u>\$ 1,190,369</u>

The accompanying notes are an integral part of these financial statements.

<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
\$ -	\$ 3,186,014
-	371,361
-	370,598
-	105,502
15,815	386,720
88,242	189,572
260,861	273,861
26,933	26,933
800	10,017
-	53,761
<u>392,651</u>	<u>4,974,339</u>
-	1,015,733
287,460	2,890,204
1,490	456,429
-	176,094
-	100,897
12,023	239,604
5,603	409,496
1,040	182,382
<u>307,616</u>	<u>5,470,839</u>
<u>85,035</u>	<u>(496,500)</u>
-	8,275
-	175,592
15,400	716,260
<u>(27,465)</u>	<u>(360,656)</u>
<u>(12,065)</u>	<u>539,471</u>
72,970	42,971
<u>575,445</u>	<u>3,386,197</u>
<u>\$ 648,415</u>	<u>\$ 3,429,168</u>

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CITY OF GLENN HEIGHTS, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Amounts reported for governmental activities in the Statement of Activities are different

Net change in fund balances - total governmental funds:	\$ 42,971
<p>Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>	
Capital outlay	239,604
Depreciation	(390,238)
<p>Donated capital assets do not provide current financial resources; therefore, this activity is not reported in the governmental funds. However, this activity is reported in the governmental activities statement.</p>	
	104,799
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Property taxes	(72,278)
Court fines	(56,796)
Ambulance	88,252
Other	(538)
<p>The issuance of long-term debt (e.g., bonds, 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, and similar items when debt is first issued, whereas these 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 related items.</p>	
Issuance of capital lease	(175,592)
Principal payments on long-term debt	409,496
<p>Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences	(25,672)
Amortization of long-term debt issuance costs	(2,576)
Interest on long-term debt	(3,268)
Change in net assets of governmental activities	<u>\$ 158,164</u>

The accompanying notes are an integral part of these financial statements.

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CITY OF GLENN HEIGHTS, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2012

	Enterprise Funds		
	Water and Sewer	Drainage	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 913,979	\$ 70,912	\$ 984,891
Cash and cash equivalents - restricted	1,173,318	-	1,173,318
Accounts receivable, net	652,315	34,754	687,069
Prepaid items	138,991	1,692	140,683
Total current assets	<u>2,878,603</u>	<u>107,358</u>	<u>2,985,961</u>
Noncurrent assets:			
Deferred charges	36,798	-	36,798
Capital assets:			
Non-depreciable	35,161	-	35,161
Depreciable, net	9,467,491	315,915	9,783,406
Total noncurrent assets	<u>9,539,450</u>	<u>315,915</u>	<u>9,855,365</u>
Total assets	<u>12,418,053</u>	<u>423,273</u>	<u>12,841,326</u>
LIABILITIES			
Current liabilities:			
Accounts payable	118,156	12,310	130,466
Accrued liabilities	21,460	1,338	22,798
Compensated absences	7,413	514	7,927
Capital leases	19,007	4,175	23,182
Notes payable	-	16,713	16,713
Bonds payable	235,000	-	235,000
Payable from restricted assets:			
Due to other funds	215,706	-	215,706
Customer deposits	402,877	-	402,877
Total current liabilities	<u>1,019,619</u>	<u>35,050</u>	<u>1,054,669</u>
Noncurrent liabilities:			
Compensated absences	29,655	2,055	31,710
Capital leases	17,641	9,142	26,783
Notes payable	-	64,878	64,878
Bonds payable	1,477,170	-	1,477,170
Total noncurrent liabilities	<u>1,524,466</u>	<u>76,075</u>	<u>1,600,541</u>
Total liabilities	<u>2,544,085</u>	<u>111,125</u>	<u>2,655,210</u>
NET ASSETS			
Invested in capital assets, net of related debt	7,790,632	221,007	8,011,639
Restricted for water and sewer improvements	561,058	-	561,058
Unrestricted	1,522,278	91,141	1,613,419
Total net assets	<u>\$ 9,873,968</u>	<u>\$ 312,148</u>	<u>\$ 10,186,116</u>

The accompanying notes are an integral part of these financial statements.

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CITY OF GLENN HEIGHTS, TEXAS

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS**

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Enterprise Funds		
	Water and Sewer	Drainage	Total
OPERATING REVENUES			
Water	\$ 1,937,915	\$ -	\$ 1,937,915
Sewer	2,332,628	-	2,332,628
Drainage	-	248,790	248,790
Service charges	276,003	-	276,003
Water and sewer connections	53,465	-	53,465
Other	50,359	-	50,359
Total operating revenues	4,650,370	248,790	4,899,160
OPERATING EXPENSES			
Personnel services	745,085	45,379	790,464
Supplies	262,250	5,718	267,968
Contractual services	383,795	52,416	436,211
Wastewater treatment	1,640,161	-	1,640,161
Water purchases	612,566	-	612,566
Depreciation	381,852	28,201	410,053
Total operating expenses	4,025,709	131,714	4,157,423
OPERATING INCOME	624,661	117,076	741,737
NONOPERATING REVENUES (EXPENSES)			
Interest income	3,886	2	3,888
Interest and other	(51,515)	(5,532)	(57,047)
Total nonoperating revenues (expenses)	(47,629)	(5,530)	(53,159)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	577,032	111,546	688,578
Capital contributions	174,407	-	174,407
Transfers in	225,401	99,344	324,745
Transfers out	(667,849)	(12,500)	(680,349)
CHANGE IN NET ASSETS	308,991	198,390	507,381
NET ASSETS, BEGINNING	9,564,977	113,758	9,678,735
NET ASSETS, ENDING	\$ 9,873,968	\$ 312,148	\$ 10,186,116

The accompanying notes are an integral part of these financial statements.

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CITY OF GLENN HEIGHTS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Enterprise Funds		
	Water and Sewer	Drainage	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 4,823,932	\$ 259,609	\$ 5,083,541
Payments to suppliers	(3,182,353)	(109,390)	(3,291,743)
Payments to employees	(721,927)	(42,512)	(764,439)
Net cash provided by operating activities	<u>919,652</u>	<u>107,707</u>	<u>1,027,359</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in from other funds	-	99,344	99,344
Transfers out to other funds	(667,849)	(12,500)	(680,349)
Net cash provided (used) by noncapital financing activities	<u>(667,849)</u>	<u>86,844</u>	<u>(581,005)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	58,895	-	58,895
Acquisition and construction of capital assets	(67,379)	(123,669)	(191,048)
Principal paid on long-term debt	(182,236)	(19,854)	(202,090)
Interest and other charges paid	(56,097)	(5,532)	(61,629)
Net cash used for capital and related financing activities	<u>(21,416)</u>	<u>(149,055)</u>	<u>(170,471)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income received	<u>3,886</u>	<u>2</u>	<u>3,888</u>
Net cash provided by investing activities	<u>3,886</u>	<u>2</u>	<u>3,888</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	234,273	45,498	279,771
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,853,024</u>	<u>25,414</u>	<u>1,878,438</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 2,087,297</u>	<u>\$ 70,912</u>	<u>\$ 2,158,209</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 624,661	\$ 117,076	\$ 741,737
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	381,852	28,201	410,053
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	157,519	201	157,720
(Increase) decrease in prepaid items	(138,991)	(1,692)	(140,683)
Increase (decrease) in accounts payable	115,680	12,310	127,990
Increase (decrease) in accrued liabilities	14,942	1,338	16,280
Increase (decrease) in due to other funds	(260,270)	(51,256)	(311,526)
Increase (decrease) in customer deposits	16,043	-	16,043
Increase (decrease) in compensated absences	8,216	1,529	9,745
Total adjustments	<u>294,991</u>	<u>(9,369)</u>	<u>285,622</u>
Net cash provided by operating activities	<u>\$ 919,652</u>	<u>\$ 107,707</u>	<u>\$ 1,027,359</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Capital asset contributions	\$ 115,512	\$ -	\$ 115,512

The accompanying notes are an integral part of these financial statements.

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CITY OF GLENN HEIGHTS, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Glenn Heights, Texas (the City) was incorporated on September 16, 1969, to operate as a general law city. In August 1987, the City amended its charter and currently operates as a home rule city. The City is regulated by the Code of State Statutes of the State of Texas and is authorized to perform the following services: public safety (police and fire), public works, planning, inspection, sanitation, water and sewer utilities, storm drainage and general administrative services. The City operates under a council-manager form of government. The Council is comprised of seven officials including a mayor and six council members.

The City prepares its financial statements in conformity with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

The Council has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the GASB in its Statement No. 14, "*The Financial Reporting Entity*." There are no component units included within the reporting entity.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

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

The **Debt Service Fund** accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The **Bonds Fund** accounts for the acquisition of capital assets or construction of major capital projects being financed by 2006 and 2008 bond proceeds.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)

The City reports the following major proprietary funds:

The *Water and Sewer Fund* is used to account for water and sewer improvements and operations.

The *Drainage Fund* is used to account for drainage improvements and operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statement to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and Enterprise Funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 they are needed.

Proprietary funds distinguish between operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The Enterprise Fund also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Fund Balance

1. Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government. Other short-term investments are included in investments. Investments are stated at cost.

2. Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet. Short-term interfund loans are classified as “interfund receivables/payables.”

3. Capital Assets

Capital assets, including property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects when constructed. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

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

Buildings	40
Infrastructure	20 - 50
Improvements	5 - 20
Equipment	5 - 10
Vehicles	3 - 5

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Fund Balance (Continued)

4. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for this amount is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

5. Long-term Obligations

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

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

6. Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **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. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Fund Balance (Continued)

6. Fund Balance (Continued)

- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the City Council, the City's highest level of decision making authority. These amounts cannot be used for any other purposes unless the City 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.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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

The City's General Fund policy requires no less than 60 days of General Fund expenditures in unassigned fund balance.

7. Net Assets

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

8. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

II. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The City may invest in obligations of the U. S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act of 1987 (Article 842a-2 Vernon's Civil Statutes).

At September 30, 2012, the City had the following investments:

<u>Investment</u>	<u>S&P Rating</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexStar	AAAm	\$ 1,151,112	44

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy addresses the following risks:

1. Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City's policy regarding types of deposits allowed and collateral requirements is: The Depository may be a state bank authorized and regulated under Texas law; a national bank, savings and loan association, or savings bank authorized and regulated by federal law; or a savings and loan association or savings bank organized under Texas law; but shall not be any bank the deposits of which are not insured by the Federal Deposit Insurance Corporation (FDIC). The City is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance and pledged securities.

2. Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments are in TexStar investment pool ("TexStar"). The pool is a public funds investment pool created to provide a safe environment for the placement of local government's funds in authorized short-term investments. Local government pools operate in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. The Pool uses amortized cost rather than fair value to report net assets to compute share prices. Accordingly, the fair value of the position in the Pool is the same as the value of Pool shares. Administration of TexStar is performed by a Board of Directors, which is an administrative agency created under the Interlocal Act. The City is not exposed to custodial credit risk for its investments.

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash and Investments (Continued)

3. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy requires management to minimize risk of loss due to interest rate fluctuations by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase.

B. Receivables

Receivables at September 30, 2012, consisted of the following:

	<u>General</u>	<u>Debt Service</u>	<u>Water and Sewer</u>	<u>Drainage</u>	<u>Total</u>
Receivables:					
Property taxes	\$ 158,288	\$ 34,569	\$ -	\$ -	\$ 192,857
Sales taxes	67,981	-	-	-	67,981
Franchise fees	66,801	-	-	-	66,801
Ambulance	176,503	-	-	-	176,503
Garbage	112,365	-	764,761	36,486	913,612
Court fines	632,087	-	-	-	632,087
Other	<u>40,696</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,696</u>
Gross receivables	1,254,721	34,569	764,761	36,486	2,090,537
Less: allowance for uncollectibles	<u>(659,707)</u>	<u>(6,520)</u>	<u>(112,446)</u>	<u>(1,732)</u>	<u>(780,405)</u>
Net total receivables	<u>\$ 595,014</u>	<u>\$ 28,049</u>	<u>\$ 652,315</u>	<u>\$ 34,754</u>	<u>\$ 1,310,132</u>

Property taxes are based on the appraised values provided by the Dallas County and Ellis County Appraisal Districts.

Taxes are levied by October 1 of each year, and are due in full with no discounts granted. Unpaid property taxes become delinquent on February 1 of the following year. Penalty is calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of 20 years. Taxes levied on personal property can be deemed uncollectible by the City. The City's current policy is to write off uncollectible personal property taxes after four years.

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

C. Interfund Transfers

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

	Transfers in				Totals
	General	Nonmajor Governmental	Water and Sewer	Drainage	
Transfers out:					
General	\$ -	\$ 8,446	\$ -	\$ -	\$ 8,446
Debt service	-	-	195,950	-	195,950
Bonds	-	-	29,451	99,344	128,795
Nonmajor governmental	27,465	-	-	-	27,465
Water and sewer	660,895	6,954	-	-	667,849
Drainage	12,500	-	-	-	12,500
	<u>700,860</u>	<u>15,400</u>	<u>225,401</u>	<u>99,344</u>	<u>1,041,005</u>
Totals	<u>\$ 700,860</u>	<u>\$ 15,400</u>	<u>\$ 225,401</u>	<u>\$ 99,344</u>	<u>\$ 1,041,005</u>

Interfund transfers are used to 1) move unrestricted water, sewer and drainage revenues to the General Fund in accordance with budgetary authorizations; and 2) move resources expended in a Capital Projects Fund on a drainage capital asset.

D. Interfund Balances

The compositions of interfund balances for the year ended September 30, 2012, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>
General	Nonmajor governmental	\$ 1,664
Nonmajor governmental	Water and sewer	<u>215,706</u>
		<u>\$ 217,370</u>

The outstanding balances between funds result mainly from the time lag between the dates that reimbursable cash transfers between funds are made.

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Assets

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

	Beginning Balance	Increases	Decreases/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 820,176	\$ 30,000	\$ -	\$ 850,176
Construction in progress	149,480	17,023	-	166,503
Total assets not being depreciated	<u>969,656</u>	<u>47,023</u>	<u>-</u>	<u>1,016,679</u>
Capital assets, being depreciated:				
Buildings	131,805	-	-	131,805
Parks and improvements	569,611	74,800	116,589	761,000
Infrastructure-streets	4,082,667	16,290	-	4,098,957
Vehicles	1,007,141	175,592	(61,079)	1,121,654
Equipment	653,217	30,698	(116,589)	567,326
Total capital assets being depreciated	<u>6,444,441</u>	<u>297,380</u>	<u>(61,079)</u>	<u>6,680,742</u>
Less accumulated depreciation:				
Buildings	66,962	6,434	-	73,396
Parks and improvements	205,998	77,949	-	283,947
Infrastructure-streets	6,159	139,240	-	145,399
Vehicles	726,308	117,292	(61,079)	782,521
Equipment	359,967	49,323	-	409,290
Total accumulated depreciation	<u>1,365,394</u>	<u>390,238</u>	<u>(61,079)</u>	<u>1,694,553</u>
Total capital assets being depreciated, net	<u>5,079,047</u>	<u>(92,858)</u>	<u>-</u>	<u>4,986,189</u>
Governmental activities capital assets, net	<u>\$ 6,048,703</u>	<u>\$(45,835)</u>	<u>\$ -</u>	<u>\$ 6,002,868</u>

Depreciation expense was charged to the governmental activities functions/programs of the City as follows:

General government	\$ 14,060
Public safety	132,529
Development services	151,583
Parks and recreation	<u>92,066</u>
	<u>\$ 390,238</u>

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 35,161	\$ -	\$ -	\$ 35,161
Construction in progress	<u>42,910</u>	<u>5,880</u>	<u>(48,790)</u>	<u>-</u>
Total assets not being depreciated	<u>78,071</u>	<u>5,880</u>	<u>(48,790)</u>	<u>35,161</u>
Capital assets, being depreciated:				
Buildings	136,774	87,500	-	224,274
Infrastructure-water	8,017,490	29,451	-	8,046,941
Infrastructure-sewer	5,842,307	-	-	5,842,307
Infrastructure-drainage	72,399	123,669	-	196,068
Vehicles	347,023	33,213	-	380,236
Equipment	<u>512,469</u>	<u>26,847</u>	<u>48,790</u>	<u>588,106</u>
Total capital assets being depreciated	<u>14,928,462</u>	<u>300,680</u>	<u>48,790</u>	<u>15,277,932</u>
Less accumulated depreciation:				
Buildings	80,891	9,567	-	90,458
Infrastructure-water	3,197,653	169,826	-	3,367,479
Infrastructure-sewer	1,247,737	116,952	-	1,364,689
Infrastructure-drainage	-	4,789	-	4,789
Vehicles	234,764	69,035	-	303,799
Equipment	<u>323,428</u>	<u>39,884</u>	<u>-</u>	<u>363,312</u>
Total accumulated depreciation	<u>5,084,473</u>	<u>410,053</u>	<u>-</u>	<u>5,494,526</u>
Total capital assets being depreciated, net	<u>9,843,989</u>	<u>(109,373)</u>	<u>48,790</u>	<u>9,783,406</u>
Business-type activities capital assets, net	<u>\$ 9,922,060</u>	<u>\$(103,493)</u>	<u>\$ -</u>	<u>\$ 9,818,567</u>

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

Water and sewer	\$ 381,852
Drainage	<u>28,201</u>
	<u>\$ 410,053</u>

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

F. Deferred Revenue

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

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes	\$ 127,423	\$ -
Court fines	125,331	-
Ambulance	88,252	-
Grants	-	14,238
Park improvement fees	-	51,335
Miscellaneous	-	7,945
	<u>\$ 341,006</u>	<u>\$ 73,518</u>

G. Long-term Obligations

Long-term liability activity for the year ended September 30, 2012, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Certificates of obligation	\$ 4,160,000	\$ -	\$(285,000)	\$ 3,875,000	\$ 295,000
Capital lease obligations	186,382	175,592	(124,496)	237,478	107,114
Compensated absences	101,985	164,129	(138,457)	127,657	25,531
Total governmental activities	<u>\$ 4,448,367</u>	<u>\$ 339,721</u>	<u>\$(547,953)</u>	<u>\$ 4,240,135</u>	<u>\$ 427,645</u>
Business-type activities:					
General obligation refunding bonds	\$ 1,865,000	\$ -	\$(150,000)	\$ 1,715,000	\$ 235,000
Loss on refunding	17,180	-	(1,909)	15,271	-
Bond issuance discount	(20,364)	-	2,263	(18,101)	-
Notes payable	97,514	-	(15,923)	81,591	16,713
Capital lease obligations	86,132	-	(36,167)	49,965	23,182
Compensated absences	29,892	33,129	(23,384)	39,637	7,927
Total business-type activities	<u>\$ 2,075,354</u>	<u>\$ 33,129</u>	<u>\$(225,120)</u>	<u>\$ 1,883,363</u>	<u>\$ 282,822</u>

The General Fund is used to liquidate the liability for governmental activities compensated absences and capital leases.

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-term Obligations (Continued)

Capital Leases

The City has entered into certain capital lease agreements for equipment and vehicles. As of September 30, 2012, the equipment and vehicles leased under governmental activities and business-type activities had a carrying value of \$288,600 and \$54,200, respectively, which are included in the capital assets depreciable section on the statement of net assets. Effective interest rates range from 4.55% to 9.99%. Pursuant to the terms of the capital lease agreements, the City will be required to make future minimum payments as follows:

<u>Years Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2013	\$ 120,406	\$ 26,322
2014	102,568	16,582
2015	<u>36,402</u>	<u>13,336</u>
Total minimum lease payments	259,376	56,240
Less: amount representing interest	<u>21,898</u>	<u>6,275</u>
Present value of minimum lease payments	<u>\$ 237,478</u>	<u>\$ 49,965</u>

Bonds Payable

Governmental activities bonds payable at September 30, 2012, are comprised of the following issues:

2003 Certificates of Obligation, original issue \$750,000, dated September 1, 2003, due in annual installments through September 1, 2018, at 4.65% interest.	\$ 365,000
2006 Certificates of Obligation, original issue \$2,535,000, dated September 1, 2003, due in annual installments through September 1, 2018, at 4.65% interest.	1,735,000
2008 Certificates of Obligation, original issue \$2,050,000, dated September 1, 2003, due in annual installments through September 1, 2018, at 4.65% interest.	<u>1,775,000</u>
Total governmental activities tax supported debt	<u>\$ 3,875,000</u>

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-term Obligations (Continued)

Bonds Payable (Continued)

The annual debt payment requirements of governmental activities bonded debt outstanding as of September 30, 2012, are as follows:

<u>Years Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2013	\$ 295,000	\$ 156,576	\$ 451,576
2014	310,000	143,756	453,756
2015	325,000	130,418	455,418
2016	335,000	116,433	451,433
2017	350,000	102,031	452,031
2018-2022	1,460,000	293,909	1,753,909
2023-2027	650,000	97,970	747,970
2028	<u>150,000</u>	<u>3,030</u>	<u>153,030</u>
Total	<u>\$ 3,875,000</u>	<u>\$ 1,044,123</u>	<u>\$ 4,919,123</u>

Business-type activities bonds payable at September 30, 2012, are comprised of the following individual issues for the Water and Sewer Fund.

2010 General Obligation Refunding Bonds, original issue \$2,025,000, dated July 1, 2010, due in annual installments through February 15, 2020.	<u>\$ 1,715,000</u>
--	---------------------

The annual debt payment requirements of the bonded debt outstanding for the business-type activities as of September 30, 2012, are as follows:

<u>Years Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2013	\$ 235,000	\$ 42,100	\$ 277,100
2014	235,000	37,400	272,400
2015	240,000	32,050	272,050
2016	250,000	25,925	275,925
2017	255,000	18,975	273,975
2018-2020	<u>500,000</u>	<u>18,525</u>	<u>518,525</u>
Total	<u>\$ 1,715,000</u>	<u>\$ 174,975</u>	<u>\$ 1,889,975</u>

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the City's financial statements. At September 30, 2012, the City does not have bonds considered defeased.

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-term Obligations (Continued)

Notes Payable

Notes payable in the business-type activities at September 30, 2012, consisted of the following:

The City received a loan from Prosperity Bank in the amount of \$120,000 for the purchase of equipment. Payable in monthly installments of \$1,692, including interest of 4.85%. \$ 81,591

The annual debt payment requirements for notes payable as of September 30, 2012, are as follows:

<u>Years Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2013	\$ 16,713	\$ 3,589	\$ 20,302
2014	17,542	2,760	20,302
2015	18,412	1,890	20,302
2016	19,325	977	20,302
2017	<u>9,599</u>	<u>131</u>	<u>9,730</u>
Total	<u>\$ 81,591</u>	<u>\$ 9,347</u>	<u>\$ 90,938</u>

III. OTHER INFORMATION

A. Retirement System

Plan Description

The City provides pension benefits for all of its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide 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 TMRS' website at www.TMRS.com.

(continued)

III. OTHER INFORMATION (Continued)

A. Retirement System (Continued)

Plan Description (Continued)

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

	<u>Plan Year 2011</u>	<u>Plan Year 2012</u>
Employee deposit rate	6.00%	6.00%
Matching ratio (city to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100% repeating transfers	100% repeating transfers
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating

Contributions

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

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2010	\$ 220,509	\$ 220,509	100%	-
2011	145,323	145,323	100%	-
2012	105,325	105,325	100%	-

(continued)

III. OTHER INFORMATION (Continued)

A. Retirement System (Continued)

Contributions (Continued)

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

Actuarial Valuation Date	12/31/09	12/31/10	12/31/11
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	23.2 years; closed period	24.2 years; closed period	24.9 years; closed period
Amortization period for new new gains/losses	25 years	25 years	25 years
Asset valuation method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
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	3.0%	3.0%	3.0%
Cost-of-living adjustments	2.1%	2.1%	2.1%

Funded Status and Funding Progress

The funded status as of December 31, 2011, the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date	12/31/2011
Actuarial Value of Assets	\$ 5,460,760
Actuarial Accrued Liability	5,243,886
Annual Pension Cost	104.1%
Unfunded Actuarial Accrued Liability (Asset) (UAAL)	(216,874)
Annual Covered Payroll	2,979,137
UAAL as a Percentage of Covered Payroll	(7.3%)

(continued)

III. OTHER INFORMATION (Continued)

A. Retirement System (Continued)

Funded Status and Funding Progress (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.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

B. Other Postemployment Benefits

Supplemental Death Benefits Plan

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

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

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

(continued)

III. OTHER INFORMATION (Continued)

B. Other Postemployment Benefits (Continued)

Supplemental Death Benefits Plan (Continued)

The City's contributions to the TMRS SDBF for the years ended 2010, 2011, and 2012 were \$285, \$5,442 and, \$4,730, respectively, which equaled the required contributions.

Schedule of Contribution Rates (Retiree-Only Portion of the Rate)

<u>Plan/ Calendar Year</u>	<u>Annual Required Contribution (ARC)</u>	<u>Actual Contribution</u>	<u>Percentage of ARC Contributed</u>
2010	0.01%	0.01%	100%
2011	0.01%	0.01%	100%
2012	0.01%	0.01%	100%

C. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City is a participant in the Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-insurance Fund (Property –Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of individual governmental units located within Texas. The City pays an annual premium to the funds for its workers' compensation and property and liability insurance coverage. The WC Fund and Property – Liability Fund are considered self-sustaining risk pools that provide coverage for its members for up to \$2,000,000 per insured event. There were no significant reductions in insurance coverage from the previous year. Settled claims for risks have not exceeded insurance coverage for the past three years.

D. Water and Sewer Contracts

The City has separate contracts with the City of Dallas and Services ("DUS") and the Trinity River Authority of Texas ("TRA") for the purchase of treated water and for the transportation, treatment and disposal of wastewater, which the DUS agreement expires in 2039. The contracts require the City to pay varying amounts based on the costs associated with water purchased and wastewater transported and/or treated and disposed. The costs include the City's proportionate share of TRA's operating and maintenance expenses, related debt service costs, plus certain other miscellaneous charges.

Payments during 2012 for the purchase of treated water from DUS were \$612,566 and payments made for the transportation, treatment, and disposal of wastewater by TRA were \$1,640,161. If the City were unable to fulfill its obligations under the contracts, the only liability for future payment would be its proportionate share of debt service requirements. In addition, the City does not retain an ongoing financial interest in TRA and has no representation on the TRA Board; therefore, the TRA contracts are not considered to be joint venture agreements.

(continued)

III. OTHER INFORMATION (Continued)

E. Contingencies

The City is a defendant in several pending lawsuits. City management estimates, based on the advice of legal counsel, that the potential claims against the City, in excess of insurance coverage, would not materially affect the basic financial statements of the City. The City participates in a number of federal and state grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any programs are subject to program compliance audits by the grantors of their representatives. Any liability that may arise as the result of these audits is not believed to be estimable or probable.

F. Reclassification of Funds

In the prior year, the City classified municipal court technology, municipal court security, 911 wireless and police seizure activity with the General Fund. As of October 1, 2011, the City began to present each of these activities in a separate fund. The following includes the restatement of beginning fund balance as a result of this reclassification.

	<u>General</u>	<u>Nonmajor Governmental</u>
Prior year ending fund balance as reported	\$ 1,399,646	\$ -
Reclassification of funds	<u>(196,564)</u>	<u>196,564</u>
Restated beginning fund balance	<u>\$ 1,203,082</u>	<u>\$ 196,564</u>

**REQUIRED
SUPPLEMENTARY INFORMATION**

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CITY OF GLENN HEIGHTS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 2,584,582	\$ 2,584,582	\$ 2,533,109	\$(51,473)
Franchise	366,000	366,000	371,361	5,361
Sales and use	346,000	346,000	370,598	24,598
Licenses and permits	139,800	139,800	105,502	(34,298)
Fines and forfeitures	455,000	455,000	370,905	(84,095)
Charge for services	117,700	112,700	101,330	(11,370)
Intergovernmental	19,000	19,000	13,000	(6,000)
Interest	3,000	3,000	7,181	4,181
Other	61,900	61,900	53,761	(8,139)
Total revenues	<u>4,092,982</u>	<u>4,087,982</u>	<u>3,926,747</u>	<u>(161,235)</u>
EXPENDITURES				
Current:				
General government	1,115,248	1,040,549	1,015,733	24,816
Public safety	2,789,472	2,847,752	2,602,744	245,008
Development services	510,089	514,489	454,939	59,550
Parks and recreation	181,257	180,104	176,094	4,010
Economic development	127,437	128,518	100,897	27,621
Capital outlay	155,864	218,365	227,581	(9,216)
Debt service:				
Principal	109,745	118,893	118,893	-
Interest and other charges	9,631	9,631	9,631	-
Total expenditures	<u>4,998,743</u>	<u>5,058,301</u>	<u>4,706,512</u>	<u>351,789</u>
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES				
	<u>(905,761)</u>	<u>(970,319)</u>	<u>(779,765)</u>	<u>190,554</u>
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	-	-	8,275	8,275
Issuance of capital lease	149,364	176,167	175,592	(575)
Transfers in	532,632	532,632	700,860	168,228
Transfers out	<u>(9,418)</u>	<u>(9,418)</u>	<u>(8,446)</u>	<u>972</u>
Total other financing sources (uses)	<u>672,578</u>	<u>699,381</u>	<u>876,281</u>	<u>176,900</u>
NET CHANGE IN FUND BALANCE	<u>(233,183)</u>	<u>(270,938)</u>	<u>96,516</u>	<u>367,454</u>
FUND BALANCE, BEGINNING	<u>1,203,082</u>	<u>1,203,082</u>	<u>1,203,082</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 969,899</u>	<u>\$ 932,144</u>	<u>\$ 1,299,598</u>	<u>\$ 367,454</u>

The accompanying notes are an integral part of these financial statements.

CITY OF GLENN HEIGHTS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR TMRS
SEPTEMBER 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/11	\$ 5,460,760	\$ 5,243,886	\$(216,874)	104.14%	\$ 2,979,137	(7.28%)
12/31/10	4,982,586	4,883,670	(98,916)	102.03%	2,935,047	(3.37%)
12/31/09	3,533,695	3,670,256	136,561	96.28%	2,849,642	4.79%

CITY OF GLENN HEIGHTS, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2012

Budgetary Information

Annual operating budgets are adopted on a modified accrual basis (GAAP basis) for the General Fund, Municipal Court Technology Fund, Municipal Court Security Fund, 911 Wireless Fund, Grants Fund, and Debt Service Fund. The legal level of budgetary control is the fund. All annual appropriations lapse at fiscal year-end. Budgetary appropriations for the Capital Projects Funds are adopted on an individual project basis and extend through project completion.

The City follows these procedures in establishing the annually operating budgets reflected in the financial statements.

1. Prior to August 1, the City Manager prepares a proposed annual operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The annual operating budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year to which it applies, which can be amended by the Council.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. At year-end, encumbrances are canceled or re-appropriated as part of the following year budget.

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The *Special Revenue Funds* are used to account for specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Municipal Court Technology Fund – to account for municipal court fees collected through the court to enhance existing operations through technology.

Municipal Court Security Fund – to account for municipal court fees collected through the court to provide for various municipal court security features.

911 Wireless Fund – to account for 911 wireless revenue collected to enhance the 911 network within the City.

Police-Seizure Fund – accounts for the revenue and expenditures related to the award of monies or property by the courts or federal government to the police department. The funds are expended for specified police department purposes.

Grants Fund – accounts for the revenue and expenditures related to various state and federal grants.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities.

Park Development Fund – to account for the acquisition of capital assets or construction of major capital projects being financed by park development fees.

Street Impact Fee Fund – to account for the acquisition of capital assets or construction of major capital projects being financed by street impact fees.

CITY OF GLENN HEIGHTS, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2012

	Special Revenue Funds			
	Municipal Court Technology	Municipal Court Security	911 Wireless	Police Seizure
ASSETS				
Cash and cash equivalents	\$ 10,508	\$ 23,591	\$ 198,251	\$ 3,009
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
Prepaid items	<u>554</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 11,062</u>	<u>\$ 23,591</u>	<u>\$ 198,251</u>	<u>\$ 3,009</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 306	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>306</u>	<u>-</u>
Fund balances:				
Nonspendable - prepaid items	554	-	-	-
Restricted for:				
Street improvements	-	-	-	-
Public safety	10,508	23,591	197,945	3,009
Park improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>11,062</u>	<u>23,591</u>	<u>197,945</u>	<u>3,009</u>
Total liabilities and fund balances	<u>\$ 11,062</u>	<u>\$ 23,591</u>	<u>\$ 198,251</u>	<u>\$ 3,009</u>

<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>		<u>Total Nonmajor Governmental</u>
<u>Grants</u>	<u>Park Development</u>	<u>Street Impact Fee</u>	
\$ -	\$ 248,037	\$ 400	\$ 483,796
22,827	-	-	22,827
-	-	215,706	215,706
<u>-</u>	<u>-</u>	<u>-</u>	<u>554</u>
<u>\$ 22,827</u>	<u>\$ 248,037</u>	<u>\$ 216,106</u>	<u>\$ 722,883</u>
\$ 4,625	\$ -	\$ -	\$ 4,931
2,300	-	-	2,300
1,664	-	-	1,664
<u>14,238</u>	<u>51,335</u>	<u>-</u>	<u>65,573</u>
<u>22,827</u>	<u>51,335</u>	<u>-</u>	<u>74,468</u>
-	-	-	554
-	-	216,106	216,106
-	-	-	235,053
<u>-</u>	<u>196,702</u>	<u>-</u>	<u>196,702</u>
<u>-</u>	<u>196,702</u>	<u>216,106</u>	<u>648,415</u>
<u>\$ 22,827</u>	<u>\$ 248,037</u>	<u>\$ 216,106</u>	<u>\$ 722,883</u>

CITY OF GLENN HEIGHTS, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Special Revenue Funds			
	Municipal Court Technology	Municipal Court Security	911 Wireless	Police Seizure
REVENUES				
Fines and forfeitures	\$ 9,574	\$ 6,241	\$ -	\$ -
Charges for services	-	-	75,264	-
Intergovernmental	-	-	-	-
Impact fees	-	-	-	-
Interest	<u>18</u>	<u>26</u>	<u>177</u>	<u>4</u>
Total revenues	<u>9,592</u>	<u>6,267</u>	<u>75,441</u>	<u>4</u>
EXPENDITURES				
Current:				
Public safety	11,789	5,614	-	750
Development services	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	5,603	-	-	-
Interest and other charges	<u>1,040</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>18,432</u>	<u>5,614</u>	<u>-</u>	<u>750</u>
EXCESS (DEFICIENCY) OF REVENUES (OVER) UNDER EXPENDITURES	<u>(8,840)</u>	<u>653</u>	<u>75,441</u>	<u>(746)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>(27,465)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(27,465)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(8,840)</u>	<u>653</u>	<u>47,976</u>	<u>(746)</u>
FUND BALANCES, BEGINNING	<u>19,902</u>	<u>22,938</u>	<u>149,969</u>	<u>3,755</u>
FUND BALANCES, ENDING	<u>\$ 11,062</u>	<u>\$ 23,591</u>	<u>\$ 197,945</u>	<u>\$ 3,009</u>

Special Revenue Funds	Capital Projects Funds		Total Nonmajor Governmental
Grants	Park Development	Street Impact Fee	
\$ -	\$ -	\$ -	\$ 15,815
-	12,978	-	88,242
260,861	-	-	260,861
-	-	26,933	26,933
<u>-</u>	<u>574</u>	<u>1</u>	<u>800</u>
<u>260,861</u>	<u>13,552</u>	<u>26,934</u>	<u>392,651</u>
269,307	-	-	287,460
-	-	1,490	1,490
-	4,500	7,523	12,023
-	-	-	5,603
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,040</u>
<u>269,307</u>	<u>4,500</u>	<u>9,013</u>	<u>307,616</u>
(8,446)	9,052	17,921	85,035
8,446	-	6,954	15,400
<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,465)</u>
<u>8,446</u>	<u>-</u>	<u>6,954</u>	<u>(12,065)</u>
-	9,052	24,875	72,970
<u>-</u>	<u>187,650</u>	<u>191,231</u>	<u>575,445</u>
<u>\$ -</u>	<u>\$ 196,702</u>	<u>\$ 216,106</u>	<u>\$ 648,415</u>

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INDIVIDUAL FUND SCHEDULES

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CITY OF GLENN HEIGHTS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget - Positive (Negative)
REVENUES				
Property taxes	\$ 657,697	\$ 657,697	\$ 652,905	\$(4,792)
Interest	<u>500</u>	<u>500</u>	<u>85</u>	<u>(415)</u>
Total revenues	<u>658,197</u>	<u>658,197</u>	<u>652,990</u>	<u>(5,207)</u>
EXPENDITURES				
Debt service:				
Principal	285,000	285,000	285,000	-
Interest and other charges	<u>172,349</u>	<u>172,349</u>	<u>171,711</u>	<u>638</u>
Total expenditures	<u>457,349</u>	<u>457,349</u>	<u>456,711</u>	<u>638</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>200,848</u>	<u>200,848</u>	<u>196,279</u>	<u>(4,569)</u>
OTHER FINANCING SOURCES (USES)				
Transfer out	<u>(195,950)</u>	<u>(195,950)</u>	<u>(195,950)</u>	<u>-</u>
Total other financing sources (uses)	<u>(195,950)</u>	<u>(195,950)</u>	<u>(195,950)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	4,898	4,898	329	(4,569)
FUND BALANCE, BEGINNING	<u>290,457</u>	<u>290,457</u>	<u>290,457</u>	<u>-</u>
FUND BALANCE, ENDING	<u><u>\$ 295,355</u></u>	<u><u>\$ 295,355</u></u>	<u><u>\$ 290,786</u></u>	<u><u>\$(4,569)</u></u>

CITY OF GLENN HEIGHTS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

MUNICIPAL COURT TECHNOLOGY

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget - Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 8,500	\$ 8,500	\$ 9,574	\$ 1,074
Interest	<u>-</u>	<u>-</u>	<u>18</u>	<u>18</u>
Total revenues	<u>8,500</u>	<u>8,500</u>	<u>9,592</u>	<u>1,092</u>
EXPENDITURES				
Current:				
Public safety	9,613	9,613	11,789	(2,176)
Debt service:				
Principal	5,603	5,603	5,603	-
Interest and other charges	<u>1,040</u>	<u>1,040</u>	<u>1,040</u>	<u>-</u>
Total expenditures	<u>16,256</u>	<u>16,256</u>	<u>18,432</u>	<u>(2,176)</u>
NET CHANGE IN FUND BALANCE	(7,756)	(7,756)	(8,840)	(1,084)
FUND BALANCE, BEGINNING	<u>19,902</u>	<u>19,902</u>	<u>19,902</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 12,146</u>	<u>\$ 12,146</u>	<u>\$ 11,062</u>	<u>\$(1,084)</u>

CITY OF GLENN HEIGHTS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

MUNICIPAL COURT SECURITY

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget - Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 7,500	\$ 7,500	\$ 6,241	\$(1,259)
Interest	<u>-</u>	<u>-</u>	<u>26</u>	<u>26</u>
Total revenues	<u>7,500</u>	<u>7,500</u>	<u>6,267</u>	<u>(1,233)</u>
EXPENDITURES				
Current:				
Public safety	<u>24,164</u>	<u>24,164</u>	<u>5,614</u>	<u>18,550</u>
Total expenditures	<u>24,164</u>	<u>24,164</u>	<u>5,614</u>	<u>18,550</u>
NET CHANGE IN FUND BALANCE	(16,664)	(16,664)	653	17,317
FUND BALANCE, BEGINNING	<u>22,938</u>	<u>22,938</u>	<u>22,938</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 6,274</u>	<u>\$ 6,274</u>	<u>\$ 23,591</u>	<u>\$ 17,317</u>

CITY OF GLENN HEIGHTS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

911 WIRELESS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ 40,000	\$ 40,000	\$ 75,264	\$ 35,264
Interest	<u>-</u>	<u>-</u>	<u>177</u>	<u>177</u>
Total revenues	<u>40,000</u>	<u>40,000</u>	<u>75,441</u>	<u>35,441</u>
EXPENDITURES				
Current:				
Public safety	<u>40,000</u>	<u>40,000</u>	<u>-</u>	<u>40,000</u>
Total expenditures	<u>40,000</u>	<u>40,000</u>	<u>-</u>	<u>40,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>75,441</u>	<u>75,441</u>
OTHER FINANCING SOURCES (USES)				
Transfer out	<u>(7,000)</u>	<u>(7,000)</u>	<u>(27,465)</u>	<u>(20,465)</u>
Total other financing sources (uses)	<u>(7,000)</u>	<u>(7,000)</u>	<u>(27,465)</u>	<u>(20,465)</u>
NET CHANGE IN FUND BALANCE	<u>(7,000)</u>	<u>(7,000)</u>	47,976	54,976
FUND BALANCE, BEGINNING	<u>149,969</u>	<u>149,969</u>	<u>149,969</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 142,969</u>	<u>\$ 142,969</u>	<u>\$ 197,945</u>	<u>\$ 54,976</u>

CITY OF GLENN HEIGHTS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

GRANTS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ 252,174	\$ 252,174	\$ 260,861	\$ 8,687
Total revenues	<u>252,174</u>	<u>252,174</u>	<u>260,861</u>	<u>8,687</u>
EXPENDITURES				
Current:				
Public safety	<u>261,592</u>	<u>261,592</u>	<u>269,307</u>	<u>(7,715)</u>
Total expenditures	<u>261,592</u>	<u>261,592</u>	<u>269,307</u>	<u>(7,715)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(9,418)</u>	<u>(9,418)</u>	<u>(8,446)</u>	<u>972</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	<u>9,418</u>	<u>9,418</u>	<u>8,446</u>	<u>(972)</u>
Total other financing sources (uses)	<u>9,418</u>	<u>9,418</u>	<u>8,446</u>	<u>(972)</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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STATISTICAL SECTION

(Unaudited)

This part of City of Glenn Heights, Texas' comprehensive annual financial report presents detailed information as a context for understanding the information available in the financial statements, note disclosures, and required supplementary information and for assessing the City's overall financial health.

Contents	Page
Financial Trends	56 – 66
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	67 – 70
These schedules contain trend information to help the reader assess the City's most significant local revenue resources, the property tax and water and sewer revenues.	
Debt Capacity	71 – 74
Information presented in these schedules is to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	75 – 77
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	78 – 80
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services and activities performed by the City.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF GLENN HEIGHTS, TEXAS

NET ASSETS BY COMPONENT

LAST NINE FISCAL YEARS

(accrual basis of accounting)

	Fiscal Year		
	2004	2005	2006
Governmental activities:			
Invested in capital assets, net of related debt	\$ 343,060	\$ 400,712	\$ 556,500
Restricted	-	-	2,830,291
Unrestricted	<u>1,197,864</u>	<u>1,418,240</u>	<u>(1,283,857)</u>
Total governmental activities net assets	<u>\$ 1,540,924</u>	<u>\$ 1,818,952</u>	<u>\$ 2,102,934</u>
Business-type activities:			
Invested in capital assets, net of related debt	\$ 7,076,788	\$ 7,095,083	\$ 7,294,045
Restricted	1,133,864	1,980,886	2,310,670
Unrestricted	<u>899,685</u>	<u>1,107,200</u>	<u>777,620</u>
Total business-type activities net assets	<u>\$ 9,110,337</u>	<u>\$ 10,183,169</u>	<u>\$ 10,382,335</u>
Primary government:			
Invested in capital assets, net of related debt	\$ 7,419,848	\$ 7,495,795	\$ 7,850,545
Restricted	1,133,864	1,980,886	5,140,961
Unrestricted	<u>2,097,549</u>	<u>2,525,440</u>	<u>(506,237)</u>
Total primary government net assets	<u>\$ 10,651,261</u>	<u>\$ 12,002,121</u>	<u>\$ 12,485,269</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

TABLE 1

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 390,564	\$ 517,255	\$ 507,320	\$ 777,007	\$ 3,019,534	\$ 3,101,367
2,398,086	4,771,034	4,405,139	4,152,298	841,581	911,058
(552,473)	(1,999,219)	(1,654,521)	(1,383,267)	1,506,647	1,513,501
<u>\$ 2,236,177</u>	<u>\$ 3,289,070</u>	<u>\$ 3,257,938</u>	<u>\$ 3,546,038</u>	<u>\$ 5,367,762</u>	<u>\$ 5,525,926</u>
\$ 7,810,544	\$ 7,864,160	\$ 7,957,585	\$ 7,812,387	\$ 7,876,598	\$ 8,011,639
1,305,567	-	-	-	684,813	561,058
551,394	335,206	575,731	260,857	1,117,324	1,613,419
<u>\$ 9,667,505</u>	<u>\$ 8,199,366</u>	<u>\$ 8,533,316</u>	<u>\$ 8,073,244</u>	<u>\$ 9,678,735</u>	<u>\$ 10,186,116</u>
\$ 8,201,108	\$ 8,381,415	\$ 8,464,905	\$ 8,589,394	\$ 10,896,132	\$ 11,113,006
3,703,653	4,771,034	4,405,139	4,152,298	1,526,394	1,472,116
(1,079)	(1,664,013)	(1,078,790)	(1,122,410)	2,623,971	3,126,920
<u>\$ 11,903,682</u>	<u>\$ 11,488,436</u>	<u>\$ 11,791,254</u>	<u>\$ 11,619,282</u>	<u>\$ 15,046,497</u>	<u>\$ 15,712,042</u>

CITY OF GLENN HEIGHTS, TEXAS

CHANGES IN NET ASSETS

LAST NINE FISCAL YEARS

(accrual basis of accounting)

	Fiscal Year		
	2004	2005	2006
EXPENSES			
Governmental activities:			
General government	\$ 1,531,340	\$ 1,739,131	\$ 1,345,624
Public safety	1,669,352	1,633,635	1,759,196
Development services	213,485	229,172	474,440
Parks and recreation	10,988	48,685	72,682
Economic development	-	-	-
Interest and other	49,576	44,491	127,130
Total governmental activities expenses	<u>3,474,741</u>	<u>3,695,114</u>	<u>3,779,072</u>
Business-type activities:			
Water and sewer	2,779,549	2,981,717	3,747,199
Drainage	-	-	-
Total business-type activities expenses	<u>2,779,549</u>	<u>2,981,717</u>	<u>3,747,199</u>
Total primary government program expenses	<u>\$ 6,254,290</u>	<u>\$ 6,676,831</u>	<u>\$ 7,526,271</u>
PROGRAM REVENUES			
Governmental activities:			
Charges for services:			
General government	\$ 684,273	\$ 667,527	\$ 304,684
Public safety	505,071	414,985	504,991
Development services	-	-	-
Parks and recreation	-	-	-
Economic development	-	-	-
Operating grants and contributions	150,378	16,487	55,335
Capital grants and contributions	166,200	168,336	123,321
Total governmental activities program revenues	<u>1,505,922</u>	<u>1,267,335</u>	<u>988,331</u>
Business-type activities:			
Charges for services:			
Water and sewer	3,796,591	4,106,118	4,187,327
Drainage	-	-	-
Capital grants and contributions	-	135,528	-
Total business-type activities program revenues	<u>3,796,591</u>	<u>4,241,646</u>	<u>4,187,327</u>
Total primary government program revenues	<u>\$ 5,302,513</u>	<u>\$ 5,508,981</u>	<u>\$ 5,175,658</u>

TABLE 2

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 1,388,074	\$ 1,296,369	\$ 1,502,474	\$ 1,258,541	\$ 1,136,770	\$ 1,014,655
1,797,862	2,209,801	2,538,381	2,704,675	2,910,502	3,059,521
1,725,213	822,832	531,970	863,457	478,843	611,556
75,209	120,652	22,648	195,540	259,338	268,638
-	-	-	-	34,966	100,897
<u>136,848</u>	<u>153,125</u>	<u>232,764</u>	<u>205,557</u>	<u>207,118</u>	<u>188,226</u>
<u>5,123,206</u>	<u>4,602,779</u>	<u>4,828,237</u>	<u>5,227,770</u>	<u>5,027,537</u>	<u>5,243,493</u>
3,497,511	3,884,636	3,542,027	3,864,798	4,048,691	4,077,224
-	-	-	-	152,964	137,246
<u>3,497,511</u>	<u>3,884,636</u>	<u>3,542,027</u>	<u>3,864,798</u>	<u>4,201,655</u>	<u>4,214,470</u>
<u>\$ 8,620,717</u>	<u>\$ 8,487,415</u>	<u>\$ 8,370,264</u>	<u>\$ 9,092,568</u>	<u>\$ 9,229,192</u>	<u>\$ 9,457,963</u>
\$ 216,456	\$ 497,349	\$ 150,926	\$ 271,052	\$ 154,948	\$ 147,104
391,834	97,959	465,020	455,701	764,189	496,191
-	275,961	357,155	182,009	152,957	111,229
-	31,032	72,454	34,162	-	-
-	-	-	-	12,743	19,390
2,650	-	-	98,593	115,774	275,541
<u>272,691</u>	<u>54,000</u>	<u>-</u>	<u>177,120</u>	<u>1,910,756</u>	<u>104,799</u>
<u>883,631</u>	<u>956,301</u>	<u>1,045,555</u>	<u>1,218,637</u>	<u>3,111,367</u>	<u>1,154,254</u>
3,605,582	3,616,322	4,030,147	4,022,536	4,868,627	4,650,370
-	-	-	-	248,126	248,790
<u>210,673</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,981</u>	<u>174,407</u>
<u>3,816,255</u>	<u>3,616,322</u>	<u>4,030,147</u>	<u>4,022,536</u>	<u>5,254,734</u>	<u>5,073,567</u>
<u>\$ 4,699,886</u>	<u>\$ 4,572,623</u>	<u>\$ 5,075,702</u>	<u>\$ 5,241,173</u>	<u>\$ 8,366,101</u>	<u>\$ 6,227,821</u>

(continued)

CITY OF GLENN HEIGHTS, TEXAS

**CHANGES IN NET ASSETS
(Continued)
LAST NINE FISCAL YEARS**

	Fiscal Year		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
NET (EXPENSE) REVENUES			
Governmental activities	\$(1,968,819)	\$(2,427,779)	\$(2,790,741)
Business-type activities	<u>1,017,042</u>	<u>1,259,929</u>	<u>440,128</u>
Total primary government net expense	<u>(951,777)</u>	<u>(1,167,850)</u>	<u>(2,350,613)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS			
Governmental activities:			
Taxes			
Property	1,632,545	1,844,789	2,117,724
Franchise	211,275	209,035	259,258
Sales and use	222,418	174,126	240,729
Interest	2,789	8,386	40,764
Miscellaneous	54,334	64,638	71,421
Casualty loss on equipment	-	-	-
Transfers	<u>277,103</u>	<u>404,833</u>	<u>344,827</u>
Total governmental activities	<u>2,400,464</u>	<u>2,705,807</u>	<u>3,074,723</u>
Business-type activities:			
Interest	12,361	30,645	69,746
Miscellaneous	40,440	187,091	34,119
Transfers	<u>(277,103)</u>	<u>(404,833)</u>	<u>(344,827)</u>
Total business-type activities	<u>(224,302)</u>	<u>(187,097)</u>	<u>(240,962)</u>
Total primary government	<u>2,176,162</u>	<u>2,518,710</u>	<u>2,833,761</u>
CHANGE IN NET ASSETS			
Governmental activities	431,645	278,028	283,982
Business-type activities	<u>792,740</u>	<u>1,072,832</u>	<u>199,166</u>
Total primary government	<u>\$ 1,224,385</u>	<u>\$ 1,350,860</u>	<u>\$ 483,148</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

TABLE 2

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$(4,239,575)	\$(3,646,478)	\$(3,782,682)	\$(4,009,133)	\$(1,916,170)	\$(4,089,239)
<u>318,744</u>	<u>(268,314)</u>	<u>488,120</u>	<u>157,738</u>	<u>1,053,079</u>	<u>859,097</u>
<u>(3,920,831)</u>	<u>(3,914,792)</u>	<u>(3,294,562)</u>	<u>(3,851,395)</u>	<u>(863,091)</u>	<u>(3,230,142)</u>
2,551,558	2,837,191	2,983,953	3,065,690	3,255,045	3,113,736
271,848	306,367	325,120	341,930	417,009	371,361
267,720	241,445	230,557	241,531	353,784	370,598
93,112	97,880	52,966	28,717	11,681	10,017
76,951	-	-	-	32,902	26,087
(6,848)	-	-	-	-	-
<u>1,118,477</u>	<u>(89,079)</u>	<u>158,954</u>	<u>619,365</u>	<u>562,512</u>	<u>355,604</u>
<u>4,372,818</u>	<u>3,393,804</u>	<u>3,751,550</u>	<u>4,297,233</u>	<u>4,632,933</u>	<u>4,247,403</u>
76,067	16,663	4,784	1,555	7,879	3,888
8,836	-	-	-	-	-
<u>(1,118,477)</u>	<u>89,079</u>	<u>(158,954)</u>	<u>(619,365)</u>	<u>(562,512)</u>	<u>(355,604)</u>
<u>(1,033,574)</u>	<u>105,742</u>	<u>(154,170)</u>	<u>(617,810)</u>	<u>(554,633)</u>	<u>(351,716)</u>
<u>3,339,244</u>	<u>3,499,546</u>	<u>3,597,380</u>	<u>3,679,423</u>	<u>4,078,300</u>	<u>3,895,687</u>
133,243	(252,674)	(31,132)	288,100	2,716,763	158,164
<u>(714,830)</u>	<u>(162,572)</u>	<u>333,950</u>	<u>(460,072)</u>	<u>498,446</u>	<u>507,381</u>
<u>\$(581,587)</u>	<u>\$(415,246)</u>	<u>\$ 302,818</u>	<u>\$(171,972)</u>	<u>\$ 3,215,209</u>	<u>\$ 665,545</u>

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TABLE 3

CITY OF GLENN HEIGHTS, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund										
Reserved:										
Prepaid expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 216	\$ -	\$ -	\$ -	\$ -
Unreserved, designated for:										
Construction	632,395	809,173	840,039	1,131,955	3,803,796	1,113,269	1,095,345	1,107,017	-	-
Nonspendable	-	-	-	-	-	-	-	-	50,545	66,264
Restricted	-	-	-	-	-	-	-	-	196,564	-
Committed	-	-	-	-	-	-	-	-	-	83,000
Unassigned	-	-	-	-	-	-	-	-	1,152,537	1,150,334
Total general fund	<u>\$ 632,395</u>	<u>\$ 809,173</u>	<u>\$ 840,039</u>	<u>\$ 1,131,955</u>	<u>\$ 3,803,796</u>	<u>\$ 1,113,485</u>	<u>\$ 1,095,345</u>	<u>\$ 1,107,017</u>	<u>\$ 1,399,646</u>	<u>\$ 1,299,598</u>
All other governmental funds										
Reserved:										
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,465	\$ 42,648	\$ 159,014	\$ -	\$ -
Special revenue funds	-	-	-	-	-	-	59,935	124,927	-	-
Unreserved, reported in:										
Special revenue funds	68,407	235,384	406,515	451,930	331,553	241,842	286,302	238,506	-	-
Capital projects funds	-	-	-	-	2,066,533	4,489,727	4,043,171	3,635,068	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	554
Restricted	-	-	-	-	-	-	-	-	1,986,551	2,129,016
Total all other governmental funds	<u>\$ 68,407</u>	<u>\$ 235,384</u>	<u>\$ 406,515</u>	<u>\$ 451,930</u>	<u>\$ 2,398,086</u>	<u>\$ 4,771,034</u>	<u>\$ 4,432,056</u>	<u>\$ 4,157,515</u>	<u>\$ 1,986,551</u>	<u>\$ 2,129,570</u>

Note: In fiscal year 2011 the City implemented GASB 54.

CITY OF GLENN HEIGHTS, TEXAS
CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
REVENUES				
Taxes:				
Property	\$ 1,530,286	\$ 1,637,312	\$ 1,827,781	\$ 2,115,175
Franchise	203,947	211,275	209,035	259,258
Sales and use	182,906	222,418	174,126	240,729
Licenses and permits	120,389	236,930	260,449	233,551
Fines and forfeitures	190,419	426,441	337,764	422,937
Charges for services	-	350,249	412,967	78,409
Park fees	68,363	166,200	168,336	123,321
Donations	-	-	-	-
Intergovernmental	46,021	-	-	-
Impact fees	-	-	-	-
Interest	-	2,789	8,386	40,764
Other	166,930	380,983	152,206	201,534
Total revenues	<u>2,509,261</u>	<u>3,634,597</u>	<u>3,551,050</u>	<u>3,715,678</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Development services	-	-	-	-
Administration	259,518	383,492	424,526	403,018
City manager	98,441	159,186	159,080	121,730
Finance	73,288	82,106	75,098	80,712
City secretary/tax office	83,859	85,158	123,296	109,067
Public works	193,210	205,208	200,552	322,307
Police	819,492	1,043,750	1,081,419	1,178,736
Human resources	62,941	67,172	84,400	79,212
Municipal court	59,541	89,921	104,822	109,424
Fire	376,407	478,229	431,742	442,572
Code enforcement	73,834	64,492	60,140	60,874
Warehouse/shop	47,264	69,408	70,497	65,323
Parks and recreation	10,587	10,711	41,313	53,069
Animal control	48,352	52,264	47,422	44,764
Planning	9,931	76,101	76,883	70,170
Economic development	-	90,025	39,117	58,889
Sanitation	2,730	276,139	343,408	-
Building inspection	-	21,452	101,660	103,464
Community development	-	-	-	-
Capital outlay	857,196	175,871	143,301	437,129
Debt service	-	-	-	-
Principal retirement	109,495	168,712	121,537	128,348
Interest and service charges	23,286	48,996	45,612	72,083
Total expenditures	<u>3,209,372</u>	<u>3,648,393</u>	<u>3,775,825</u>	<u>3,940,891</u>

TABLE 4

Fiscal Year						
2007	2008	2009	2010	2011	2012	
\$ 2,528,489	\$ 2,828,754	\$ 2,986,439	\$ 3,069,758	\$ 3,247,283	\$ 3,186,014	
271,848	306,367	325,120	341,930	417,009	371,361	
267,720	241,445	230,557	241,531	353,784	370,598	
170,578	84,896	154,923	182,009	140,104	105,502	
286,463	322,636	346,149	455,701	468,811	386,720	
77,873	127,966	111,590	139,586	235,975	189,572	
67,396	31,032	56,760	34,162	-	-	
-	-	-	151	-	-	
-	97,880	-	133,593	135,688	273,861	
-	191,066	201,320	142,120	43,808	26,933	
93,112	55,929	52,966	28,717	11,681	10,017	
372,328	142,776	174,813	131,309	65,864	53,761	
<u>4,135,807</u>	<u>4,430,747</u>	<u>4,640,637</u>	<u>4,900,567</u>	<u>5,120,007</u>	<u>4,974,339</u>	
-	-	-	-	1,123,343	1,015,733	
-	-	-	-	2,822,704	2,890,204	
-	-	-	-	460,437	456,429	
322,498	466,690	412,869	385,369	-	-	
101,359	147,387	312,058	365,166	-	-	
97,055	151,421	163,940	166,811	-	-	
116,527	110,067	121,119	127,055	-	-	
326,055	669,369	462,293	430,239	-	-	
1,133,652	1,306,039	1,672,701	1,799,688	-	-	
80,313	111,058	-	-	-	-	
119,710	144,106	160,249	173,629	-	-	
560,813	680,325	740,191	789,274	-	-	
70,235	73,527	-	-	-	-	
74,348	-	-	-	-	-	
64,185	100,209	22,648	128,822	188,164	176,094	
44,119	62,984	-	-	-	-	
70,850	82,996	271,495	296,207	-	-	
91,997	67,726	33,506	120,937	34,966	100,897	
-	-	-	-	-	-	
101,689	63,093	-	-	-	-	
9,452	73,813	-	-	-	-	
1,715,476	1,074,940	286,292	614,076	1,357,640	239,604	
168,157	257,541	305,311	346,580	355,221	409,496	
<u>184,051</u>	<u>167,546</u>	<u>237,208</u>	<u>205,606</u>	<u>202,255</u>	<u>182,382</u>	
<u>5,452,541</u>	<u>5,810,837</u>	<u>5,201,880</u>	<u>5,949,459</u>	<u>6,544,730</u>	<u>5,470,839</u>	

(continued)

CITY OF GLENN HEIGHTS, TEXAS

**CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
(Continued)
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)**

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ <u>(700,111)</u>	\$ <u>(13,796)</u>	\$ <u>(224,775)</u>	\$ <u>(225,213)</u>
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	-	-	-	-
Issuance of long-term debt	750,000	-	-	2,535,000
Issuance of capital lease	-	80,448	21,939	61,078
Other financial sources (uses)	(27,760)	-	-	-
Transfers in	300,000	434,768	545,000	485,000
Transfers out	<u>(124,124)</u>	<u>(157,665)</u>	<u>(140,167)</u>	<u>(140,173)</u>
Total other financing sources (uses)	<u>898,116</u>	<u>357,551</u>	<u>426,772</u>	<u>2,940,905</u>
NET CHANGE IN FUND BALANCES	\$ <u> 198,005</u>	\$ <u> 343,755</u>	\$ <u> 201,997</u>	\$ <u> 2,715,692</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>6.0%</u>	<u>6.7%</u>	<u>4.8%</u>	<u>6.1%</u>

Note: In fiscal year 2011 the City condensed several functions into three functions for expenditures on this table.

TABLE 4

Fiscal Year					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$(1,316,734)	\$(1,380,090)	\$(561,243)	\$(1,048,892)	\$(1,424,723)	\$(496,500)
-	-	-	-	-	8,275
-	2,050,000	-	-	-	-
-	174,600	45,170	166,658	28,395	175,592
5,017	-	-	-	-	-
1,241,280	190,000	961,217	959,394	413,032	716,260
<u>(122,803)</u>	<u>(279,079)</u>	<u>(802,263)</u>	<u>(340,029)</u>	<u>-</u>	<u>(360,656)</u>
<u>1,123,494</u>	<u>2,135,521</u>	<u>204,124</u>	<u>786,023</u>	<u>441,427</u>	<u>539,471</u>
<u>\$(193,240)</u>	<u>\$ 755,431</u>	<u>\$(357,119)</u>	<u>\$(262,869)</u>	<u>\$(983,296)</u>	<u>\$ 42,971</u>
<u>10.4%</u>	<u>9.9%</u>	<u>12.4%</u>	<u>11.5%</u>	<u>10.7%</u>	<u>11.3%</u>

TABLE 5

CITY OF GLENN HEIGHTS, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

<u>Tax Year</u>	<u>Fiscal Year-end</u>	<u>Real Property Residential</u>	<u>Real Property Commercial</u>	<u>Real and Tangible Personal Utilities</u>	<u>Tangible Personal Property</u>	<u>Inventory</u>	<u>Less: Exempt Property</u>	<u>Total</u>	<u>Total Direct Tax Rate</u>
2002	2003	\$ 199,672,160	\$ 22,775,450	\$ 4,356,950	\$ 7,305,160	\$ 111,670	\$(19,034,335)	\$ 215,187,055	\$ 0.70990
2003	2004	218,696,020	22,490,100	5,701,230	7,016,920	78,270	(21,266,400)	232,716,140	0.69576
2004	2005	264,707,710	14,995,880	5,548,600	6,501,790	67,380	(11,057,211)	280,764,149	0.65310
2005	2006	310,430,000	15,444,090	6,531,820	6,069,520	186,810	(15,440,577)	323,221,663	0.65310
2006	2007	364,479,481	15,366,320	6,215,700	5,728,300	106,130	(20,506,879)	371,389,052	0.69617
2007	2008	395,338,890	18,686,230	8,816,270	5,126,650	30,800	(20,971,040)	407,027,800	0.68404
2008	2009	407,869,663	18,051,850	13,110,380	9,559,826	33,710	(24,863,741)	423,761,688	0.68404
2009	2010	395,406,006	18,275,310	13,279,770	7,257,110	9,150	(25,118,616)	409,108,730	0.73932
2010	2011	385,394,092	19,071,780	12,215,220	5,294,110	2,707,890	(25,689,399)	398,993,693	0.79500
2011	2012	384,260,965	19,646,850	12,039,420	5,674,640	1,658,790	(26,600,522)	396,680,143	0.79500

Source: Dallas County and Ellis County Appraisal Districts

TABLE 6

CITY OF GLENN HEIGHTS, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS

Tax Year	Fiscal Year	City Direct Rates			Overlapping Rates							
		General	Debt Service	Total Direct	DeSoto ISD	Red Oak ISD	Ellis County	Ellis County Lateral Road	Dallas County	Dallas County Hospital District	Dallas County Community College District	Dallas County School Equalization Fund
2002	2003	0.624100	0.085800	0.709900	1.710000	1.545000	0.310170	0.041230	0.196000	0.254000	0.060000	0.005500
2003	2004	0.582410	0.113350	0.695760	1.710000	1.570000	0.314644	0.036656	0.203900	0.254000	0.077800	0.005460
2004	2005	0.559670	0.093430	0.653100	1.740000	1.640000	0.315993	0.034006	0.203900	0.254000	0.080300	0.005460
2005	2006	0.575430	0.077670	0.653100	1.790000	1.640000	0.318906	0.031093	0.213900	0.254000	0.081600	0.005300
2006	2007	0.574420	0.121750	0.696170	1.760000	1.510000	0.320491	0.029009	0.213900	0.254000	0.081000	0.005034
2007	2008	0.567470	0.116570	0.684040	1.490000	1.300000	0.364598	0.029009	0.228100	0.254000	0.080400	0.004714
2008	2009	0.567470	0.126890	0.694360	1.510000	1.500000	0.360091	0.033508	0.228100	0.254000	0.089400	0.004928
2009	2010	0.596735	0.141970	0.738705	1.490000	1.540000	0.360091	0.033508	0.228100	0.274000	0.094900	0.005212
2010	2011	0.651400	0.143600	0.795000	1.490000	1.540000	0.360091	0.033508	0.243100	0.271000	0.099230	0.010000
2011	2012	0.631400	0.163600	0.795000	1.440000	1.540000	0.380091	0.033508	0.243100	0.271000	0.099670	0.010000

Source: Dallas County and Ellis County Appraisal Districts

CITY OF GLENN HEIGHTS, TEXAS

TEN LARGEST TAXPAYERS

CURRENT YEAR AND TWO YEARS AGO

Taxpayer	2012			2010		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
ONCOR Electric Delivery	\$ 9,454,530	1	2.38%	\$ 9,528,760	1	2.33%
OSO Grande, LP	2,850,000	2	0.72%	2,500,000	2	0.61%
Town & Country Park, LTD	1,625,000	3	0.41%	1,012,230	9	0.25%
Mahs, Inc.	1,622,770	4	0.41%	1,980,000	3	0.48%
Stanford, David L. & Verla	1,520,420	5	0.38%	1,539,050	6	0.38%
Anew Properties	1,507,040	6	0.38%	1,821,750	4	0.45%
Abrams Plaza, LTD	1,493,470	7	0.38%	1,576,440	5	0.39%
BCSS, LP	1,407,090	8	0.35%	1,407,090	7	0.34%
Sullivan Builders	1,326,860	9	0.33%	-		- %
Sumeer Homes, Inc.	1,237,270	10	0.31%	-		- %
Valk, Don	-		- %	1,030,140	8	0.25%
Hi Ho RV Park, LP (Creek Road)	-		- %	938,660	10	0.23%
Total	\$ 24,044,450		6.05%	\$ 23,334,120		5.71%

Source: Dallas County and Ellis County Tax office

Note: The information from nine years ago is not available.

TABLE 8

CITY OF GLENN HEIGHTS, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year Ended	Total Tax Levy	Fiscal Year of Levy		Collections in Subsequent Years ¹	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 1,521,191	\$ 1,414,708	93.00%	\$ 100,996	\$ 1,515,704	99.64%
2004	1,620,203	1,555,395	96.00%	58,390	1,613,785	99.60%
2005	1,731,422	1,744,061	100.73%	(19,077)	1,724,984	99.63%
2006	2,117,115	2,040,883	96.40%	69,708	2,110,591	99.69%
2007	2,585,499	2,456,745	95.02%	118,358	2,575,103	99.60%
2008	2,672,863	2,658,460	99.46%	(2,584)	2,655,876	99.36%
2009	2,937,878	2,838,397	96.61%	78,964	2,917,361	99.30%
2010	3,027,427	3,018,042	99.69%	(10,493)	3,007,549	99.34%
2011	3,172,000	3,153,285	99.41%	(13,472)	3,139,813	98.99%
2012	3,144,019	3,067,748	97.57%	-	3,067,748	97.57%

Source: DeSoto Joint Tax Office, Dallas County Tax office, and City records.

¹ Collections in subsequent years includes refunds.

CITY OF GLENN HEIGHTS, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS¹

Fiscal Year	Governmental Activities			Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita ¹
	General Obligation Bonds	Certificates of Obligation	Capital Leases	General Obligation Refunding Bonds	Certificates of Obligation	Notes Payable	Capital Leases			
2003	\$ 35,000	\$ -	\$ 249,502	\$ 1,740,000	\$ 1,360,000	\$ -	\$ 57,815	\$ 3,442,317	1.10%	\$ 375
2004	-	715,000	231,238	1,650,000	1,310,000	-	24,864	3,931,102	1.12%	399
2005	-	680,000	166,639	1,520,000	1,255,000	-	27,627	3,649,266	0.93%	348
2006	-	3,175,000	139,369	1,390,000	1,200,000	-	7,622	5,911,991	N/A	563
2007	-	3,050,000	96,212	1,305,000	1,140,000	-	-	5,591,212	N/A	488
2008	-	4,925,000	188,271	1,215,000	1,080,000	-	61,519	7,469,790	N/A	641
2009	-	4,695,000	158,130	1,115,000	1,015,000	-	102,834	7,085,964	N/A	628
2010	-	4,435,000	238,208	2,025,000	-	112,685	98,248	6,909,141	0.29%	611
2011	-	4,160,000	186,382	1,865,000	-	97,514	86,132	6,395,028	0.32%	556
2012	-	3,875,000	237,478	1,715,000	-	81,591	49,965	5,959,034	N/A	508

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ See the Schedule of Demographic and Economic Statistics on page 71 for personal income and population data.

N/A Data not available at the time of this publication.

CITY OF GLENN HEIGHTS, TEXAS

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding			Percentage of Estimated Actual Taxable Value of Property ¹	Per Capita ²
	General Obligation Bonds	Certificates of Obligation	Total		
2003	\$ 35,000	\$ -	\$ 35,000	0.02%	\$ 4
2004	-	715,000	715,000	0.31%	73
2005	-	680,000	680,000	0.24%	65
2006	-	3,175,000	3,175,000	0.98%	302
2007	-	3,050,000	3,050,000	0.82%	266
2008	-	4,925,000	4,925,000	1.21%	423
2009	-	4,695,000	4,695,000	1.11%	416
2010	2,025,000	4,435,000	6,460,000	1.58%	573
2011	1,865,000	4,160,000	6,025,000	1.51%	524
2012	1,715,000	3,875,000	5,590,000	1.41%	476

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 63 for property value data.

² See the Schedule of Demographic and Economic Statistics on page 71 for personal income and population data.

CITY OF GLENN HEIGHTS, TEXAS

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

AS OF SEPTEMBER 30, 2012

Government Unit	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
DeSoto Independent School District	\$ 137,670,325	11.40%	\$ 15,694,417
Red Oak Independent School District	112,132,143	9.60%	10,764,686
Dallas County	121,605,000	0.14%	170,247
Dallas County Community College District	374,265,000	0.14%	523,971
Dallas County Hospital District	705,000,000	0.14%	987,000
Ellis County	56,541,262	1.13%	<u>638,916</u>
Subtotal overlapping debt			28,779,237
City of Glenn Heights' direct debt			<u>4,112,478</u>
Total direct and overlapping debt			<u>\$ 32,891,715</u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Glenn Heights. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: Municipal Advisory Council of Texas

¹ The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the governmental unit's taxable assessed value that is within the government's boundaries and dividing it by the governmental unit's total taxable assessed value.

CITY OF GLENN HEIGHTS, TEXAS

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

(Amounts expressed in thousands)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Annual debt requirement limit	\$ 5,365,084	\$ 5,816,238	\$ 7,019,104	\$ 8,080,542	\$ 9,284,726	\$ 10,175,695	\$ 10,594,042	\$ 9,974,529	\$ 9,974,842	\$ 9,917,004
Total net debt applicable to limit	<u>39,445</u>	<u>104,790</u>	<u>68,248</u>	<u>71,620</u>	<u>301,442</u>	<u>327,083</u>	<u>475,287</u>	<u>664,660</u>	<u>602,500</u>	<u>559,000</u>
Legal debt margin	\$ <u>5,325,639</u>	\$ <u>5,711,448</u>	\$ <u>6,950,856</u>	\$ <u>8,008,922</u>	\$ <u>8,983,284</u>	\$ <u>9,848,612</u>	\$ <u>10,118,755</u>	\$ <u>9,309,869</u>	\$ <u>9,372,342</u>	\$ <u>9,358,004</u>
Total net debt applicable to the limit as a percentage of debt limit	0.74%	1.80%	0.97%	0.89%	3.25%	3.21%	4.49%	6.66%	6.04%	5.64%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed value	\$ 396,680,143
Annual debt limit (\$2.50 per \$100 of assessed value)	9,917,004
Annual debt requirement applicable to limit:	
General obligation refunding bonds	1,715,000
Certificates of obligation	<u>3,875,000</u>
Legal debt margin	\$ <u>4,327,004</u>

TABLE 13

CITY OF GLENN HEIGHTS, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Calendar Year	Estimated Population ¹	Total Income (Amounts Expressed in Thousands)	Per Capita Personal Income ²	Median Age ³	School Enrollments ⁴		Unemployment Rate ²
					DeSoto ISD	Red Oak ISD	
2003	8,448	\$ 313,538	\$ 34,121	N/A	7,584	4,811	6.6%
2004	8,856	349,669	35,521	N/A	7,641	4,803	5.8%
2005	9,264	390,657	37,209	N/A	7,955	4,818	5.2%
2006	9,672	N/A	N/A	N/A	8,409	5,067	4.8%
2007	10,080	N/A	N/A	N/A	8,633	5,112	4.8%
2008	10,488	N/A	N/A	N/A	8,884	5,148	5.8%
2009	11,278	N/A	N/A	N/A	8,916	5,343	9.4%
2010 ³	11,278	225,898	20,030	30.91	9,045	5,389	13.2%
2011	11,330	236,407	20,550	29.80	9,165	5,494	8.3%
2012	11,734	N/A	N/A	N/A	N/A	N/A	N/A

Sources: ¹ North Texas Council of Governments unless otherwise denoted.

² Per Texas Workforce Commission, Dallas-Fort Worth - Arlington Metropolitan Statistical Area

³ U. S. Census Bureau, County and City Data Book, Dallas County, Census 2000 and 2010

⁴ The City of Glenn Heights is located in both Dallas and Ellis Counties. School children residing in Dallas County are enrolled in the DeSoto Independent School District while those residing in Ellis County are enrolled in Red Oak Independent School District. Data retrieved from Texas Education Agency.

N/A Data not available at the time of publication.

CITY OF GLENN HEIGHTS, TEXAS

PRINCIPAL EMPLOYERS IN SURROUNDING AREA

CURRENT YEAR AND ONE YEAR AGO

2012				
Employer	County	Employees	Rank	Industry
Methodist Charlton Medical Center	Dallas	1,000-2,499	N/A	Health care/social assistance
Swift Transportation	Dallas	1,000-2,499	N/A	Transportation/warehousing
Wal-Mart Super Center	Ellis	453	N/A	Retail trade
Wal-Mart Super Center	Dallas	250-499	N/A	Retail trade
Walgreen's Distribution Center	Ellis	690	N/A	Transportation/warehousing
Schnieder National	Dallas	500	N/A	Transportation/warehousing
Owens-Corning Fiberglass	Ellis	500-999	N/A	Manufacturing
Home Depot	Dallas	500-999	N/A	Transportation/warehousing
Ennis, Inc.	Ellis	85	N/A	Manufacturing
DART Container Corporation	Ellis	651	N/A	Manufacturing
2011				
Employer	County	Employees	Rank	Industry
Methodist Charlton Medical Center	Dallas	1,000-2,499	N/A	Health care/social assistance
Swift Transportation	Dallas	1,000-2,499	N/A	Transportation/warehousing
Wal-Mart Super Center	Ellis	453	N/A	Retail trade
Wal-Mart Super Center	Dallas	250-499	N/A	Retail trade
Walgreen's Distribution Center	Ellis	690	N/A	Transportation/warehousing
Schnieder National	Dallas	500	N/A	Transportation/warehousing
Owens-Corning Fiberglass	Ellis	500-999	N/A	Manufacturing
Home Depot	Dallas	500-999	N/A	Transportation/warehousing
Ennis, Inc.	Ellis	85	N/A	Manufacturing
DART Container Corporation	Ellis	651	N/A	Manufacturing

Source: North Central Texas Council of Governments

Notes: The City of Glenn Heights is located in Dallas County and Ellis County. All of the listed employers are located

Data from the period nine years prior to the current period is unavailable.

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CITY OF GLENN HEIGHTS, TEXAS

EMPLOYEES BY FUNCTION

LAST EIGHT FISCAL YEARS

Function/Program	Fiscal Year							
	2005	2006	2007	2008	2009	2010	2011	2012
Administrative services	4	4	3	4	4	4	4	4
Community services	-	1	1	1	1	1	2	2
Development services	2	2	2	4	3	3	2	3
Police	24	24	26	26	26	26	26	26
Fire	10	10	9	9	9	9	17	17
Financial services	3	3	3	3	4	4	4	2
Municipal services	<u>7</u>	<u>6</u>	<u>6</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total general fund	<u>50</u>	<u>50</u>	<u>50</u>	<u>49</u>	<u>48</u>	<u>48</u>	<u>56</u>	<u>55</u>
Utility administration	3	3	3	3	3	3	3	3
Water services	7	8	8	9	9	9	9	7
Wastewater services	4	4	4	6	6	6	6	6
Stormwater drainage	<u>4</u>	<u>4</u>	<u>4</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>1</u>	<u>1</u>
Total utility fund	<u>18</u>	<u>19</u>	<u>19</u>	<u>24</u>	<u>24</u>	<u>24</u>	<u>19</u>	<u>17</u>
Total all funds	<u>68</u>	<u>69</u>	<u>69</u>	<u>73</u>	<u>72</u>	<u>72</u>	<u>75</u>	<u>72</u>

Note: 2003 and 2004 information is not available.

Source: City of Glenn Heights' Human Resource Department

CITY OF GLENN HEIGHTS, TEXAS

OPERATING INDICATORS BY FUNCTION

LAST SEVEN FISCAL YEARS

Function/Program	Fiscal Year						
	2006	2007	2008	2009	2010	2011	2012
Community services:							
Parks and recreation:							
Total acreage maintained city parks	44	44	44	44	44	57	57
Development services:							
Planning:							
Zoning cases	4	4	28	20	17	6	5
Plats/replats	4	5	31	17	7	2	2
Development contacts	15	12	105	247	998	N/A	15
Building inspections:							
Permits issued	N/A	127	167	448	374	217	221
Inspections	N/A	762	992	1,208	1,907	1,437	1,086
Emergency services:							
Police administration:							
Administrative calls	145	200	883	879	910	917	895
Reports prepared	700	700	2,161	2,531	2,508	2,994	3,129
Community relations programs initiated	5	10	19	21	16	22	22
Fire administration:							
Fire calls	210	248	257	827	1,077	463	175
EMS calls	650	683	733	851	862	852	768
Code enforcement:							
Vehicle related violations	278	636	529	437	278	454	330
Nuisance violations	400	492	497	1,096	704	620	788
Environmental violations	8	11	22	22	63	687	60
Sign violations	435	504	802	601	396	539	771
Other ordinance violations	100	288	308	307	416	134	171
Court summons/citations	123	245	97	118	70	86	70
Animal control:							
Animals impounded	318	300	344	288	283	274	214
Animal registrations	253	108	326	264	168	137	100
Calls for service	976	648	748	1,022	762	796	602
Court summons/citations	59	84	128	108	89	71	88
Financial services:							
Finance:							
Accounts payable invoices processed	1,800	2,400	3,131	3,279	3,601	3,822	3,834
Payrolls processed	26	26	26	26	26	26	26
Annual budget document	1	1	1	1	1	1	1
Monthly financial reports	12	12	12	12	12	12	12

(continued)

CITY OF GLENN HEIGHTS, TEXAS
OPERATING INDICATORS BY FUNCTION
(Continued)
LAST SEVEN FISCAL YEARS

Function/Program	Fiscal Year						
	2006	2007	2008	2009	2010	2011	2012
Financial services: (Continued)							
Municipal court:							
New cases filed	2,533	4,558	5,090	4,452	4,829	5,493	3,309
Warrants issued	1,119	2,644	1,332	3,892	2,612	2,822	2,324
Completed cases	1,439	2,500	3,926	3,685	3,948	4,732	3,915
Warrants cleared	690	1,559	414	1,544	2,065	1,924	2,148
Utility administration:							
Customers serviced	55,200	60,816	60,000	49,292	50,159	62,739	50,780
Late notices	10,000	N/A	N/A	15,185	10,014	12,405	12,703
Cut-offs	2,000	2,400	1,819	1,483	636	1,662	494
Municipal services:							
Streets:							
Days of street paving or re-paving	15	25	25	15	33	25	26
Days of ROW maintenance	21	21	21	22	25	25	30
Days of pothole repairs	52	52	52	80	51	50	48
Wastewater services:							
Maintain lift stations (weekly checks)	52	52	52	52	52	52	52

Note: Data prior to fiscal year 2006 not available.

Source: Various City departments

CITY OF GLENN HEIGHTS, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
LAST SEVEN FISCAL YEARS

Function/Program	Fiscal Year						
	2006	2007	2008	2009	2010	2011	2012
Public safety:							
Police stations	1	1	1	1	1	1	1
Fire stations	1	1	1	1	1	1	1
Public works:							
Streets - paved (miles)	45	47	47	47	47	47	47
Parks and recreation:							
Parks	1	1	1	2	2	3	3
Playgrounds	1	1	1	2	2	2	2
Water and sewer							
Water mains (miles)	55	57	57	57	57	57	57
Overhead storage tanks	1	1	1	1	1	1	1
Ground storage tanks	3	3	3	3	3	3	3
Sanitary sewers (miles)	40	43	43	43	43	43	43
Number of lift stations	3	3	3	3	3	3	3

Note: Data prior to 2006 is not available.

Source: City departments

COMPLIANCE SECTION

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor
and City Council
City of Glenn Heights, Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Glenn Heights, Texas, as of and for the year ended September 30, 2012, which collectively comprise the City of Glenn Heights, Texas' basic financial statements and have issued our report thereon dated March 11, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Glenn Heights, Texas, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Glenn Heights, Texas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Glenn Heights, Texas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Glenn Heights, Texas' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be material weaknesses (Items 2012-01 through 2012-04).

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

The City of Glenn Heights, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the City of Glenn Heights, Texas' response and, accordingly, we express no opinion on it.

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

Pattillo, Brown & Hill, L.L.P.

March 11, 2013

CITY OF GLENN HEIGHTS, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

SEPTEMBER 30, 2012

2012-01: Employee Purchasing Cards

Criteria: Policies and procedures should be documented and implemented for employee purchasing cards. Additionally, supporting documentation for employee purchases should be available prior to approval for payment, and an employee making purchasing card payments should not be approving their own purchases for payment.

Condition: Adopted policies and procedures were not available for employee purchasing cards, and supporting documentation for a couple of purchases were not available. Also, an employee was approving their purchasing card payments.

Effect: No adopted policies and procedures and a weak internal control structure can make it possible for errors or other misrepresentations to go long periods of time without being detected.

Cause: Adopted policies and procedures were not available for employee purchasing cards, and the process for employee purchase cards is inadequate to ensure that all employee purchase card payments have proper supporting documentation.

Recommendation: Employee purchasing card policies and procedures should be adopted by the City Council and enforced by management. Additionally, supporting documentation of a purchase should be available prior to approval for payment, and an employee should not approve their own purchasing card payments for payment by the City.

Management's Response: A purchasing card policy was adopted in April 2012. Employees are no longer able to approve and request their own reimbursements and purchase orders are required.

(continued)

CITY OF GLENN HEIGHTS, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

(Continued)

SEPTEMBER 30, 2012

2012-02:

Cash Disbursements

Criteria:

An essential element of any preventative control system is to have segregation of duties established in such a manner that no single individual could perpetrate an error and conceal it without it being discovered on a timely basis.

Condition:

Cash disbursement policies and procedures are not available. Also, an accounting clerk is able to create vendors, record invoices, and prepare and mail checks to vendors.

Effect:

There is a greater risk that errors or misappropriation could go undetected for an extended period of time.

Cause:

There are inadequate controls over segregation of duties within the cash disbursement function.

Recommendation:

Cash disbursement policies and procedures should be adopted by the City Council and enforced by management. Duties within the cash disbursement process should be reviewed to ensure one individual doesn't have the ability to enter vendors and invoices into the cash disbursement system, and prepare and mail checks to vendors.

Management's

Response:

Purchasing policies were adopted in April 2012. An accounting clerk is not able to create vendors, input invoices and print checks.

(continued)

CITY OF GLENN HEIGHTS, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

(Continued)

SEPTEMBER 30, 2012

<u>2012-03:</u>	Municipal Court
<u>Criteria:</u>	An essential element of any preventative control system is to have segregation of duties established in such a manner that no single individual could perpetrate an error and conceal it without it being discovered on a timely basis.
<u>Condition:</u>	Court administrators have the ability to enter cases and modify or void a case in the system, and receive payments and create deposits. Additionally, the Judge's signature stamp is available to both of the court administrators.
<u>Effect:</u>	There is a greater risk that errors or misappropriation could go undetected for an extended period of time.
<u>Cause:</u>	There are inadequate controls over segregation of duties within the municipal court function.
<u>Recommendation:</u>	Management needs to segregate duties by having the Municipal Court Supervisor approve modification or voids to a case in the system and verify deposits with supporting documentation prior to deposit at the bank. Additionally, the Judge's signature stamp should be in a secure location and accessible only by the Judge.
<u>Management's Response:</u>	Management began reconciling court daily cash receipt reports to the bank statement, and is in the process of resolving the other matters.

(continued)

CITY OF GLENN HEIGHTS, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

(Continued)

SEPTEMBER 30, 2012

2012-04:

Building Inspection and Permits

Criteria:

Reconciliation procedures are independent checks of the accounting system to identify errors and misrepresentations. Reconciliations should take place after the fact, by an individual who is not directly involved with the transaction or task being verified. Through reconciliation procedures, management can assess the performance of individuals, the integrity of the transaction processing system, and the correctness of the data contained in accounting records.

Condition:

There are currently no standard procedures in place to ensure that the activity recorded in these decentralized functions is being properly recorded in the City's general ledger.

Effect:

A weak internal control structure can make it possible for errors or other misrepresentations to go long periods of time without being detected.

Cause:

Internal controls are currently inadequate to ensure that the activity recorded in these decentralized systems is reconciled to the activity recorded in the City's general ledger.

Recommendation:

A control needs to be included in the permits accounting process to reconcile the department's daily activity to what is recorded into the financial software of the City.

Management's

Response:

Management is in the process of resolving this matter.