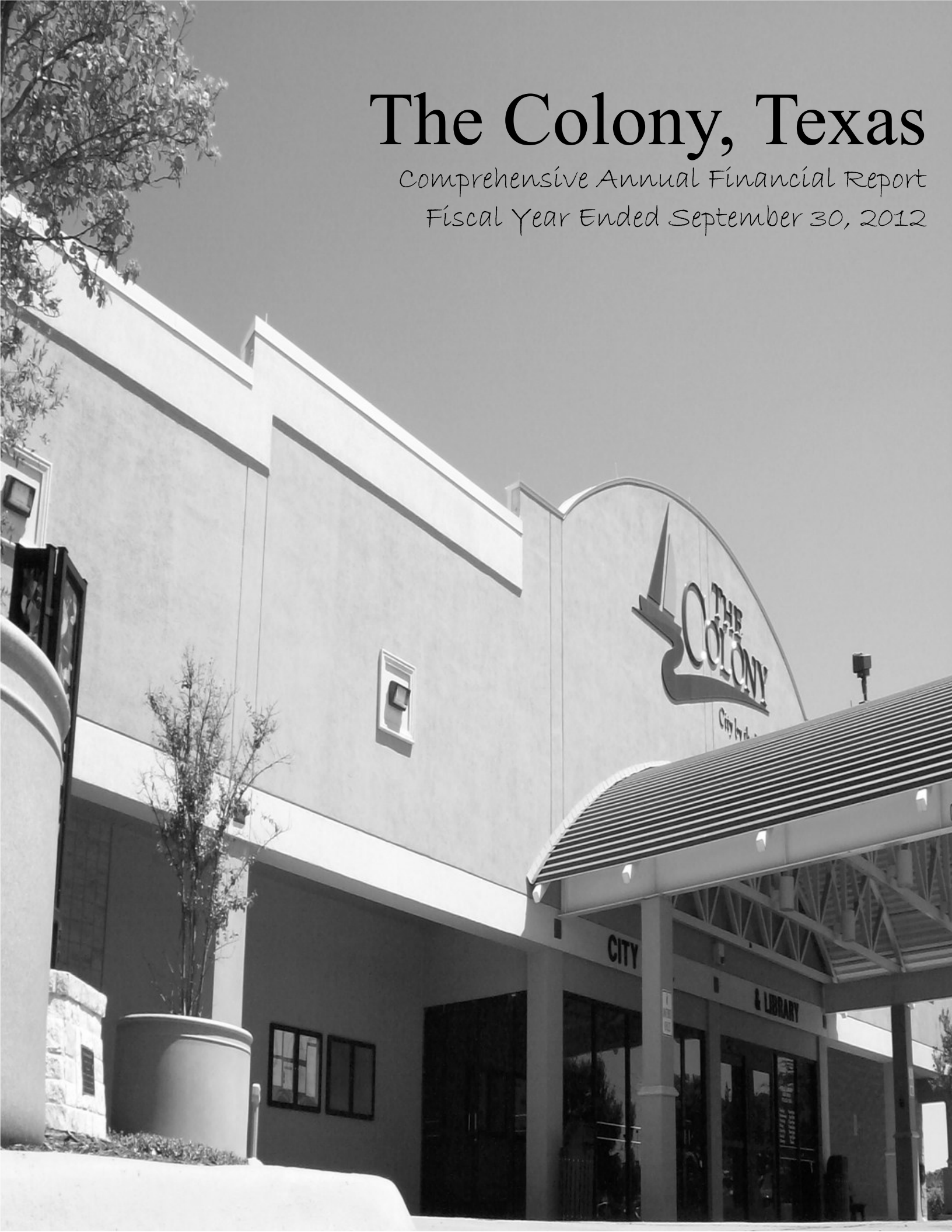
The Colony, Texas

Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2012



City of The Colony, Texas

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2012

As Prepared By
The Finance Department
David Cranford

THE COLONY

City by the Lake

City of The Colony, Texas

Comprehensive Annual Financial Report

For The Fiscal Year Ended September 30, 2012

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THE COLONY

City by the Lake

Introductory Section

THE COLONY

City by the Lake

April 30, 2013

The Honorable Mayor and Members of the City Council
City of The Colony, Texas

The Finance Department of the City of The Colony is pleased to submit the complete Comprehensive Annual Financial Report of the City of The Colony, Texas, for the fiscal year ended September 30, 2012.

This report is published to provide the City Council, Management Staff, our Citizens and other interested parties with detailed information concerning the financial condition and performance of the City Government. Responsibility for the accuracy and completeness of the presented data and the fairness of the presentation, including all disclosures, rests with the City of The Colony.

To the best of our knowledge and belief, the enclosed data is accurate in all material respects and presented in a manner designed to fairly set forth the financial position and operating results of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

THE REPORT

The Comprehensive Annual Financial Report is presented in three major sections: Introductory, Financial, and Statistical. The Introductory Section includes a list of principal City Officials, this transmittal letter, and an organizational chart of the City Government. The Financial Section includes the Management's Discussion and Analysis (MD&A) and the basic financial statements. This section also includes the independent accountants' report on the basic financial statements. The MD&A provides narrative introduction, overview, and analysis. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Statistical Section includes selected tables of comparative economic and financial data, generally presented on a multi-year basis, as well as demographic and other pertinent miscellaneous and operational statistics.

The Financial Statements included in this report were prepared in accordance with accounting principles generally accepted in the United States of America for local governments as prescribed by the Governmental Accounting Standards Board (GASB), The National Council on Governmental Accounting (NCGA), and the American Institute of Certified Public Accountants (AICPA). The financial statements have been audited by the independent accounting firm of Certified Public Accountants, BKD, LLP, whose report is included herein.

PROFILE OF THE GOVERNMENT

The City was incorporated in 1977 and operates under a Home Rule Charter, adopted by voters in 1979, with a Council – Manager form of government. The City Council is comprised of a Mayor and six Council Members who enact local legislation, determine policies and adopt the City's annual budget. The Mayor and Council Members are elected for three-year staggered terms.

The City Manager is appointed by the City Council and responsible for the management and proper administration of the affairs of the City. All funds and accounts included in the financial section of this report are under the control of, and dependent on, the City and its elected officials.

A full range of municipal services provided by the City includes general administrative services, public safety (police, fire and emergency medical services), municipal court, public works, library, parks and recreation, planning and zoning, public improvements, code enforcement, and water and wastewater utilities. Sanitation collection services are provided through private contractors with sanitation fees added to municipal utility bills. Elementary and secondary education services within the City are provided by the Lewisville Independent School District. The City Council has no oversight responsibility over the school district, and accordingly, no related financial data is included in the basic financial statements in this report.

The City is accountable for The Colony Economic Development Corporation and The Colony Community Development Corporation and their financial data are included as component units in the City's Comprehensive Annual Financial Report. The functions of these two Corporations are covered under the Component Units section of this letter.

ECONOMIC CONDITION AND OUTLOOK

The City, located along State Highway 121 and minutes away from the Dallas North Tollway, President George Bush Turnpike, and Interstate 75, enjoys easy access to much of the DFW Metroplex. Downtown Dallas and DFW International Airport are just 30 and 20 miles south. At 15.8 square miles, The City is home to middle and upper class families, most who work in North Dallas and DFW International Airport area.

The City is a destination point:

- The City is located on 23 miles of beautiful Lake Lewisville's shoreline.
- Over 322,000 guests per year enjoy two of the City's Corps leased parks located on Lake Lewisville.
- Blue Sky Sports Center attracts over 345,000 people annually to its soccer fields.
- Over 72,000 people visit the two famous golf courses in the City each year.

The City experienced accelerated economic expansion during the early 2000's, but slowed in 2003 and 2004 due to the economy. Growth resumed slightly in 2007, before the economy slumped again in 2010. The City has shown signs of a recovery in 2011 and 2012 as residential building permits increased 19 in 2011 and 28 in 2012 from 2010 levels, which in total added a little over $53 million to the tax roll. Commercial building and permitting has continued to struggle the past numerous years. Prior to 2012, apartments in Austin Ranch accounted for the majority of the commercial increase in tax valuation.

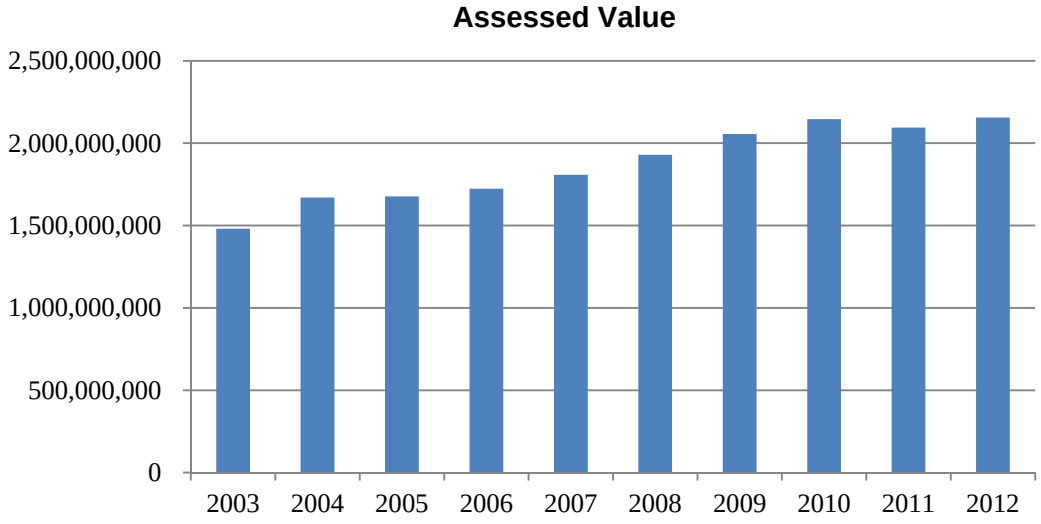
Building Permits

Fiscal Year	New Commercial & Industrial Number	New Commercial & Industrial Amount	New Residential Number	New Residential Amount	Total Amount
2000	131	12,334,194	643	107,369,220	119,703,414
2001	8	12,179,085	822	131,903,373	144,082,458
2002	10	5,258,230	547	85,247,936	90,506,166
2003	56	47,883,338	68	11,624,830	59,508,168
2004	12	10,734,166	11	1,558,644	12,292,810
2005	27	21,804,016	12	2,776,121	24,580,137
2006	20	15,711,130	41	57,149,603	72,860,733
2007	14	15,894,458	112	28,505,473	44,399,931
2008	17	55,495,276	124	73,834,441	129,329,717
2009	7	18,961,159	110	34,971,051	53,932,210
2010	6	19,751,080	37	13,033,364	32,784,444
2011	4	45,511,391	56	23,008,154	68,519,545
2012	2	5,240,505	67	30,691,409	35,931,914

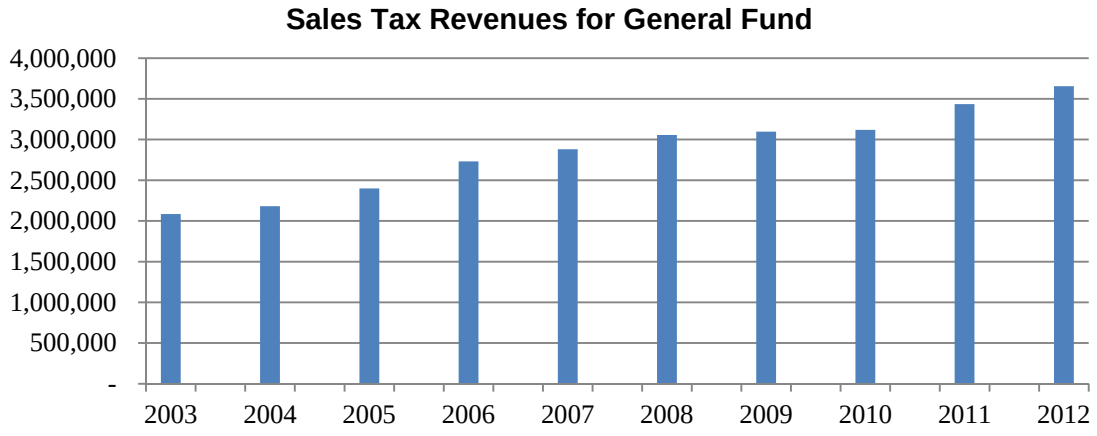
POPULATION

The City's population has grown steadily since the early 2000's and is currently estimated at 45,000. Most recent growth is due to continued development at The Tribute (formerly known as Wynnwood Peninsula) and Austin Ranch along State Highway 121.

The City's 2012 Ad Valorem tax base increased from the prior year by a little over 1% or $24 million to $2,179,998,416.



Sales tax revenues in the General Fund increased by a little over $237,000 or 7% from the previous year, another sign that the economy is on the mend. Sales tax represents approximately 14% of the City's General Fund total income.

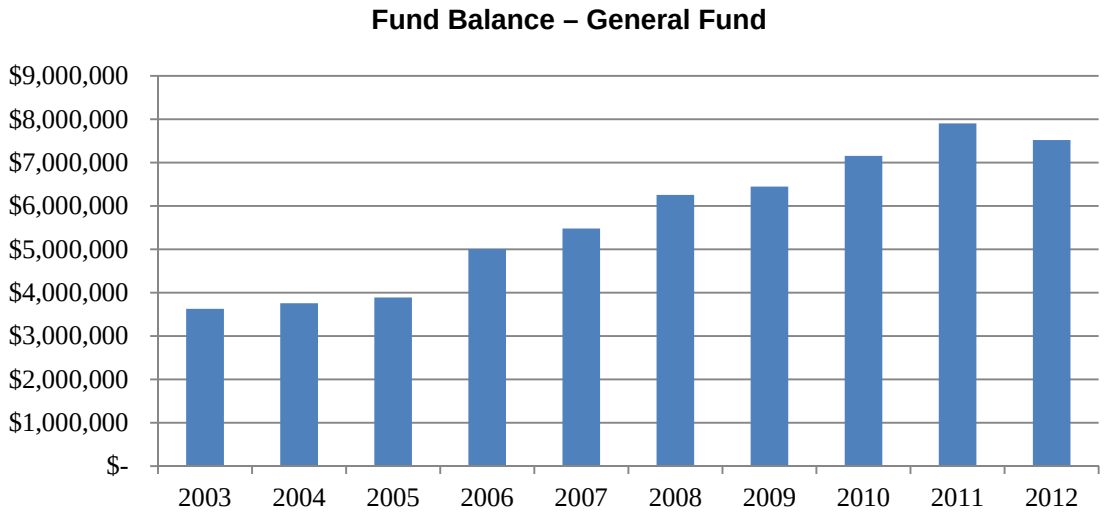


AD VALOREM TAX RATE

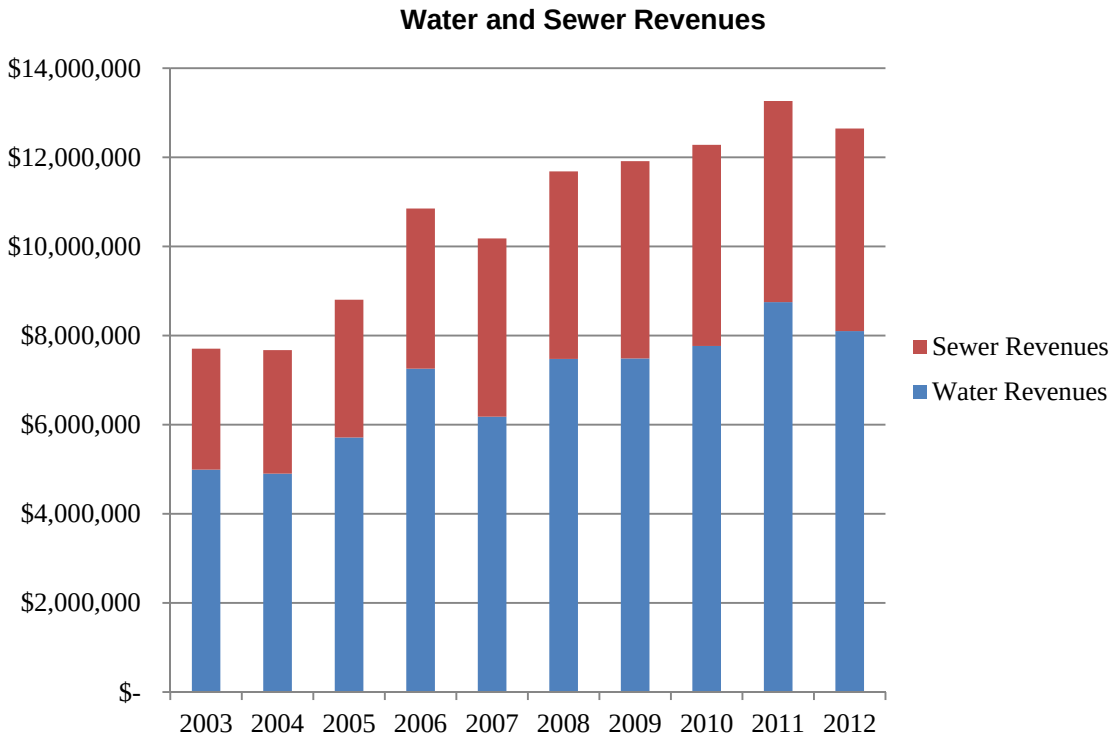
Ad Valorem tax rate was reduced from $.688 to $.683 per $100 valuation for fiscal year 2011-2012. The City's expectation is to continue to gradually reduce the rate from additional taxes received from new growth and increased property valuations.

FUND BALANCE – GENERAL FUND

General Fund reserves decreased by about $384,000 from operating activity during the current fiscal year to a little over $7.5 million or 94 operating days. Council's goal is 90 days.

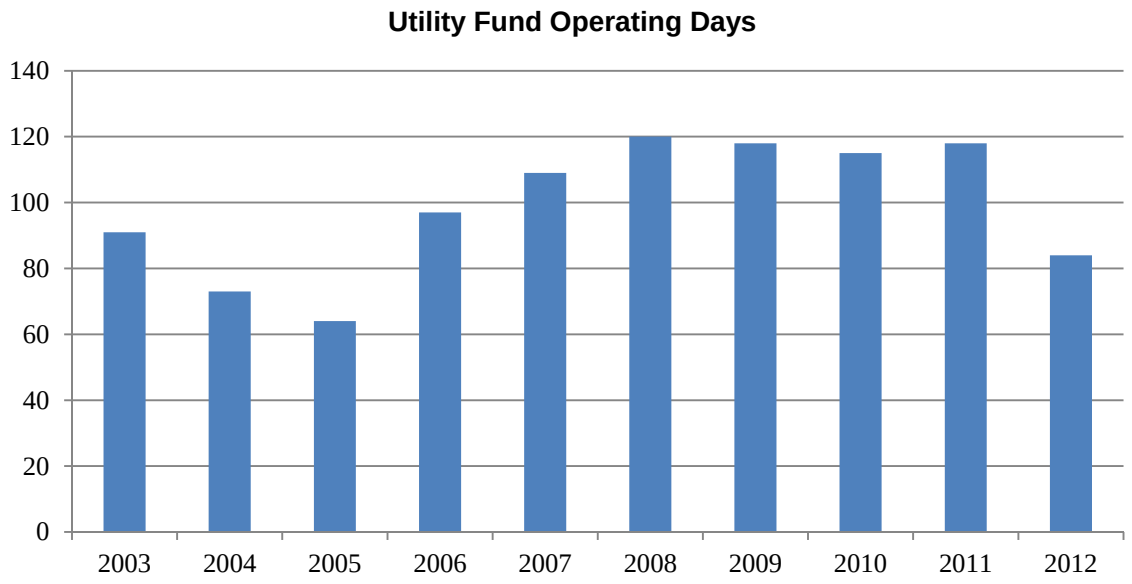


Water and sewer revenues have trended up over the 10 years due primarily to growth. 2012 revenues were down in comparison to 2011 due to milder temperatures and more rain fall. Council voted to reduce the water and sewer rates by 2.5% in 2010 with no reduction in services.



FUND BALANCE – WATER AND SEWER FUND

Utility Fund reserves decreased by about $1.2 million from operating activity during the current fiscal year to a little over $3.27 million or 84 operating days. Council's goal is 80 days. Much of the short fall was due to allocated costs from the General Fund.



PROSPECTS FOR THE FUTURE

The City's prospects for the future are promising and very optimistic. Most recent economic drivers are:

Completion of Sam Rayburn Tollway (formerly known as State Highway 121), the "Golden Corridor" runs through the heart of the far north Dallas suburbs providing an easy commute to the north entrance of the DFW International Airport from Interstate 75 just south of McKinney.

Reconstruction of Arterial Streets, were completed or nearly completed during the year, streets included: North Colony, Plano Parkway, and Memorial. In addition, reconstruction of FM426 (Main St) in The Colony has been started.

The Tribute Subdivision, a 900-acre mixed-use development around two 18 hole golf courses and country clubs (i.e., The Tribute and Old American) on the eastern shore of Lake Lewisville. This development will accommodate 1,800 higher-end single family units, town homes and multi-family apartments, along with an integrated town center, hotel, retail, offices and marina. Recently an additional phase was opened up.

Austin Ranch a 1,900-acre mixed-use development planned for multi-family residential, retail, corporate and commercial offices located south of the Sam Rayburn Tollway. Approximately 989 acres of Austin Ranch are inside The Colony city limits. Phase (6) was completed this year, which brings the total of the six phases to over 2,700 apartments and homes. This development was master-planned by Peter Calthorpe, an internationally recognized Land Planner, and has won several awards, including the National Association of Home Builders; "Pillars of the Industry" award for its Phase I development. Many nearby corporate headquarters and office parks employ Austin Ranch tenants.

The Offices at Austin Ranch are master planned for 700 acres of corporate and 200 acres of build-to-suit offices and office parks. Ultimately this area is planned to have 16 million square feet of office space and to accommodate an employee roster of 43,000. Already on site in The City are Pizza Inn and Edward Don.

Jackson-Shaw/Cascades Limited Partnership a mixed-use development on 92 acres of land located at the northeast corner of State Highway 121 and Morningstar Drive in the City of The Colony. It includes town homes, patio homes, retail, and office space. Approximately 200,000 square feet of flex-industrial space is completed and being leased. Two hotels have been completed in the development with a total of 206 rooms and a 6,500 square foot events center.

Nebraska Furniture Mart a 400+ acre commercial development with an investment expected to exceed $1.5 billion at build out. The Nebraska Furniture Mart store will be the cornerstone of the development and expected to open mid-2015.

DEBT SERVICE

No new debt was issued during the year, and for the second consecutive year, the City refinanced all available debt. The City's general obligation bonds are rated "AA-" by Standard & Poor's and "Aa3" by Moody's. The City's Revenue Bond ratings are "A1" by Moody's and "AA-" by Standard and Poor's. The bond rating agencies cited the City's strong financial performance, moderate debt burden, and tax base growth as strong positive factors for the City.

COMPONENT UNITS

The City has initiated both a Type A (formerly known as 4A) and a Type B (formerly known as 4B) sales tax program for the benefit of the community. Type A is called The Colony Economic Development Corporation and is geared around bringing in new businesses and commercial establishments. It may also motivate and assist already established businesses within the City through set criteria.Type B is called The Colony Community Development Corporation, which is geared to create new parks and recreation facilities. The primary goal of this program is to improve our current parks and park equipment. Both corporations are managed by their own boards, which report to City Council, who approves their budgets.

FINANCIAL MANAGEMENT

The City continues to evaluate operating activity to help ensure services are provided as efficiently as possible. Service levels are reviewed in conjunction with revenues, expenses, and reserves to help ensure the best possible use is made of available resources. Two major priorities of Council are to reduce property taxes and debt.

AWARDS

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 The Colony, Texas, for its comprehensive annual financial report for the fiscal year ended September 30, 2011. (This was the 18th consecutive year that the City has achieved this prestigious award.) In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the year beginning October 1, 2011. The City has received the award annually since the budget year beginning on October 1, 1993. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operation guide, and a communications device.

ACKNOWLEDGEMENTS

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We would also like to thank the Mayor and City Council for their interest and leadership in planning and conducting the financial operations of the City of The Colony in a responsible and progressive manner.

Respectfully submitted,

Troy Powell, City Manager

David Cranford, Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of The Colony
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.

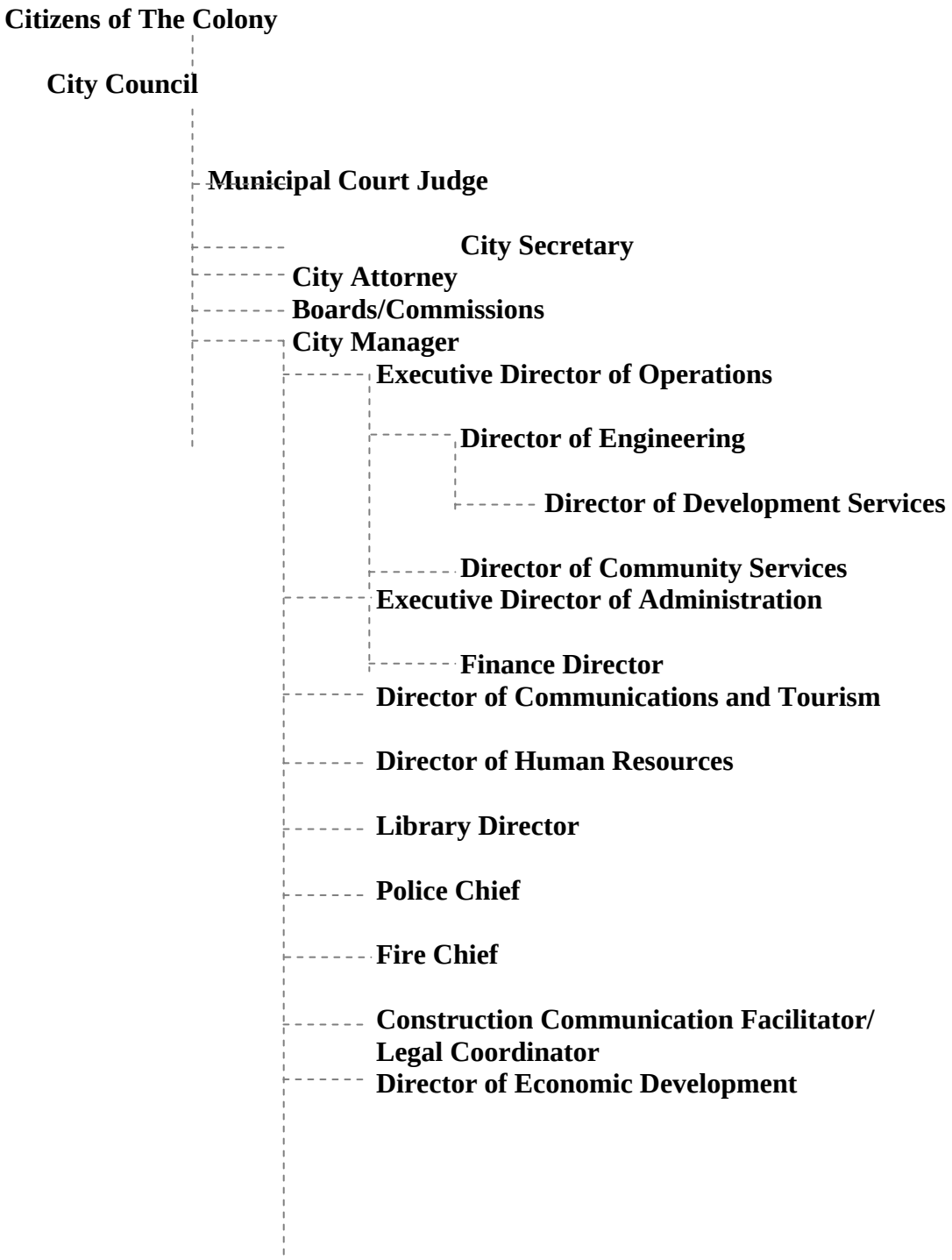
President

Executive Director

City of The Colony, Texas

September 30, 2012

Organizational Chart



City of The Colony, Texas

September 30, 2012

City Officials Chart

Mayor

Joe McCourry

City Council

Kirk Milulec, Place 1
Richard Boyer, Mayor Pro-Tem Place 2
Jeff Connelly, Place 3
David Terre, Place 4
Perry Schrag, Place 5
Joel Marks, Deputy Mayor Pro-Tem Place 6

City Manager

Troy Powell

Assistant City Manager

Tod Maurina

Assistant City Manager

Tim Miller

Finance Director

David Cranford

THE COLONY

City by the Lake

Financial Section

THE COLONY

City by the Lake

BKD LLP
CPAs & Advisors

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Dallas, TX 75254-2961
972.702.8262 Fax 972.702.0673 www.bkd.com

Independent Accountants' Report on Financial Statements and Supplementary Information

Honorable Mayor and Members of the City Council
City of The Colony, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of The Colony, Texas (the City) as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 basic financial statements. The Combining Statements and Budgetary Comparison Schedules as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

The accompanying information in the introductory and statistical sections as listed in the table of contents has not been subjected to the procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

BKD, LLP

April 30, 2013

THE COLONY

City by the Lake

Management’s Discussion and Analysis

THE COLONY

City by the Lake

City of The Colony

Management's Discussion and Analysis

For the Year Ended September 30, 2012

The City of The Colony (the City) is providing this narrative overview and analysis of its financial activities for the fiscal year ended September 30, 2012. This Management's Discussion and Analysis (MD&A) provides additional information that was not contained in the Letter of Transmittal. Readers are advised to read both in order to gain understanding of the financial picture of the City. This discussion and analysis includes prior year data for comparison purposes.

Financial Highlights

- The City's total assets exceeded the City's total liabilities at the close of the fiscal year by $204,798,971. Of this amount $25,070,894 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by $12,980,116, due to increase in net assets of $12,956,421 in governmental activities and an increase of $23,695 in business-type activities.
- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $39,424,986, an increase of $9,133,724. The general fund had a decrease in fund balance of $384,428. The capital projects fund had a decrease in fund balance of $712,192 primarily due to expenditures for several on-going capital projects. Out of the $39,424,986 fund balances in the governmental funds, $7,407,174 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was also $7,407,174 or 35.04% of total general fund expenditures (excluding transfers out).
- The City's total long-term debt decreased by $6,550,281 (6.9%) during the current fiscal year. The City issued $8,185,000 in bonds during 2012. The proceeds were and will be used for various capital expenditures, system betterments, etc. and refunding $8,090,000 of outstanding debt. There was an additional $6,645,281 decrease in long-term debt due to required principal payments.

Overview of the Financial Statements

The MD&A serves as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

The report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

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

The statement of net assets presents information on all of The City's assets and liabilities, with the difference as net assets. Over time, the increase or decrease in net assets may serve as a useful indicator of whether the financial position of The City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as incurred regardless of when cash is received or paid. Thus, revenues and expenses are reported on accrual basis even though cash flows occur in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets, sanitation and culture and recreation. The business-type activities of the City include water and sewerage operation.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Economic Development Corporation and a legally separate Community Development Corporation for which the City is financially accountable. Financial information for these component units are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13 – 15 of this report.

In the Statement of Net Assets and the Statement of Activities, the City reports three types of activities:

- **Governmental Activities** – Most of the City's basic services are reported as governmental activities, including the general government, public safety, municipal court, public works, culture and recreation, planning and zoning, public improvements and code enforcement. Taxes and intergovernmental revenues principally support these services.
- **Business-type Activities** – Functions that are intended to recover all or a significant portion of their costs through user fees and charges are considered as business-type activities. The business-type activity of the City includes the Water and Sewer Utility.
- **Component Units** – The City includes two separate legal entities, The Economic Development Corporation and the Community Development Corporation in its report. Although they are legally separate, they are included as the component units because the City is accountable for them. Financial information for these component units are reported separately from the financial information presented for the primary government.

Fund Financial Statements

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

- **Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its fleet maintenance services. Because the fleet maintenance services predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 18 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the capital projects fund, which are considered to be major funds. Nonmajor governmental funds are aggregated in total.

The City adopts annual appropriated budgets for its General Fund, Debt Service Fund, Lake Parks Fund, Special Events Fund, Hotel/Motel Taxes Fund, Child Safety Fund and Storm Water Utility Fund. The budgeted comparison statement has been provided for the above funds to demonstrate compliance with the budgets.

- **Proprietary Funds** – Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operation. Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The water and sewer utility fund is considered to be a major fund of the City.
- **Fiduciary Funds** – To account for resources held for the benefit of parties outside the government. The City does not have a fiduciary fund.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 28 – 52 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City. This MD&A is part of the required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As of the close of the 2011 – 2012 fiscal year, the City's net assets (assets exceeding liabilities) totaled $204,798,971.

The largest portion of the City's net assets (77.46%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot generate revenues to liquidate these liabilities.

An additional portion of the City's net assets (10.30%) represents resources that are subject to external restrictions on how they may be used (primarily for debt service and infrastructure improvements). The remaining balance of unrestricted net assets ($25,070,894) may be used to meet the government's ongoing obligations to citizens and creditors.

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	$ 42,580,346	$ 39,260,448	$ 8,905,462	$ 11,433,925	$ 51,485,808	$ 50,694,373
Capital assets	170,050,670	170,069,774	78,766,270	79,502,338	248,816,940	249,572,112
Total assets	212,631,016	209,330,222	87,671,732	90,936,263	300,302,748	300,266,485
Long-term liabilities outstanding	47,942,336	51,776,731	44,574,000	46,954,322	92,516,336	98,731,053
Other liabilities	3,146,271	7,991,860	1,497,450	1,724,717	4,643,721	9,716,577
Total liabilities	51,088,607	59,768,591	46,071,450	48,679,039	97,160,057	108,447,630
Net assets						
Invested in capital assets, net of related debt	124,203,756	120,171,449	34,435,853	32,790,670	158,639,609	152,962,119
Restricted	19,457,805	16,491,349	1,630,663	2,035,533	21,088,468	18,526,882
Unrestricted	18,856,491	12,898,833	6,214,403	7,431,021	25,070,894	20,329,854
Total net assets	$ 162,518,052	$ 149,561,631	$ 42,280,919	$ 42,257,224	$ 204,798,971	$ 191,818,855

At the end of the current fiscal year, the City has positive balances for all three categories of net assets, for the government as a whole, as well as for its separate governmental and business activities.

The City's net assets increased by $12,980,116 during the current fiscal year. Total assets increased by $1,732,544. Capital assets decreased by $755,172 due to primarily using intergovernmental funds collected in prior year for infrastructure improvements. This use of funds was the primary reason for the $791,435 increase in current and other assets.

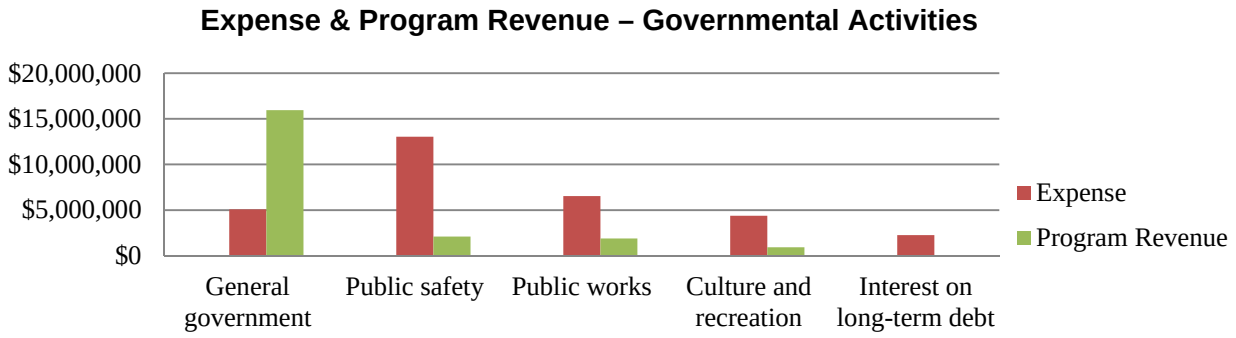
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues						
Charges for services	$ 3,541,642	$ 4,832,934	$ 13,646,312	$ 14,502,097	$ 17,187,954	$ 19,335,031
Operating grants and contributions	14,574,876	1,532,482	-	-	14,574,876	1,532,482
Capital grants and contributions	2,766,960	1,939,338	676,404	731,229	3,443,364	2,670,567
General Revenues					-	-
Property taxes	14,953,246	14,746,000	-	-	14,953,246	14,746,000
Sales taxes	3,655,111	3,435,175	-	-	3,655,111	3,435,175
Franchise taxes	3,104,073	2,199,253	-	-	3,104,073	2,199,253
Other Taxes	370,798	371,056	-	-	370,798	371,056
Interest	50,088	76,193	16,263	21,000	66,351	97,193
Miscellaneous	-	-	194,729	463,532	194,729	463,532
Total revenues	43,016,794	29,132,431	14,533,708	15,717,858	57,550,502	44,850,289
Expenses						
General government	10,519,152	5,358,521	-	-	10,519,152	5,358,521
Public safety	12,941,372	14,315,846	-	-	12,941,372	14,315,846
Public works	1,721,951	6,103,481	-	-	1,721,951	6,103,481
Culture and recreation	3,863,242	4,220,462	-	-	3,863,242	4,220,462
Interest on long-term debt	2,262,515	2,803,970	-	2,138,076	2,262,515	4,942,046
Water and sewer	-	-	13,262,154	10,828,026	13,262,154	10,828,026
Total expenses	31,308,232	32,802,280	13,262,154	12,966,102	44,570,386	45,768,382
Increase (Decrease) in Net Assets Before Transfers	11,708,562	(3,669,849)	1,271,554	2,751,756	12,980,116	(918,093)
Transfers	1,247,859	2,232,369	(1,247,859)	(2,232,369)	-	-
Increase (Decrease) in Net Assets	12,956,421	(1,437,480)	23,695	519,387	12,980,116	(918,093)
Net Assets, Beginning (October 1)	149,561,631	150,999,111	42,257,224	41,737,837	191,818,855	192,736,948
Net Assets, Ending (September 30)	$ 162,518,052	$ 149,561,631	$ 42,280,919	$ 42,257,224	$ 204,798,971	$ 191,818,855

- **Governmental Activities –** Governmental activities decreased the City's net assets by $12,956,421 compared to a decrease of $1,437,480 in prior year. Key elements of this overall net increase are as follows:

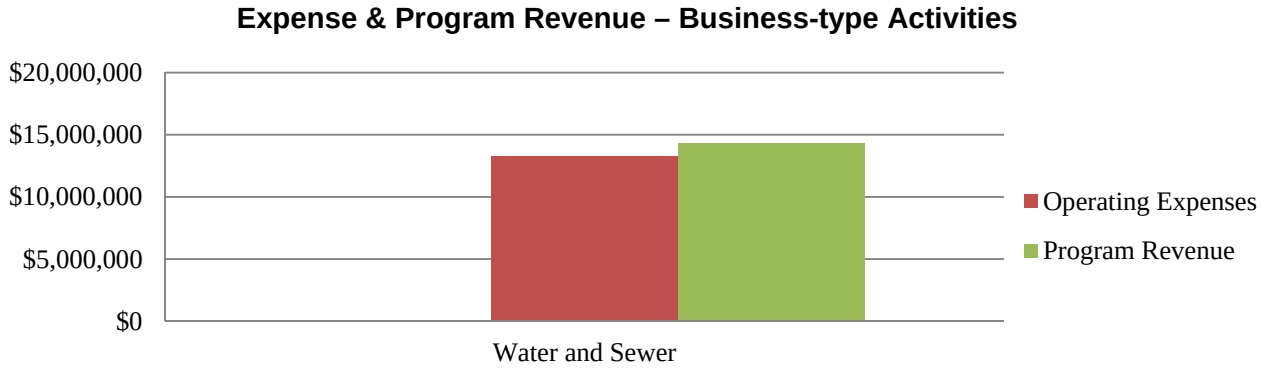
Capital grants and contributions increased by $13,042,394. In 2011, the City received $13,776,000 in intergovernmental revenues for streets in comparison to the prior year.

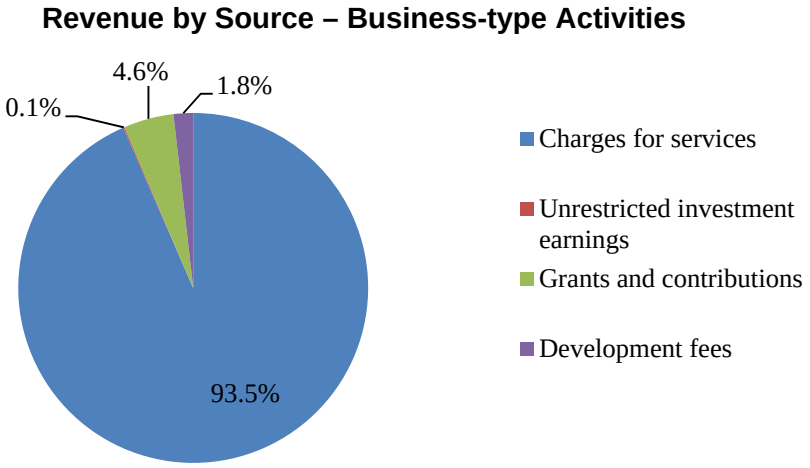
Overall, expenses decreased $1,494,048 (4.55%) due to decreased costs in public safety, primarily associated with the remodeling of the police and court facilities in 2011 that did not occur in 2012.



- **Business-type Activities –** increased the City's net assets by $23,695. Key elements of this increase in the change in net assets from 2011 are as follows:

  The overall increase in net assets is due primarily to increased capital expenditures offset by lower operating revenues.





Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $39,424,986 an increase of $9,133,724 in comparison with the prior year. Approximately 25.59% of this total amount $(7,407,174) constitutes the unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is not available for new spending because it has already been restricted or committed for:

- Restricted for capital projects ($30,118,151) including infrastructure projects to be funded with intergovernmental revenues
- Pay debt service ($616,551)
- Restricted for court security and technology ($416,720)
- Restricted or committed for various purposes ($753,514)

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 $7,407,174. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund to total fund expenditures. Unassigned fund balance represents 35.04% of total general fund expenditures (excluding operating transfers to other funds).

The fund balance of the City's General Fund decreased by $384,428 during the current fiscal year with no significant increases or decreases in total revenues and expenditures.

The Debt Service Fund has a total fund balance of $616,551, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was $712,192. The City has a dedicated property tax for general debt service. The property tax produced revenues of $4,420,725 in the current fiscal year. Refunding bonds were issued in 2012.

The Capital Projects Fund has a total fund balance of $30,118,151, all of which is restricted for future expenditures of currently approved capital items. The net increase in fund balance during the current year was $10,261,731 attributable primarily to intergovernmental revenue received in 2012 for certain infrastructure improvements throughout the City.

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

Increase in unrestricted net assets of the Water and Sewer Enterprise Fund at the end of the year amounted to $62,340. The increase was not significant. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the year, there was a $1,241,099 increase in appropriations between the original and final amended budget. Additionally, there was a $474,832 increase in transfers from other funds between the original and final budget. The main components of the changes are as follows:

Expenditures	
Increase in general government	$ 2,099,251
Increase in fire and police	289,684
Decrease in cultural and recreation	(1,147,836)
Total increase	$ 1,241,099

Overall, revenues and transfers in had a $3,405,995 negative variance between final budget and actual while expenditures and transfers out had a $4,329,207 positive variance. The significant variances were associated with the allocation of overhead between the General Fund and other funds.

Capital Asset and Debt Administration

- **Capital Assets** – The City's investment in capital assets for its governmental and business-type activities as of September 30, 2012, amounts to $248,816,940 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, water and sewer system infrastructure improvements, machinery and equipment, park facilities and roads. The City's investment in capital assets for the current fiscal year decreased by .03% (a 0.01% decrease for governmental activities and a 0.93% decrease for business-type activities).

Major capital asset events during the current fiscal year (some are in the initial phases) included the following:

- **North Colony Boulevard Widening** – This project was completed in 2011, included the re-construction of North Colony Boulevard from Curry Drive to Paige Road as a divided roadway with four travel lanes and associated auxiliary right and left turn lanes. Project cost was close to $7.4 million.
- **Archer Drive and Freeman Drive Loop** – Completed in 2011, relocated the current street loop connector at the east end of Archer Drive and Freeman Drive to 50 feet west of its current location. This relocation was necessary to facilitate the widening of the right-of-way and expansion of Main Street (FM 423) by the TxDOT. The final cost of this project was about $960 thousand.
- **Plano Parkway Widening** – This project is the widening of Plano Parkway from the Sam Rayburn Toll way to Parker Road (FM 544 in Carrollton) as a divided roadway with six lanes. The design includes a trail, drainage, water, wastewater, streetscape, traffic signal improvements and roadway improvements within the street right-of-way. The City has teamed with the City of Carrollton through an Interlocal Agreement to extend the improvements to Parker Road in Carrollton. The estimated cost of this project is $7.2 million.
- **Memorial Drive - Spring Creek Connector** – This project is to connect Memorial Drive to Spring Creek in the City of Frisco with an underpass at the Burlington Northern Santa Fe railway and to realign the intersection of Town and Country Drive in Frisco. The design includes drainage, water and wastewater relocations, streetscape, signs, traffic signal improvements at Town and Country, street lights, temporary/permanent railroad improvements, trail and roadway improvements within the street right-of-way. The estimated cost of this project is $17.2 million.

- **FM 423 Widening Utility Construction** – This project is for the construction of utilities along FM 423 and for construction of a new 24" water transmission line from the Office Creek Pump Station to N. Colony. The engineer will conduct surveying, subsurface utility engineering for field verification of the locations of the existing utilities, right-of-way determination for utilities and construction services. The relocation work will be included and bid with the TxDOT roadway construction plans. The estimated cost of this project is $9 million.
- **Phase IV Street Reconstruction** – This is the fourth set of six residential streets in the worst condition to be re-constructed. The streets will be re-constructed to the same width as existing surfaces with 6" thick concrete reinforced paving for Clover Valley, Avery and Roberts and with 7" for Ragan, Nash and Strickland. Sidewalk and driveway returns within street right-of-ways will also be reconstructed. Design services will also include drainage improvements and new water and sanitary sewer lines within the street right-of-way. The estimated cost of this project is $4.6 million.
- **Public Services and Municipal Complex Improvements** – Both completed in 2011, and required extensive remodeling and expansion. Municipal Complex included a new jail. Combined, the cost of the two complexes was over 10.5 million.

Capital Assets

(**Net of Depreciation**)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Capital Assets Being Depreciated						
Water systems	$ -	$ -	$ 38,481,903	$ 39,033,945	$ 38,481,903	$ 39,033,945
Sanitary sewer systems	-	-	29,370,467	30,224,952	29,370,467	30,224,952
Drainage system	-	-	283,169	323,770	283,169	323,770
Buildings	18,634,780	16,563,754	237,525	252,687	18,872,305	16,816,441
Improvements other than buildings	10,638,886	11,116,411	-	-	10,638,886	11,116,411
Aquatic park	897,182	930,261	-	-	897,182	930,261
Machinery and equipment	2,401,670	2,863,180	313,788	327,819	2,715,458	3,190,999
Infrastructure	96,930,839	99,596,877	1,660,550	1,812,456	98,591,389	101,409,333
Total	$ 129,503,357	$ 131,070,483	$ 70,347,402	$ 71,975,629	$ 199,850,759	$ 203,046,112
Capital Assets Not Being Depreciated						
Land and land improvements	$ 4,358,020	$ 4,358,020	$ 3,273,472	$ 3,273,472	$ 7,631,492	$ 7,631,492
Right-of-ways	25,398,226	25,398,226	-	-	25,398,226	25,398,226
Construction in progress	10,791,067	9,243,045	5,145,396	4,253,237	15,936,463	13,496,282
Total	$ 40,547,313	$ 38,999,291	$ 8,418,868	$ 7,526,709	$ 48,966,181	$ 46,526,000

Additional information on the City's capital assets can be found in Note 4 on pages 42 – 43 to the basic financial statements.

Outstanding Debt

General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	$ 23,395,500	$ 22,603,800	$ 3,879,500	$ 1,846,200	$ 27,275,000	$ 24,450,000
Certificates of Obligation	21,610,000	26,650,000	24,997,778	26,313,059	46,607,778	52,963,059
Revenue Bonds	-	-	14,545,000	17,565,000	14,545,000	17,565,000
Total	$ 45,005,500	$ 49,253,800	$ 43,422,278	$ 45,724,259	$ 88,427,778	$ 94,978,059

- **Long-term Debt –** At the end of the current fiscal year, the City had total bonded debt outstanding of $88,427,778. Of this amount, $73,882,778 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt ($14,545,000) represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

The City's total debt decreased by $6,550,281 during the current fiscal year. The key factor in this increase was the issuance of one debt instrument in 2012 totaling $8,185,000 which was used to refund $8,090,000 in existing debt. An additional $6,645,281 of debt was paid off in current year under planned maturity schedules.

The City's general and revenue obligations maintain an AA- and AA- rating respectively from Standard & Poor's and an Aa3 and A1 rating respectively from Moody's Investors Service. The high rating speaks well of the City's proactive approach to economic development and financial management.

The revenue supported debt in the Water and Sewer Fund is limited to the net revenues equaling to at least 1.10 times the maximum annual principal and interest requirements and 1.25 times the average annual principal and interest requirements of all parity bonds to be outstanding. The net revenues in the Water and Sewer Fund are higher than the required limitations and are monitored each year for appropriate coverage.

Additional information on the City's long-term debt can be found in *Note 5* to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

- As of December 2012, the unemployment rate for the City is at 7.0%, which is a decrease from a rate of 7.8% a year ago. The City's unemployment rate is better than the state's average unemployment rate at 8.0% and the national average rate at 9.1%.
- Ad valorem tax base increased by a little over $61 million for 2011 – 2012 primarily from new growth.
- Sales taxes were increased 7% from the prior year budget in anticipation of the recovering economy.
- Due to the tight control of expenditures, the tax rate for 2011 – 2012 was reduced by .25 cents.

All of these factors were considered in preparing the City's budget for the 2012 – 2013 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, The City of The Colony, 6800 Main Street, The Colony, Texas 75056.

THE COLONY

City by the Lake

Basic Financial Statements

THE COLONY

City by the Lake

Government – Wide
Financial Statements

THE COLONY

City by the Lake

City of The Colony, Texas

Statement of Net Assets

September 30, 2012

Exhibit–1

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents	$ 12,000,741	$ 3,989,835	$ 15,990,576	$ 6,792,833
Receivables (net of allowance for uncollectibles)	3,958,505	1,744,074	5,702,579	918,981
Inventories	112,876	115,925	228,801	-
Prepaid expenses	-	6,064	6,064	-
Restricted cash and cash equivalents	26,508,224	3,049,564	29,557,788	-
Deferred charges	975,643	680,638	1,656,281	46,703
Capital assets				
Nondepreciable	40,547,313	8,418,868	48,966,181	-
Depreciable (net of depreciation)	129,503,357	70,347,402	199,850,759	-
Total assets	213,606,659	88,352,370	301,959,029	7,758,517
Liabilities				
Accounts payable and accrued liabilities	2,793,362	423,659	3,217,021	267,758
Accrued interest payable	210,645	-	210,645	13,973
Retainage payable	142,264	-	142,264	-
Payable from restricted assets				
Accounts payable and accrued liabilities	-	53,344	53,344	-
Accrued interest payable	-	233,736	233,736	-
Customer meter deposits	-	786,711	786,711	-
Noncurrent liabilities				
Due within one-year	6,104,073	3,042,709	9,146,782	162,188
Due in more than one-year	41,838,263	41,531,291	83,369,554	2,414,170
Total liabilities	51,088,607	46,071,450	97,160,057	2,858,089
Net Assets				
Invested in capital assets (net of related debt)	124,203,756	34,435,853	158,639,609	-
Restricted for				
Debt service	616,551	1,630,663	2,247,214	-
Government funded construction contracts	18,841,254	-	18,841,254	-
Unrestricted	18,856,491	6,214,403	25,070,894	4,900,428
Total net assets	$ 162,518,052	$ 42,280,919	$ 204,798,971	$ 4,900,428

City of The Colony, Texas

Statement of Activities

For the Year Ended September 30, 2012

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Program Activities				
Primary Government				
Governmental Activities				
General government	$ 10,519,152	$ 1,382,069	$ 14,574,876	$ -
Public safety	12,941,372	1,467,787	-	634,894
Public works	1,721,951	-	-	1,899,880
Culture and recreation	3,863,242	691,786	-	232,186
Interest on long-term debt	2,262,515	-	-	-
Total governmental activities	31,308,232	3,541,642	14,574,876	2,766,960
Business-type Activities				
Water and Sewer	13,262,154	13,646,312	-	676,404
Total business-type activities	13,262,154	13,646,312	-	676,404
Total primary government	$ 44,570,386	$ 17,187,954	$ 14,574,876	$ 3,443,364
Component Units				
The Colony Economic Development Corporation	$ 1,155,088	$ -	$ -	$ -
The Colony Community Development Corporation	1,786,327	-	-	-
Total component units	$ 2,941,415	$ -	$ -	$ -

General Revenues

Taxes

Property taxes, levied for general purposes

Sales taxes

Franchise taxes

Hotel/Motel taxes

Penalties and interest

Interest on investments

Miscellaneous

Transfers

Total general revenues and transfers

Change in Net Assets

Net Assets, Beginning of Year

Net Assets, End of Year

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ 5,437,793	$ -	$ 5,437,793	$ -
(10,838,691)	-	(10,838,691)	-
177,929	-	177,929	-
(2,939,270)	-	(2,939,270)	-
(2,262,515)	-	(2,262,515)	-
(10,424,754)	-	(10,424,754)	-
-	1,060,562	1,060,562	-
-	1,060,562	1,060,562	-
$ (10,424,754)	$ 1,060,562	$ (9,364,192)	$ -
$ -	$ -	$ -	$ (1,155,088)
-	-	-	(1,786,327)
$ -	$ -	$ -	$ (2,941,415)
14,797,974		14,797,974	-
3,655,111	-	3,655,111	3,576,328
3,104,073	-	3,104,073	-
370,798	-	370,798	-
155,272	-	155,272	-
50,088	16,263	66,351	7,634
-	194,729	194,729	41,955
1,247,859	(1,247,859)	-	-
23,381,175	(1,036,867)	22,344,308	3,625,917
12,956,421	23,695	12,980,116	684,502
149,561,631	42,257,224	191,818,855	4,215,926
$ 162,518,052	$ 42,280,919	$ 204,798,971	$ 4,900,428

THE COLONY

City by the Lake

Government Fund
Financial Statements

THE COLONY

City by the Lake

City of The Colony, Texas

Balance Sheet
Governmental Funds
September 30, 2012

Exhibit–3

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 5,636,466	$ 848,523	$ 4,385,929	$ 1,129,823	$ 12,000,741
Receivables (net of allowance for uncollectibles)					
Ad valorem taxes	164,788	58,989	-	-	223,777
Service accounts receivable	86,424	-	-	-	86,424
Franchise taxes	315,498	-	-	-	315,498
Sales taxes	767,946	-	-	-	767,946
Other	2,353,560	-	143,287	68,013	2,564,860
Due from Child Safety Fund	7,709	-	-	-	7,709
Restricted cash and cash equivalents	-	-	26,508,224	-	26,508,224
Inventory	112,876	-	-	-	112,876
Total assets	9,445,267	907,512	31,037,440	1,197,836	42,588,055
Liabilities and Fund Balances					
Liabilities					
Accounts payable and accrued expenditures	1,755,802	240,642	777,025	19,893	2,793,362
Due to General Fund	-	-	-	7,709	7,709
Retainage payable	-	-	142,264	-	142,264
Deferred revenue	169,415	50,319	-	-	219,734
Total liabilities	1,925,217	290,961	919,289	27,602	3,163,069
Fund Balances					
Nonspendable	112,876				112,876
Restricted for capital projects	-	-	30,118,151	-	30,118,151
Restricted for debt service	-	616,551	-	-	616,551
Restricted (other)	-	-	-	901,645	901,645
Committed	-	-	-	268,589	268,589
Unassigned	7,407,174	-	-	-	7,407,174
Total fund balances	7,520,050	616,551	30,118,151	1,170,234	39,424,986
Total liabilities and fund balances	$ 9,445,267	$ 907,512	$ 31,037,440	$ 1,197,836	$ 42,588,055

City of The Colony, Texas

Reconciliation of the Balance Sheet of Governmental Funds to the Statements of Net Assets

September 30, 2012

Exhibit–4

Total fund balances-governmental funds	$ 39,424,986
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	170,050,670
Costs associated with the issuance of governmental long term debt are expensed when incurred in the fund statements and capitalized and amortized over the life of the debt in the government-wide financial statements. This amount represents the unamortized portion of bond issue costs.	975,643
Interest payable on long term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.	(210,645)
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.	219,734
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the fund financial statements.	(47,942,336)
Net assets of governmental activities	$ 162,518,052

City of The Colony, Texas

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2012

Exhibit–5

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Ad valorem taxes, penalties and interest	$ 10,581,819	$ 4,420,725	$ -	$ -	$ 15,002,544
Franchise taxes	2,266,213	-	-	-	2,266,213
Municipal sales tax	3,655,111	-	-	-	3,655,111
License and permits	695,151	-	-	686,918	1,382,069
Charges for services	998,347	-	-	-	998,347
Fines and forfeitures	1,097,833	-	-	63,393	1,161,226
Grants	39,946	130,563	-	61,677	232,186
Gifts and contributions	299,845	995,788	535,947	68,300	1,899,880
Hotel/Motel tax	-	-	-	370,798	370,798
Intergovernmental	-	-	14,574,876	-	14,574,876
Investment income	14,448	3,571	31,942	127	50,088
Miscellaneous	749,867	-	32,427	55,566	837,860
Total revenues	20,398,580	5,550,647	15,175,192	1,306,779	42,431,198
Expenditures					
Current					
General government	4,068,715	-	-	-	4,068,715
Public safety	12,144,284	-	-	40,882	12,185,166
Public works	1,367,088	-	481,732	490,000	2,338,820
Cultural and recreation	3,450,985	-	-	590,759	4,041,744
Capital outlay	109,838	-	5,430,420	-	5,540,258
Debt Service					
Principal retirement	-	4,434,919	-	-	4,434,919
Interest and fiscal charges	-	2,245,051	-	-	2,245,051
Cost of issuance of bonds	-	140,574	-	-	140,574
Total expenditures	21,140,910	6,820,544	5,912,152	1,121,641	34,995,247
Excess (deficiency) of revenues over (under) expenditures	(742,330)	(1,269,897)	9,263,040	185,138	7,435,951
Other Financing Sources (Uses)					
Transfers from other funds	3,626,072	417,131	2,652,000	494,812	7,190,015
Transfers to other funds	(3,268,170)	-	(1,653,309)	(711,337)	(5,632,816)
Proceeds from issuance of bonds	-	-	-	-	-
Proceeds from refunding bonds issued	-	6,056,900	-	-	6,056,900
Bond premium	-	160,226	-	-	160,226
Payment to refunded bond escrow agent	-	(6,076,552)	-	-	(6,076,552)
Total other financing sources (uses)	357,902	557,705	998,691	(216,525)	1,697,773
Net Change in Fund Balances	(384,428)	(712,192)	10,261,731	(31,387)	9,133,724
Fund Balances, Beginning of Year	7,904,478	1,328,743	19,856,420	1,201,621	30,291,262
Fund Balances, End of Year	$ 7,520,050	$ 616,551	$ 30,118,151	$ 1,170,234	$ 39,424,986

See Notes to Financial Statements

City of The Colony, Texas

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statements of Activities For the Year Ended September 30, 2012

Exhibit–6

Net change in fund balances-total governmental funds	$ 9,133,724
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.	5,540,258
Governmental funds do not recognize assets contributed by developers. However, in the statement of activities the fair market value of those assets are recognized as revenue, then allocated over their estimated useful lives and reported as depreciation expense.	634,894
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(6,194,258)
Bond proceeds (including refunding bonds) provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal (including payment to refunded bond escrow agent) is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which proceeds of $6,056,900 fell below debt principal repayments of $10,335,200 and $81,552 deferred loss on refunding.	4,359,852
Bond issuance costs are recognized as an expenditure in the fund financial statements but are recorded as an asset and amortized over the life of the bonds in the government-wide statements. This is the amount by which bond issuance costs of $140,574 exceeded amortization of $51,101.	89,473
Bond premiums are recognized as an other financing source in the governmental funds, but are considered deferred assets on the Statement of Net Assets. Premiums are amortized over the life of the bonds. This is the amount by which bond premium issued of $160,226 exceeded amortization of $89,920.	(70,306)
Current year change in long term liability for compensated absences are recorded as expenditures in the fund financial statements, but are reflected as increases in the liability for compensated absences in the government-wide financial statements.	(217,016)
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.	151,852
Loss on refundings (included in payment to refunded bond escrow agent) are recognized as other financing uses in the governmental funds, but are considered deferred liabilities on the Statement of Net Assets. This is the amount by which amortization of deferred loss on refunding of $208,135 exceeded the current year deferred loss of $81,552.	(126,583)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net loss of the internal service funds is reported with governmental activities.	(309,340)
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This is the net change in these revenues for the year.	(36,129)
Change in Net Assets of Governmental activities	$ 12,956,421

THE COLONY

City by the Lake

Proprietary Fund Financial Statements

THE COLONY

City by the Lake

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

	Business-type Activities Water and Sewer Enterprise Fund	Governmental Activities Fleet Services Internal Service Activities
Assets		
Current Assets		
Cash and cash equivalents	$ 3,989,835	$ -
Receivables, net of allowance for uncollectibles		
Accounts	1,731,496	-
Other	12,578	-
Inventories	115,925	-
Prepaid expenses	6,064	-
Restricted cash and cash equivalents	3,049,564	-
Total current assets	8,905,462	-
Noncurrent Assets		
Capital Assets		
Land	3,273,473	-
Water system	51,022,264	-
Sanitary sewer system	42,925,949	-
Buildings	706,481	-
Machinery and equipment	1,629,184	-
Engineering fees	2,473,213	-
Organizational costs	5,718,467	-
Construction in progress	5,145,397	-
Total capital assets	112,894,428	-
Less accumulated depreciation	(34,128,158)	-
Capital assets, net of accumulated depreciation	78,766,270	-
Deferred Charges		
Bond issuance costs, net of amortization of $294,987	680,638	-
Total noncurrent assets	79,446,908	-
Total assets	$ 88,352,370	$ -

Exhibit–7

	Business-type Activities Water and Sewer Enterprise Fund	Governmental Activities Fleet Services Internal Service Activities
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 423,659	$ -
Due to General Government	-	-
Accrued compensated absences	243,584	-
Payable from restricted assets		
Accounts payable and accrued expenses	53,344	-
Unamortized bond premium	75,902	-
Bonds payable	2,723,223	-
Accrued interest payable	233,736	-
Customer meter deposits	786,711	-
Total current liabilities	4,540,159	-
Noncurrent Liabilities		
Bonds payable	40,516,338	-
Unamortized bond premium	1,014,954	-
Total noncurrent liabilities	41,531,292	-
Total liabilities	46,071,451	-
Net Assets		
Invested in capital assets, net of related debt	34,435,853	-
Restricted for		
Revenue bond principal and interest	1,630,663	-
Unrestricted	6,214,403	-
Total net assets	$ 42,280,919	$ -

City of The Colony, Texas

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2012

Exhibit–8

	Business-type Activities Water and Sewer Enterprise Fund	Governmental Activities Fleet Services Internal Service Activities
Operating Revenues		
Charges for sales of services		
Water service	$ 8,101,058	$ -
Wastewater treatment service	4,544,938	-
Other fees and penalties	932,077	-
Service charges	9,580	-
Miscellaneous	58,659	-
Total operating revenue	13,646,312	-
Operating Expenses		
Personnel services	2,861,140	-
Contractual services	531,211	-
Supplies	438,111	-
Maintenance	610,428	-
Water purchases	1,625,605	-
Overhead	2,593,752	
Depreciation and Amortization	2,641,062	-
Total operating expenses	11,301,309	-
Operating Income	2,345,003	-
Nonoperating Revenues (Expenses)		
Investment income	16,263	-
Interest expense	(1,950,714)	-
Development fees	262,685	-
Other	(67,956)	-
Net nonoperating revenues (expenses)	(1,739,722)	-
Income Before Capital Contributions and Transfers	605,281	-
Capital Contributions and Transfers		
Grants and contributions	305,577	-
Capital contributions	370,827	-
Transfers from other funds	1,488,967	-
Transfers to other funds	(2,708,312)	(309,340)
Total capital contributions and transfers	(542,941)	(309,340)
Change in Net Assets	62,340	(309,340)
Net Assets, Beginning of Year	42,218,579	309,340
Net Assets, End of Year	$ 42,280,919	$ -

City of The Colony, Texas

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2012

Exhibit–9

	Business-type Activities Water and Sewer Enterprise Fund	Governmental Activities Fleet Services Internal Service Activities
Operating Activities		
Cash received from customers	$ 13,857,087	$ -
Cash paid to employees for services	(2,860,210)	-
Cash paid for goods and services	(5,846,725)	-
Net cash provided by (used in) operating activities	5,150,152	-
Noncapital Financing Activities		
Property taxes	194,729	-
Transfers from other funds	1,488,967	-
Transfers of cash to other funds	(2,708,312)	(242,403)
Net cash used in noncapital financing activities	(1,024,616)	(242,403)
Capital and Related Financing Activities		
Principal paid on revenue bond maturities	(2,335,081)	-
Interest paid	(2,117,664)	-
Acquisition of capital assets	(1,534,167)	-
Cost of issuance of bonds	(49,390)	-
Net proceeds from issuance of bonds	56,295	-
Grants and contributions	305,577	-
Net cash used in capital and related financial activities	(5,674,430)	-
Investing Activities		
Investment income	16,263	-
Net cash provided by investing activities	16,263	-
Net Decrease in Cash and Cash Equivalents	(1,532,631)	(242,403)
Cash and Cash Equivalents, Beginning of Year	8,572,030	242,403
Cash and Cash Equivalents, End of Year	$ 7,039,399	$ -

City of The Colony, Texas

Statement of Cash Flows (Continued)

Proprietary Funds

For the Year Ended September 30, 2012

Exhibit–9 (Continued)

	Business-type Activities Water and Sewer Enterprise Fund	Governmental Activities Fleet Services Internal Service Activities
Reconciliation of Operating Income to Net Cash Provided By Operating Activities		
Net operating income (loss)	$ 2,345,003	$ -
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	2,641,062	-
Amortization of bond issuance costs	121,200	-
Change in assets and liabilities		
(Increase) decrease in accounts receivable	212,227	-
(Increase) decrease in inventories	(9,842)	-
(Increase) decrease in prepaid expenses	2,354	-
Increase (decrease) in accounts payable and accrued liabilities	(161,330)	-
Increase (decrease) in compensated absences	930	-
Increase (decrease) in customer deposits	(1,452)	-
Total adjustments	2,805,149	-
Net cash provided by (used in) operating activities	5,150,152	-
Noncash Investing and Financing Activities		
Transfer of noncash assets and liabilities	$ -	$ (66,937)
Contributions of capital assets	370,827	-
Reconciliation of Total Cash to The Statements of Net Assets		
Cash and cash equivalents, current	$ 3,989,835	$ -
Restricted cash and cash equivalents	3,049,564	-
Cash and Cash Equivalents, End of Year	$ 7,039,399	$ -

THE COLONY

City by the Lake

Component Units Financial Statements

THE COLONY

City by the Lake

City of The Colony, Texas

Statement of Net Assets
Component Units
September 30, 2012

Exhibit–10

	The Colony Economic Development Corporation	The Colony Community Development Corporation	Total
Assets			
Cash and cash equivalents	$ 5,627,825	$ 1,165,008	$ 6,792,833
Sales tax receivable	535,009	383,972	918,981
Deferred charges	46,703	-	46,703
Total assets	6,209,537	1,548,980	7,758,517
Liabilities and Net Assets			
Accounts payable	142,891	124,867	267,758
Accrued interest payable	13,973	-	13,973
Noncurrent liabilities			
Due within one-year	162,188	-	162,188
Due in more than one-year	2,414,170	-	2,414,170
Total liabilities	2,733,222	124,867	2,858,089
Net Assets			
Unrestricted	3,476,315	1,424,113	4,900,428
Total net assets	$ 3,476,315	$ 1,424,113	$ 4,900,428

City of The Colony, Texas
Statement of Activities
Component Units
For the Year Ended September 30, 2012

		Program Revenues		
	Expenses	Charges for Services	Operating Operating Grants and Contributions	Capital Capital Grants and Contributions
Component Units				
The Colony Economic Development Corporation	$ 1,155,088	$ -	$ -	$ -
The Colony Community Development Corporation	1,786,327	-	-	-
Total component units	$ 2,941,415	$ -	$ -	$ -

General Revenues

Taxes

Sales taxes

Interest on investments

Miscellaneous

Total general revenues and transfers

Change in Net Assets

Net Assets, Beginning of Year

Net Assets, End of Year

Exhibit–11

Net (Expenses) Revenue and Changes in Net Assets		
Component Units		
The Colony Economic Corporation	The Colony Community Development Corporation	Total
$ (1,155,088)	$ -	$ (1,155,088)
-	(1,786,327)	(1,786,327)
(1,155,088)	(1,786,327)	(2,941,415)
1,788,164	1,788,164	3,576,328
5,535	2,099	7,634
36,867	5,088	41,955
1,830,566	1,795,351	3,625,917
675,478	9,024	684,502
2,800,837	1,415,089	4,215,926
$ 3,476,315	$ 1,424,113	$ 4,900,428

THE COLONY

City by the Lake

Notes to Financial Statements

THE COLONY

City by the Lake

City of The Colony, Texas
Notes to Basic Financial Statements
September 30, 2012

Note 1: Summary of Significant Accounting Policies

General Statement

The City of The Colony (the City), originally incorporated in 1977, is a municipal corporation incorporated under Article XI of the Constitution of the state of Texas (Home Rule Amendment). The City operates under a Council-Manager form of government and provides such services as are authorized by its charter to advance the welfare, health, comfort, safety and convenience of the City and its residents.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. Management uses estimates and assumptions in preparing financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues, expenditures and expenses. Actual results could vary from the estimates that are used. Significant policies of the City are described below.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and Proprietary Fund financial statements to the extent that those standards do not conflict with, or contradict the guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and Enterprise Funds, subject to the same limitation. The City's policy is to apply all Financial Accounting Standards Board standards to its proprietary funds unless they conflict with GASB guidance.

Financial Reporting Entity

The City is governed by an elected mayor and a six-member council and 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*, as amended by GASB 39 *Determining Whether Certain Organizations Are Component Units*.

Under GASB 14 component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its' will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City.

The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government.

GASB 39 added clarification to GASB 14 by including entities which meet all three of the following requirements:

- The economic resources received or held by the separate organization are entirely for the direct benefit of the primary government, its component units or its constituents.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The financial information of the following component units have been "discretely presented" in the accompanying report because (i) their governing boards are not substantially the same as the governing body of the City or (ii) the component unit provides services entirely or almost entirely to the citizenry and not the City:

- **The Colony Economic Development Corporation (TCEDC)** – Organized exclusively for the public purposes of the promotion and development of new and expanded business enterprises to provide and encourage employment in the furtherance of public welfare.
- **The Colony Community Development Corporation (TCCDC)** – Responsible for promoting economic development within the City and the State of Texas in order to eliminate unemployment and underemployment, and to promote and encourage employment and the public welfare of, for, and on behalf of the City by developing, implementing, providing and financing projects under the Development Corporation Act of 1979. This includes the construction, renovation and operation of municipal buildings, the acquisition and improvement of parks as well as the promotion and expansion of manufacturing and industrial facilities, and other economic development purposes.

A majority of the members of both the TCEDC's and TCCDC's Board of Directors are appointed by the City Council. Both the TCEDC and TCCDC are fiscally dependent upon the City as the City Council approves their budgets and must approve any debt issuance. However, the component units do not qualify for blending because the component units' services directly benefit the community rather than the City itself. The TCEDC and TCCDC are presented as governmental fund types and do not issue separate financial statements.

Basis of Presentation

The Government-Wide Financial Statements (GWFS) (i.e. the statement of net assets and the statement of activities) report information on all of the activities of the City. The discretely presented component units are also aggregately presented within these statements. The effect of interfund activity has been removed from these statements by allocation of the activities to the governmental and business-type activities on a fund basis based on the predominant users of the services.

Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. All activities, both governmental and business-type are reported in the GWFS using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The GWFS focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The Government-Wide statement of net assets reports all financial and capital resources of the City. It is displayed in the format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: (1) invested in capital assets net of related debt; (2) restricted and (3) unrestricted. Invested in capital assets net of related debt equals capital assets net of accumulated depreciation and is reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Restricted net assets are those with constraints placed on their use as: (1) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as invested in capital assets net of related debt or restricted, are shown as unrestricted. Reservations or designations of net assets imposed by the City, whether by administrative policy or legislative actions of the City Council that do not otherwise meet the definition of restricted nets assets, are considered unrestricted in the GWFS.

The Government-Wide 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 program 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. The general revenues support the net costs of the functions and segments not covered by program revenues.

Fund Financial Statements (FFS) for governmental and proprietary funds are also part of the basic financial statements. The focus of the FFS is on major funds, as defined by GASB Statement No. 34. GASB Statement No. 34 sets forth minimum criteria for determination of major funds, i.e., a percentage of assets, liabilities, revenue or expenditures/expenses of fund category and of the governmental and enterprise funds combined. However, it also gives governments the option of displaying other funds as major funds. The City can elect to add some funds as major funds because of outstanding debt or community focus. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the FFS. Other nonmajor funds are combined in a single column in the appropriate FFS.

Measurement Focus and Basis of Accounting

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

The GWFS and the Proprietary FFS are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included in the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the 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 have been met.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include the cost of personnel and contractual services, supplies, maintenance and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

GWFS are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues as available, generally, if they are collectable within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for non-matured interest on long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, sales taxes, franchise taxes and interest are susceptible to accrual. Other receipts become measurable and available when cash is received by the City and are recognized as revenue at that time. Because the Governmental Fund Financial Statements are presented on a different basis of accounting than the GWFS, reconciliations are provided immediately following each fund statement. These reconciliations explain the adjustments necessary to convert the FFS into the governmental activities column of the GWFS.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

The City has presented the following:

Major Governmental Funds

- **General Fund** – The general operating fund of the City. It is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.
- **Debt Service Fund** – To account for the accumulation of financial resources for the payment of principal, interest and related costs on long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is restricted to signify that the amounts are exclusively for debt service expenditures.
- **Capital Projects Fund** – To account for the acquisition and construction of capital assets financed primarily through the issuance of general obligation debt.

Nonmajor Governmental Funds

The following funds are Special Revenue Funds. Special Revenue Funds account for the proceeds of specific revenue sources (other than expendable trust or capital projects) that are legally restricted to expenditures for specific purposes.

Lake Parks Fund
To account for revenue generated by fees and permits to enter and utilize the park area and facilities located on the eastern shore of Lake Lewisville.

Environmental Fund
To account for recycling fees from residents as well as donated proceeds and State grants for use in recycling. This fund was closed during fiscal year 2012.

Hidden Cove Park Fund
The fund to account for revenue generated by fees and permits to enter and utilize the park area and facilities located on Lake Lewisville, northwest of the City. This fund was closed during fiscal year 2012.

Special Events Fund
To account for various special events of the City including Christmas decorations, 4th of July fireworks display and other special events held by the City.

Hotel/Motel Taxes Fund
To account for the receipt and allocation of the City's hotel/motel occupancy tax.

Library Grants Fund
To account for proceeds received from various state grants received for the Library.

Police Forfeited Fund
To account for the funds seized by the police department that has been awarded by the court.

Police Seized Fund
To account for funds seized by the police department that are awaiting disposition by the court.

Federal Seized Fund
To account for funds granted to the police department in a revenue sharing agreement with the federal government.

Child Safety Fund
The account for child safety fees collected according to state statute to fund the school crossing guard program and for other programs designed to enhance child safety, health or nutrition.

Storm Water Utility Fund
To account for the revenue and expenses associated with drainage projects within the City.

Court Security Fund
To account for the revenue and expenditures associated with the portion of traffic tickets that have been restricted for the security of the Municipal Court.

Court Technology Fund
To account for the revenue and expenditures associated with the portion of traffic tickets restricted for upgrading the technology in the Municipal Court.

Community Center Fund
The fund to account for revenues and expenditures for the operation of the Community Center and was combined with the General Fund during fiscal year 2012.

Citizens Donation Fund
To account for money received from the $1 Add-On Program and the Recycling Rebate Program. This money is restricted for social and community services, public safety citizen programs and beautification projects.

Major Proprietary Funds

Water and Sewer Enterprise Fund
To account for the acquisition, operation and maintenance of a municipal water and sewer utility, supported primarily by user charges to the public.

Internal Service Fund

The City's Internal Service Fund which was used to account for vehicle replacement provided to other departments of the City was combined with the General Fund in fiscal year 2012.

Cash and Cash Equivalents

State statutes and policy as established by the City Council authorize the City to invest in certificates of deposit, direct obligations of the U.S. Treasury and, investment pools consisting of U.S. Treasury obligations, repurchase agreements, commercial paper and mutual funds. Substantially all funds of the City are maintained in pooled cash and investment accounts or time deposit accounts. All amounts included in pooled cash and investment accounts are considered to be cash and cash equivalents. Pooled cash and investment accounts are considered 2a-7 like investment pools and are reported at amortized cost. Interest income relating to pooled deposits is allocated to the individual funds based on each fund's pro rata share of total pooled deposits.

Restricted cash and investments are classified separately in the balance sheets of governmental funds and statement of net assets of proprietary funds and represents cash and cash equivalents restricted for specific infrastructure projects (governmental funds) or the payment of long-term debt and for the acquisition of capital assets (proprietary funds).

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents, as they are available for withdrawal on demand.

Property Taxes

The City's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and certain personal property located within the City. Property taxes attach as an enforceable lien on property as of January 1 after they are levied. The assessed value upon which the fiscal year 2012 levy was based was $2,155,995,108. Taxes are due on October 1 and are delinquent after the following January 31. Tax collections, including prior delinquencies, for the year ended September 30, 2012, were 99.3% of the current tax levy.

The City is permitted by Article XI, Section 5 of the state of Texas Constitution to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services, including the payment of principal and interest on general obligation long-term debt. The combined tax rate to finance general governmental services including the payment of principal and interest on long-term debt for the year ended September 30, 2012, was $0.683 per $100 of assessed valuation.

The ordinance levying the ad valorem taxes specifies the percentage of the taxes applicable to the General Fund, and Debt Service Fund; therefore, ad valorem tax revenues are recorded as revenues in the respective funds.

In Texas, countywide central appraisal districts are required to assess all property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values.

The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8.0%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8.0% above the tax rate of the prior year.

Internal Balances

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

Transactions Between Funds and Component Units

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

Transactions between the component units and the primary government are accounted for as external transactions. During the year ended September 30, 2012, the TCEDC contributed $171,656 to the Debt Service Fund, $305,577 to the Enterprise Fund and $27,000 to the General Fund. Additionally, the TCCDC contributed $954,695 to the Debt Service Fund, $382,500 to the Capital Projects Fund and $272,845 to the General Fund. The revenues were reflected as operating grants and contributions for the primary government in the statement of activities.

Inventories

Inventories, which are expended when consumed, are stated at the lower of cost or market on a first-in, first-out basis.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at fair market value on the date donated. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the asset lives are not capitalized. Renewals and betterments are capitalized. Interest costs incurred during the construction period have been capitalized in the amount of $3,688 in the current year in the enterprise fund.

Assets capitalized, not including infrastructure assets, have an original cost of $5,000 or more and over one-year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	30 years
Towers, tanks and pump stations	40 years
Infrastructure	40 years
Machinery and equipment	5 – 10 years
Vehicles	5 years

Vacation and Sick Leave (Compensated Absences)

In the event of termination, an employee is reimbursed for up to his/her accrued available vacation days. An employee may accumulate up to 130 days of sick leave; however, upon termination, qualified employees may be reimbursed for up to a maximum of 30 sick days. All vacation and qualifying sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

Classification of Fund Equity

Fund balances are classified as nonspendable, restricted, committed, assigned or unassigned in governmental funds. Nonspendable fund balance cannot be spent, either because it is not in spendable form or because of legal or contractual requirements. Restricted fund balances have constraints for specific purposes which are externally imposed by providers, such as creditors, grantors or other governments; or by enabling legislation of the City Council. Committed fund balances can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution, which are equally binding and represent the highest level actions of the City Council. Assigned fund balances are constrained by intent to be used for specific purposes, but are neither restricted nor committed. Assignments are made by City management based on City Council direction.

Unassigned fund balances include residual positive fund balances within the General Fund that had not been classified within the other mentioned categories. Unassigned fund balances may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes.

The City designates restricted amounts to be spent first if both restricted and unassigned fund balances are available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, followed by assigned, and lastly unassigned amounts when expenditures are incurred for purpose for which amounts in any of those unrestricted fund balance classifications could be used.

The propriety funds and government-wide financial statements have three classifications of equity: (1) net assets invested in capital assets, net of related debt; (2) restricted net assets and (3) unrestricted net assets. In the first category, capital assets are netted with bonded and capital lease debt. Restricted net assets include debt service, grantor and other government restrictions for proprietary funds and the same categories as restricted fund balance for governmental activities.

New Pronouncements

In FY 2013 the City will implement CASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This statement introduces and defines those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a further reporting period. This statement amends the net asset reporting requirement in Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis-for Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources in to the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. In FY 2014 the City will implement GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reports as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statements No. 63 and No. 65 is expected to significantly change the presentation of the statements.

In FY 2015 the City will implement GASB Statements No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. This statement established standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. The effects of implementing this statement is unknown, but is expected to have a material effect on net assets.

Note 2: Deposits and Investments

The funds of the City must be deposited and invested per the Public Funds Investment Act. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At September 30, 2012, the carrying amount of the City's deposits was $3,271,252 and the bank balance was $3,348,861. All of the bank balances are covered by federal depository insurance or are fully collateralized. The City had petty cash totaling $4,115 at September 30, 2012.

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act, Government Code Chapter 2256 (the Act), contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy.

That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities and (9) bid solicitation preferences for certificates of deposit.

Statutes and the City's investment policy authorized the City to invest in the following investments as summarized in the table below:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Government securities	5 Years	100%	None
State of Texas	5 Years	25%	None
States, agencies, counties, cities and other	5 Years	25%	None
Repurchase agreements	90 Days	100%	None
Certificates of deposits	5 Years	25%	None
Commercial paper	270 Days	25%	None
No-load money market mutual funds	90 Days	25%	None
Eligible investment pools	90 Days	100%	None

The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in compliance with the requirements of the Act and with local policies.

Deposits and investments as of September 30, 2012, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents – primary government	$ 15,990,576
Restricted cash and cash equivalents – primary government	29,557,788
Cash and cash equivalents – component units	6,792,833
	$ 52,341,197

Deposits and investments as of September 30, 2012, consist of the following:

Cash on hand	$ 3,271,252
Investment pools	49,069,945
	$ 52,341,197

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted-average maturity of its portfolio. The City has no specific limitations with respect to this metric.

As of September 30, 2012, the City had the following investments:

Investment Type	Amount	Weighted-Average Maturity
TexPool	25,092,854	< 90 days
TexPool Prime	23,977,091	< 90 days
	$ 49,069,945	

As of September 30, 2012, the City did not invest in any securities, which are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy, or debt agreements and the actual rating as of year-end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End
TexPool	25,092,854	N/A	AAAm
TexPool Prime	23,977,091	N/A	AAAm
	$ 49,069,945		

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in anyone issuer. As of September 30, 2012, other than external investment pools, the City did not have 5% or more of its investment with one issuer.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2012, the City deposits with financial institutions in excess of federal depository insurance limits were fully collateralized during the year.

Investment in State Investment Pools

The City is a voluntary participant in two investment pools: TexPool and TexPool Prime. Each of these pools operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. Each uses amortized costs rather than market value to report the net assets to compute share prices. Accordingly, the value of the City's position in the pools is the same as the value of the shares in the pool.

The State Comptroller of Public Accounts exercises responsibility over TexPool and TexPool Prime. This oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool.

Note 3: Receivables

Receivables at September 30, 2012, for the individual major funds and nonmajor funds and component units, in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following:

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Water and Sewer Enterprise	Component Units
Receivables						
Property taxes	$ 188,641	$ 65,818	$ -	$ -	$ -	$ -
Franchise taxes	315,498	-	-	-	-	-
Sales taxes	767,946	-	-	-	-	918,981
Service accounts	149,376	-	-	-	1,902,888	-
Other	2,353,560	-	143,287	68,013	16,771	-
Gross receivables	3,775,021	65,818	143,287	68,013	1,919,659	918,981
Allowance for uncollectibles	(86,805)	(6,829)	-	-	(175,585)	-
Net total receivables	$ 3,688,216	$ 58,989	$ 143,287	$ 68,013	$ 1,744,074	$ 918,981

The Water and Sewer Fund service accounts receivable include unbilled charges for services rendered through September 30, 2012, in the amount of $909,824.

Note 4: Capital Assets.

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

	Balance September 30, 2011	Capital Acquisitions	Sales or Other Dispositions	Adjustments/ Transfers	Balance September 30, 2012
Governmental Activities					
Capital assets not being depreciated					
Land and land improvements	$ 4,358,020	$ -	$ -	$ -	$ 4,358,020
Right-of-ways	25,398,226	-	-	-	25,398,226
Construction in progress	9,243,045	5,540,260	-	(3,992,238)	10,791,067
Total capital assets not being depreciated	38,999,291	5,540,260	-	(3,992,238)	40,547,313
Capital assets being depreciated					
Buildings	20,363,685	2,797,951	-	-	23,161,636
Improvements other than buildings	14,903,694	110,297	-	-	15,013,991
Swimming pool	1,534,589	18,525	-	-	1,553,114
Machinery and equipment	9,583,620	178,895	(97,936)	-	9,664,579
Infrastructure	169,132,529	1,521,464	-	-	170,653,993
Total capital assets being depreciated	$ 215,518,117	$ 4,627,132	$ (97,936)	$ -	$ 220,047,313
Less: Accumulated depreciation for					
Buildings	$ (3,799,931)	$ (726,925)	$ -	$ -	$ (4,526,856)
Improvements other than buildings	(3,787,283)	(587,822)	-	-	(4,375,105)
Swimming pool	(604,328)	(51,604)	-	-	(655,932)
Machinery and equipment	(6,720,440)	(640,405)	97,936	-	(7,262,909)
Infrastructure	(69,535,652)	(4,187,502)	-	-	(73,723,154)
Total accumulated depreciation	(84,447,634)	(6,194,258)	97,936	-	(90,543,956)
Capital assets being depreciated, net	131,070,483	(1,567,126)	-	-	129,503,357
Governmental activities capital assets, net	$ 170,069,774	$ 3,973,134	$ -	$ (3,992,238)	$ 170,050,670
Business-type Activities					
Capital assets not being depreciated					
Land	$ 3,273,472	$ -	$ -	$ -	$ 3,273,472
Construction in progress	4,253,237	1,534,165	-	(642,006)	5,145,396
Total capital assets not being depreciated	7,526,709	1,534,165	-	(642,006)	8,418,868
Capital assets being depreciated					
Building	706,481	-	-	-	706,481
Water system	50,311,023	711,242	-	-	51,022,265
Sanitary system	41,077,777	163,809	-	-	41,241,586
Drainage system	1,684,364	-	-	-	1,684,364
Machinery and equipment	1,537,700	137,783	(46,300)	-	1,629,183
Infrastructure	8,191,680	-	-	-	8,191,680
Total capital assets being depreciated	103,509,025	1,012,834	(46,300)	-	104,475,559
Less: Accumulated depreciation for					
Building	(453,794)	(15,162)	-	-	(468,956)
Water system	(11,277,078)	(1,263,284)	-	-	(12,540,362)
Sanitary system	(10,852,825)	(1,018,294)	-	-	(11,871,119)
Drainage system	(1,360,594)	(40,601)	-	-	(1,401,195)
Machinery and equipment	(1,209,881)	(105,514)	-	-	(1,315,395)
Infrastructure	(6,379,224)	(198,206)	46,300	-	(6,531,130)
Total accumulated depreciation	(31,533,396)	(2,641,061)	46,300	-	(34,128,157)
Capital assets being depreciated, net	71,975,629	(1,628,227)	-	-	70,347,402
Business-type activities capital assets, net	$ 79,502,338	$ (94,062)	$ -	$ (642,006)	$ 78,766,270

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

General government	$ 796,576
Public safety	836,595
Public works	4,124,724
Culture and recreation	436,363
Total depreciation expense – governmental activities	$ 6,194,258
Business-type activities	
Water and Sewer	$ 2,641,061
Total depreciation expense – business-type activities	$ 2,641,061

Note 5: Long-term Debt

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

	Governmental	Business-type	Component Unit
Certificate Obligations			
Combination Tax and Revenue Certificates of Obligation, Series 2003, 3.00% to 4.10%, maturing in annual installments of $170,000 to $375,000 through 2017.	$ 200,000	$ -	$ -
Combination Tax and Revenue Certificates of Obligation, Series 2004, 3.60% to 4.81%, maturing in annual installments of $215,000 to $380,000 through 2024.	3,595,000	-	-
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2006, 3.50% to 5.00%, maturing in annual installments of $140,000 to $1,630,000 through 2026.	-	14,862,778	2,487,222
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2007, 3.50% to 5.00%, maturing in annual installments of $510,000 to $1,055,000 through 2027.	5,300,000	6,120,000	-
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2008, 3.50% to 5.00%, maturing in annual installments of $510,000 to $1,055,000 through 2027.	605,000	-	-
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2010, 2.50% to 4.00%, maturing in annual installments of $550,000 to $960,000 through 2030.	9,740,000	3,565,000	-
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2010-A, 2.00% to 4.00%, maturing in annual installments of $125,000 to $175,000 through 2030.	2,170,000	450,000	-
	$ 21,610,000	$ 24,997,778	$ 2,487,222

	Governmental	Business-type	Component Unit
General Obligations			
General Obligation Refunding Bonds, Series 2005, 3.00% to 4.125%, maturing in annual installments of $60,000 to $1,050,000 through 2021.	$ 7,580,000	$ -	$ -
General Obligation Refunding Bonds, Series 2010, 2.00% to 4.00%, maturing in annual installments of $170,000 to $510,000 through 2022.	4,315,000	-	-
General Obligation Refunding Bonds, Series 2011, 2.00% to 4.00%, maturing in annual installments of $20,000 to $890,000 through 2022.	5,713,600	1,841,400	-
General Obligation Refunding Bonds, Series 2012, 2.00% to 3.00%, maturing in annual installments of $255,000 to $1,295,000 through 2023.	5,786,900	2,038,100	-
	$ 23,395,500	$ 3,879,500	$ -
Revenue Bonds			
Water and Sewer System Revenue Bonds, Series 2004, 3.00% to 5.25%, maturing in annual installments of $865,000 to $1,550,000 through 2024.	$ -	$ 14,545,000	$ -

The following is a summary of long-term liability activity, including current portion, of the City for the year ended September 30, 2012:

	Beginning of Year	Increases	Decreases	Refunding	End of Year	Within One-Year
Governmental Activities						
Certificate obligations	$ 26,650,000	$ -	$ (2,545,000)	$ (2,495,000)	$ 21,610,000	$ 1,675,000
General obligations	22,603,800	6,056,900	(1,765,200)	(3,500,000)	23,395,500	2,410,200
Unamortized bond premium	1,481,218	160,226	(89,920)	-	1,551,524	89,920
Deferred loss on refunding	(836,693)	(81,552)	208,135	-	(710,110)	(166,469)
Compensated absences	1,878,406	1,993,331	(1,776,315)	-	2,095,422	2,095,422
Governmental activity long-term liabilities	$ 51,776,731	$ 8,128,905	$ (5,968,300)	$ (5,995,000)	$ 47,942,336	$ 6,104,073
Business-type Activities						
Certificate obligations	$ 26,313,059	$ -	$ (1,315,281)	$ -	$ 24,997,778	$ 1,228,829
General obligations	1,846,200	2,128,100	(94,800)	-	3,879,500	529,800
Revenue bonds	17,565,000	-	(925,000)	(2,095,000)	14,545,000	955,000
Unamortized bond premium	1,110,461	56,295	(75,902)	-	1,090,854	75,902
Compensated absences	242,654	191,570	(190,640)	-	243,584	243,584
Deferred loss on refunding	(123,052)	(114,495)	54,831	-	(182,716)	9,594
Business-type activity long-term liabilities	$ 46,954,322	$ 2,261,470	$ (2,546,792)	$ (2,095,000)	$ 44,574,000	$ 3,042,709
Component Units						
Certificate obligations	$ 2,611,941	$ -	$ (124,719)	$ -	$ 2,487,222	$ 131,171
Unamortized bond premium	67,543	-	(4,712)	-	62,831	4,712
Compensated absences	30,774	65,774	(70,243)	-	26,305	26,305
Component units long-term liabilities	$ 2,710,258	$ 65,774	$ (199,674)	$ -	$ 2,576,358	$ 162,188

The City intends to retire all of its general long-term liabilities, plus accrued interest, from ad valorem taxes and other current revenues from the Debt Service Fund as has been done in prior years. The proprietary fund type long-term debt, plus accrued interest, will be repaid from operating revenues of the Water and Sewer Enterprise Fund. The general fund has typically been used to liquidate the liability for compensated absences for governmental activities.

In prior years, the City defeased certain tax and revenue bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments on the defeased bonds. Accordingly, the trust accounts and the defeased bonds are not included in the City's financial statements. At September 30, 2012, outstanding principal on outstanding defeased debt obligations totaled $17,908,782.

A portion of Series 2006, Combination Tax and Surplus Revenue Certificate Obligation was issued by the City to provide financial assistance to the TCEDC. Payment of the obligation to the City is guaranteed through a project agreement entered into by the City with the TCEDC, and therefore the obligation for the debt has been recorded in the financial statements of the TCEDC. At September 30, 2012, the amount outstanding under the debt obligation was $2,487,222.

During April 2012, the City issued $8,185,000 General Obligation Refunding Bonds, Series 2012. The purpose of the bonds were to refund a portion of the City's Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2003 (will be called in 2013), all of the City's Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2007 and Waterworks and Sewer System Revenue Bonds, Series 2008 in order to lower the overall debt service requirements of the City and pay the costs of issuance of the bonds. The bonds bear interest between 2% and 3% and mature in 2023. The bonds were issued at a premium of $216,521. As a result of the refunding, the City decreased total debt service requirements by $451,722, which resulted in an economic gain of $447,733. Additionally, a deferred loss on refunding of $196,047 was recognized and will be amortized over the life of the refunded bond.

Description to Debt Indentures

Certificate Obligation Bonds

The City issues certificate obligation bonds to provide funds for the acquisition and construction of major capital facilities and infrastructure. The City is required by ordinance to create from ad valorem tax revenues a sinking fund sufficient to pay the current interest and principal installments as they become due.

Revenue Bonds

The City issues revenue bonds to construct water and sewer system improvements. The City is required by the applicable revenue bond indentures to pledge the net revenues of the Water and Sewer Enterprise Fund for the retirement of its outstanding revenue bonds, including interest thereon, and is required to maintain debt service funds and bond reserve funds for all such bonds outstanding.

Bond Compliance

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions at September 30, 2012.

Annual Requirements to Retire Debt Obligations

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

Certificate Obligation Bonds

Annual debt service requirements to maturity for certificate obligation bonds, including interest of $8,439,690 for governmental activities, $10,131,748 for business-type activities and $936,172 for component unit activities are as follows:

	Government Activities		
Fiscal Years Ending September 30,	Principal	Interest	Total
2013	$ 1,675,000	$ 1,016,901	$ 2,691,901
2014	1,280,000	853,165	2,133,165
2015	1,330,000	807,380	2,137,380
2016	1,115,000	752,991	1,867,991
2017	1,165,000	706,855	1,871,855
2018 – 2022	6,270,000	2,776,351	9,046,351
2023 – 2027	6,375,000	1,331,647	7,706,647
2028 – 2030	2,400,000	194,400	2,594,400
Total	$ 21,610,000	$ 8,439,690	$ 30,049,690

	Business-type Activities		
Fiscal Years Ending September 30,	Principal	Interest	Total
2013	$ 1,228,829	$ 1,146,859	$ 2,375,688
2014	1,278,812	1,097,006	2,375,818
2015	1,333,078	1,044,503	2,377,581
2016	1,395,910	979,750	2,375,660
2017	1,468,025	911,903	2,379,928
2018 – 2022	8,366,177	3,518,080	11,884,257
2023 – 2027	9,051,947	1,362,647	10,414,594
2028 – 2030	875,000	71,000	946,000
Total	$ 24,997,778	$ 10,131,748	$ 35,129,526

Fiscal Years Ending September 30,	Component Unit Activities		
	Principal	Interest	Total
2013	$ 131,171	113,330	$ 244,501
2014	136,188	108,084	244,272
2015	141,922	102,636	244,558
2016	149,090	95,540	244,630
2017	156,975	44,043	201,018
2018 – 2022	893,823	347,769	1,241,592
2023 – 2026	878,053	124,770	1,002,823
Total	$ 2,487,222	$ 936,172	$ 3,423,394

General Obligation Bond

Annual debt service requirements to maturity for general obligation bonds, including interest of $4,105,753 for governmental activities and $561,304 for business-type activities are as follows:

Fiscal Years Ending September 30,	Government Activities		
	Principal	Interest	Total
2013	$ 2,410,200	$ 763,814	$ 3,174,014
2014	2,747,900	698,271	3,446,171
2015	2,811,850	618,797	3,430,647
2016	2,830,900	537,179	3,368,079
2017	2,842,350	451,827	3,294,177
2018 – 2022	9,534,800	1,029,340	10,564,140
2023	217,500	6,525	224,025
Total	$ 23,395,500	$ 4,105,753	$ 27,501,253

Fiscal Years Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2013	$ 529,800	$ 100,881	$ 630,681
2014	482,100	92,486	574,586
2015	488,150	81,248	569,398
2016	479,100	69,841	548,941
2017	462,650	58,543	521,193
2018 – 2022	1,365,200	156,130	1,521,330
2023	72,500	2,175	74,675
Total	$ 3,879,500	$ 561,304	$ 4,440,804

Revenue Bonds

Annual debt service requirements to maturity for revenue bonds, including interest of $5,045,755 for business-type activities are as follows:

Fiscal Years Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2013	$ 955,000	$ 675,663	$ 1,630,663
2014	990,000	640,805	1,630,805
2015	1,030,000	603,680	1,633,680
2016	1,070,000	563,510	1,633,510
2017	1,110,000	520,710	1,630,710
2018 – 2022	6,365,000	1,801,199	8,166,199
2023 – 2024	3,025,000	240,188	3,265,188
Total	$ 14,545,000	$ 5,045,755	$ 19,590,755

Note 6: Interfund Transfers

All interfund transfers between the various funds are approved supplements to the operations of those funds. Individual fund transfers for fiscal year 2012 were as follows:

Transfer Fund	Transfer In	Transfer Out	Transfer
General			
Water and Sewer Enterprise	$ 2,483,312	$ -	Budgetary
Debt Services	-	417,131	Debt Service
Capital Projects Fund	580,016	2,711,902	Capital Projects
Nonmajor government	224,889	139,137	Budgetary
Fleet Services	337,855	-	Budgetary
Debt Services Fund			
General Fund	417,131	-	Debt Service
Capital Projects Fund			
Water & Sewer Enterprise	225,000	1,073,293	Capital Projects
General Fund	2,427,000	580,016	Capital Projects
Water and Sewer Enterprise			
General Fund	-	2,483,312	Budgetary
Capital Projects Fund	1,358,194	225,000	Capital Projects
Nonmajor govermental	130,773	-	
Fleet Services			
General Fund	-	309,340	Budgetary
Nonmajor Governmental			
General Fund	139,137	224,889	Budgetary
Enterprise Fund	-	128,916	
Nonmajor governmental	355,675	357,532	Budgetary
	$ 8,678,982	8,650,468	
		28,514	*
		$ 8,678,982	

* Represents accrual for compensated absences, net capital assets and other items of Fleet Services Fund not recorded in the General Fund but are included in the governmental activities in the statement of net assets.

Budgetary transfers were to move unrestricted funds to finance various programs that the City must account for in other funds in accordance with budgetary authorizations.

Note 7: Retirement Plan

Plan Description

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

Benefits depend upon the sum of the employee's contributions to the plan, the City-financed monetary credits, and an interest component. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, including interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150% or 200%) of the employee's accumulated contributions. The City can grant, as often as annually, another type of monetary credit referred to as an updated service credit.

This is a theoretical amount which when added to the sum of the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total accumulated monetary credits and employee contributions including interest if the current employee contribution rate and City matching percent had always been in existence. In addition, it is based on the premise that the employee's salary had always been the average of his salary in the last three years that was one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions the employer-financed monetary credits and the interest component were used to purchase an annuity.

Members can retire at ages 60 and above with five or more years of service or with 20 years of service regardless of age. A member is vested after five years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

The pension plan does not issue separate reports on the pension plan. However, TMRS does issue a publicly available report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. That report can be obtained by writing to: Texas Municipal Retirement System, P.O. Box 149153, Austin, Texas 78714-9153.

Contributions

The contribution rate for the employees is 7%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year.

The normal cost contribution rate finances the currently accruing monetary credits due to the City's matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made.

The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective.

The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 27.2-year amortization period. The projected unit credit actuarial cost method is used for determining the City contribution 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 (i.e. December 31, 2010 valuation is effective for rates beginning January 2012).

A summary of the City's net pension obligation (NPO) and annual required contributions for the last three fiscal years is as follows:

	Fiscal Year Ended September 30,		
	2012	2011	2010
NPO, beginning of the period	$ -	$ -	$ -
Annual required contribution	2,085,794	2,388,097	2,162,236
Contributions made (100%)	$ 2,085,794	$ 2,388,097	$ 2,162,236
NPO, end of the period	$ -	$ -	$ -

A summary of the actuarial assumptions used is as follows:

Actuarial cost method	Projected unit credit
Amortization method	Level percent of payroll
Remaining amortization period	27.2 years – closed period
Asset valuation method	10-year smoothed market
Investment rate of return	7.00%
Projected salary increases	Varies by age and service
Includes inflation at	3.00%
Cost-of-living adjustments	0.90%

Trend information is presented below for the three most recent plan years.

Fiscal Year September 30,	Annual Contributions	Annual Pension Cost (APC)	Percentage of APC Contributed	Pension Obligaton (Asset)
2010	$ 2,162,236	$ 2,162,236	100%	-
2011	2,388,097	2,388,097	100%	-
2012	2,085,794	2,085,794	100%	-

As of the most recent actuarial valuation date, the funded status on the plan is as follows:

Actuarial valution date	December 31, 2011
Actuarial value of plan assets	$ 48,476,592
Actuarial accrued liability (AAL)	57,367,956
Funded rate	84.50%
Unfunded AAL	8,891,364
Covered payroll	15,743,058
Unfunded AAL as a % of covered payroll	56.5%

The schedule of funding progress, presented at Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Note 8: Deferred Compensation Plan

The City participates in a deferred compensation plan, which falls under Internal Revenue Code Section 457. Virtually all employees are eligible to participate in the plan. The deferred compensation plan allows the deferral of individual Federal income taxes until funds are withdrawn. Funds may be withdrawn at termination, retirement, death or unforeseeable emergency. Employees may contribute a maximum of 100% of compensation included in gross income or $15,500 whichever is less.

As a result of legislative changes, all amounts of compensation deferred, all property and rights purchased, and all income, property or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries, whereas, prior to these legislative changes, these amounts were solely the property and rights of the City subject only to the claims of the City's general creditors. As a result, at September 30, 2012, the deferred compensation investments in the amount of $3,179,008 are not reported in the City's financial statements.

Note 9: Commitments and Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

The amount, if any, of expenditures which may be disallowed by the grantor agency cannot be determined at this time although the City expects such amounts, if any, to be immaterial to the basic financial statements.

At September 30, 2012, the City had authorized construction contract commitments of approximately $8,582,000.

Note 10: Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2012, the City purchased commercial insurance to cover these liabilities. Additionally, the City purchases commercial insurance to cover employee health benefits. There were no significant reductions in coverage in the prior fiscal year and there were no material settlements exceeding insurance coverage in the past three years.

Note 11: Subsequent Event

During March 2013, the City issued the City of the Colony, Texas $11,500,000 Water and Sewer System Refunding Bonds, Series 2013. The City will save approximately $1,000,000 in future interest payments as a result of this refunding.

The City of The Colony Tax Increment Financing District Reinvestment Zone Number One (the TIF) was created on November 8, 2011. The TIF is designated as a blended component unit of the City of The Colony. The TIF was formed to finance and make public improvements on approximately 423 acres of land bounded by Plano Parkway, State Highway 121 and Spring Creek Parkway. As of September 30, 2012, there was no activity involving this entity.

During February 2013, the TIF issued $35,390,000 The Colony Local Development Corporation Sales Tax Increment Contract Revenue Bonds, Series 2013 funded by 90% of the related sales tax.

During February 2013, the TIF issued $106,850,000 The Colony Local Development Corporation Sales Tax Increment Contract Revenue Bonds, Series 2013A funded by 100% of the related property tax.

During February 2013, the Economic Development Corporation issued $29,580,000 The Colony EDC Sales Tax Revenue Bonds, Series 2013.

During February 2013, the Community Development Corporation issued $29,580,000 The Colony CDC Sales Tax Revenue Bonds, Series 2013.

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City by the Lake

Required Supplementary Information

THE COLONY

City by the Lake

City of The Colony, Texas

Required Supplementary Information

Schedule of Funding Progress

For the Year Ended September 30, 2012

Exhibit A–1

Actuarial Valuation Date	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio as a Percentage (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered ((b-a)/c))
12/31/07	TMRS	$ 23,573,010	$ 37,395,402	$ 13,822,392	63.0	$ 13,460,844	102.7%
12/31/08	TMRS	26,870,041	41,690,175	13,820,134	64.5	14,873,359	99.6%
12/31/09	TMRS	30,412,675	48,050,036	17,637,361	63.3	15,794,534	111.7%
12/31/10	TMRS	43,409,635	53,450,730	10,041,095	81.2	15,554,464	64.6%
12/31/11	TMRS	48,476,592	57,367,956	8,891,364	84.5	15,743,058	56.5%

The accrual information presented is determined by an actuarial valuation and is the amount that results from applying various assumptions with regard to termination, disability, mortality and the time value of money to the accumulated plan benefits.

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

City of The Colony, Texas

General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances (Budget Basis) Budget and Actual For the Year Ended September 30, 2012

Exhibit A–2

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Ad valorem taxes, penalties and interest	$ 10,510,123	$ 10,510,123	$ 10,581,819	$ 71,696
Franchise taxes	2,099,706	2,099,706	2,266,213	166,507
Municipal sales tax	3,880,000	3,880,000	3,655,111	(224,889)
Licenses and permits	691,045	691,045	695,151	4,106
Charges for services	1,293,596	1,293,596	998,347	(295,249)
Fines and forfeitures	1,237,035	1,237,035	1,097,833	(139,202)
Grants	41,289	41,289	39,946	(1,343)
Gifts and contributions	-	-	299,845	299,845
Investment income	10,500	10,500	14,448	3,948
Miscellaneous	469,690	469,690	749,867	280,177
Total revenues	20,232,984	20,232,984	20,398,580	165,596
Expenditures				
Current				
General government				
Developmental services	588,399	603,318	569,750	33,568
Community Image	436,839	442,688	376,532	66,156
General administration	652,503	673,637	420,753	252,884
City secretary	247,930	251,158	205,899	45,259
City council	55,877	55,411	12,057	43,354
Human resources	275,610	279,164	211,908	67,256
Finance	843,664	850,921	669,360	181,561
Information technology	771,535	785,777	563,989	221,788
Nondepartmental	1,045,887	3,069,158	623,266	2,445,892
Fleet services	616,889	623,152	435,004	188,148
Public safety				
Municipal court	356,922	361,512	357,246	4,266
Fire	5,033,497	5,136,040	4,979,857	156,183
Police	6,673,838	6,830,840	6,826,451	4,389
Public works				
Engineering	843,929	866,690	850,758	15,932
Facilities maintenance	383,821	386,609	587,095	(200,486)
Cultural and recreation				
Parks and recreation	3,109,446	2,053,552	1,937,941	115,611
Aquatic park	468,278	362,819	383,889	(21,070)
Library	960,304	973,821	973,748	73
Community center	140,752	140,752	155,407	(14,655)
Total expenditures	23,505,920	24,747,019	21,140,910	3,606,109
Excess (deficiency) of revenues over expenditures	(3,272,936)	(4,514,035)	(742,330)	3,771,705
Other Financing Sources and (Uses)				
Transfers from other funds	6,722,831	7,197,663	3,626,072	(3,571,591)
Transfers to other funds	(3,991,268)	(3,991,268)	(3,268,170)	723,098
Total other financing sources (uses)	2,731,563	3,206,395	357,902	(2,848,493)
Net Change In Fund Balance	(541,373)	(1,307,640)	(384,428)	923,212
Fund Balance, Beginning of Year	7,904,478	7,904,478	7,904,478	-
Fund Balance, End of Year	$ 7,363,105	$ 6,596,838	$ 7,520,050	$ 923,212

City of The Colony, Texas

Debt Service Fund

Budgetary Comparison Schedule

For the Year Ended September 30, 2012

Exhibit A–3

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Ad valorem tax	$ 4,453,454	$ 4,453,454	$ 4,420,725	$ (32,729)
Gifts and contributions	-	-	995,788	995,788
Investment income	10,000	10,000	3,571	(6,429)
Grants	-	-	130,563	130,563
Total revenues	4,463,454	4,463,454	5,550,647	1,087,193
Expenditures				
Principal retirement	4,137,719	4,137,719	4,434,919	(297,200)
Interest and fiscal charges	2,167,567	2,167,567	2,245,051	(77,484)
Total expenditures	6,305,286	6,305,286	6,679,970	(374,684)
Excess (deficiency) of revenues over expenditures	(1,841,832)	(1,841,832)	(1,129,323)	712,509
Other Financing Sources				
Transfers from other funds	1,463,833	1,463,833	417,131	(1,046,702)
Total other financing sources	1,463,833	1,463,833	417,131	(1,046,702)
Net Change In Fund Balance	(377,999)	(377,999)	(712,192)	(334,193)
Fund Balance, Beginning of Year	1,328,743	1,328,743	1,328,743	-
Fund Balance, End of Year	$ 950,744	$ 950,744	$ 616,551	$ (334,193)

Explanation of Differences between Budgetary Revenues and Expenditures and Changes in Fund Balance to the Debt Service Fund Statement of Revenues, Expenditures and Changes in Fund Balance

Actual amount (budgetary basis) Net Change in Fund Balance	$ (712,192)
Adjustments	
Proceeds, including premiums, from refunding bonds issued are classified as Other Financing Sources and (Uses) for GAAP reporting, but are not included in total Other Financing Sources in the budget basis	6,217,126
Bond issuance costs are recognized as an expenditure for GAAP reporting, but are not included in total expenditures in the budget basis.	(140,574)
Payments to bond escrow agents is classified as Other Financing Sources and (Uses) for GAAP reporting, but are not included in total Other Financing Sources on the budget basis	(6,076,552)
Actual amount (GAAP basis) Net Change in Fund Balance	$ (712,192)

City of The Colony, Texas

Notes to Required Supplementary Information

For the Year Ended September 30, 2012

Budgetary Information

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

1. Prior to July 31, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

2. The proposed budget is filed with the City Secretary not less than 30 days prior to the time the City Council approves the tax levy for the fiscal year commencing the following October 1. Public hearings are conducted to obtain taxpayers' comments.

3. Prior to October 1, the budget is legally enacted by the City Council through passage of an ordinance.

4. The City Manager has authority to transfer appropriation balances from one expenditure account to another within a single department of the City. Only the City Council may transfer any unencumbered appropriation balance or portion thereof from one department to another. Appropriations lapse at the end of the fiscal year.

An annual budget is legally adopted for the General Fund using accounting principles generally accepted in the United States of America in all material respects. Additionally, the following funds have legally adopted annual budgets:

1. Debt Service
2. Lake Parks
3. Special Events
4. Hotel/Motel Taxes
5. Child Safety
6. Storm Water Utility

THE COLONY

City by the Lake

Combining and Individual Fund Statements and Schedules

THE COLONY

City by the Lake

Major Governmental Funds

General Fund

The General Fund is used to account for resources associated with traditional governmental functions that are not required legally or by sound financial management to be accounted for in another fund.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for and the payment of general obligation bonds and interest from governmental resources.

Capital Project Fund

The Capital Project Fund accounts for all resources used for the acquisition and/or construction of major capital facilities by the City, except those finances by proprietary funds and trust funds.

Nonmajor Governmental Funds
Special Revenue Funds

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

Lake Parks Fund – To account for revenue generated by fees and permits to enter and utilize the park area and facilities located on the eastern shore of Lake Lewisville.

Environmental Fund – To account for recycling fees from residents as well as donated proceeds and State grants for use in recycling. This fund was closed during fiscal year 2012.

Hidden Cove Park Fund – The fund to account for revenue generated by fees and permits to enter and utilize the park area and facilities located on Lake Lewisville, northwest of the City. This fund was closed during fiscal year 2012.

Special Events Fund – To account for various special events of the City including Christmas decorations, 4th of July fireworks display and other special events held by the City.

Hotel/Motel Taxes Fund – To account for the receipt and allocation of the City's hotel/motel occupancy tax.

Library Grants Fund – To account for proceeds received from various state grants received for the Library.

Police Forfeited Fund – To account for the funds seized by the police department that have been awarded by the court.

Police Seized Fund – To account for funds seized by the police department that are awaiting disposition by the court.

Federal Seized Fund – To account for funds granted to the police department in a revenue sharing agreement with the federal government.

Child Safety Fund – The account for child safety fees collected according to state statute to fund the school crossing guard program and for other programs designed to enhance child safety, health or nutrition.

Storm Water Utility Fund – To account for the revenue and expenditures associated with drainage projects within the City.

Court Security Fund – To account for the revenue and expenditures associated with the portion of traffic tickets that have been restricted for the security of the Municipal Court.

Court Technology Fund – To account for the revenue and expenditures associated with the portion of traffic tickets restricted for upgrading the technology in the Municipal Court.

Community Center Fund – The fund to account for revenues and expenditures for the operation of the Community Center and was combined with the General Fund during fiscal year 2012.

Citizens Donation Fund – To account for money received from the $1 Add-On Program and the Recycling Rebate Program. This money is restricted for social and community services, public safety citizen programs and beautification projects.

City of The Colony, Texas

Nonmajor Governmental Funds

Combining Balance Sheet

September 30, 2012

	Special Revenue						
	Lake Parks	Environ-mental	Hidden Cove Park	Special Events	Hotel/Motel Taxes	Library Grants	Police Forfeited Funds
Assets							
Cash and cash equivalent	$ 229,005	$ -	$ -	$ 52,296	$ 129,662	$ 3,705	$ 29,052
Due from Enterprise Fund	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	24,266	-	-
Total assets	$ 229,005	$ -	$ -	$ 52,296	$ 153,928	$ 3,705	$ 29,052
Liabilities and Fund Balances							
Liability							
Due to General Fund	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accounts payable and accrued expenses	1,915	-	-	10,797	7,105	-	38
Total liabilities	1,915	-	-	10,797	7,105	-	38
Fund Balance							
Restricted	-		-	-	146,823	3,705	29,014
Committed	227,090	-	-	41,499	-	-	-
Total fund balances	227,090	-	-	41,499	146,823	3,705	29,014
Total liabilities and fund balances	$ 229,005	$ -	$ -	$ 52,296	$ 153,928	$ 3,705	$ 29,052

Exhibit C–1

Special Revenue								
Police Seized Funds	Federal Seized Funds	Child Safety Fund	Storm Water Utility	Court Security	Court Technology	Community Center	Citizens Donations	Total Nonmajor Governmental Funds
$ -	$ 3,514	$ -	$ 261,474	$ 346,004	$ 70,754	$ -	$ 4,357	$ 1,129,823
-	-	-	-	-	-	-	-	-
-	-	43,747	-	-	-	-	-	68,013
$ -	$ 3,514	$ 43,747	$ 261,474	$ 346,004	$ 70,754	$ -	$ 4,357	$ 1,197,836
$ -	$ -	$ 7,709	$ -	$ -	$ -	$ -	$ -	$ 7,709
-	-	-	-	-	38	-	-	19,893
-	-	7,709	-	-	38	-	-	27,602
-	3,514	36,038	261,474	346,004	70,716	-	4,357	901,645
-	-	-	-	-	-	-	-	268,589
-	3,514	36,038	261,474	346,004	70,716	-	4,357	1,170,234
$ -	$ 3,514	$ 43,747	$ 261,474	$ 346,004	$ 70,754	$ -	$ 4,357	$ 1,197,836

City of The Colony, Texas

Nonmajor Governmental Funds
Combining Statements of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2012

	Special Revenue						
	Lake Parks	Environ-mental	Hidden Cove Park	Special Events	Hotel/Motel Taxes	Library Grants	Police Forfieted Funds
Revenues							
License and permits	$ 193,354	$ -	$ -	$ -	$ -	$ -	$ -
Fines and forfeitures	-	-	-	-	-	-	-
Hotel/motel taxes	-	-	-	-	370,798	-	-
Gifts and contributions	65,020	-	-	1,727	-	-	-
Grants	-	-	-	-	-	9,400	-
Investment income	39	-	-	-	15	-	1
Miscellaneous	285	-	100	54,754	427	-	-
Total revenues	258,698	-	100	56,481	371,240	9,400	1
Expenditures							
Current							
Cultural and recreation	90,864	-	-	324,044	167,437	8,414	-
Public works	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	5,116
Total expenditures	90,864	-	-	324,044	167,437	8,414	5,116
Excess (deficiency) of revenues over (under) expenditures	167,834	-	100	(267,563)	203,803	986	(5,115)
Other Financing Sources (Uses)							
Transfers from other funds	-	-	152,444	319,137	-	-	23,231
Transfers to other funds	(187,444)	(128,916)	-	(50,000)	(180,000)	-	-
Total other financing sources (uses)	(187,444)	(128,916)	152,444	269,137	(180,000)	-	23,231
Net Change in Fund Balances (Deficits)	(19,610)	(128,916)	152,544	1,574	23,803	986	18,116
Fund Balances (Deficits), Beginning of Year	246,700	128,916	(152,544)	39,925	123,020	2,719	10,898
Fund Balances, End of Year	$ 227,090	$ -	$ -	$ 41,499	$ 146,823	$ 3,705	$ 29,014

Exhibit C–2

Special Revenue								
Police Seized Funds	Federal Seized Funds	Child Safety Fund	Storm Water Utility	Court Security	Court Technology	Community Center	Citizens Donations	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ 493,564	$ -	$ -	$ -	$ -	$ 686,918
-	-	-	-	27,170	36,223	-	-	63,393
-	-	-	-	-	-	-	-	370,798
-	-	-	-	-	-	-	1,553	68,300
-	-	52,277	-	-	-	-	-	61,677
3	-	9	-	51	9	-	-	127
-	-	-	-	-	-	-	-	55,566
3	-	52,286	493,564	27,221	36,232	-	1,553	1,306,779
-	-	-	-	-	-	-	-	590,759
-	-	-	490,000	-	-	-	-	490,000
-	-	16,000	-	-	19,766	-	-	40,882
-	-	16,000	490,000	-	19,766	-	-	1,121,641
3	-	36,286	3,564	27,221	16,466	-	1,553	185,138
-	-	-	-	-	-	-	-	494,812
(23,231)	-	(75,000)	(1,857)	-	-	(64,889)	-	(711,337)
(23,231)	-	(75,000)	(1,857)	-	-	(64,889)	-	(216,525)
(23,228)	-	(38,714)	1,707	27,221	16,466	(64,889)	1,553	(31,387)
23,228	3,514	74,752	259,767	318,783	54,250	64,889	2,804	1,201,621
$ -	$ 3,514	$ 36,038	$ 261,474	$ 346,004	$ 70,716	$ -	$ 4,357	$ 1,170,234

City of The Colony, Texas

Lake Parks Special Revenue Fund

Budgetary Comparison Schedule

For the Year Ended September 30, 2012

Exhibit C–3

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Fees and permits	$ 174,775	$ 174,755	$ 193,354	$ 18,599
Developer contributions	62,000	62,000	65,020	3,020
Investment income	500	500	39	(461)
Miscellaneous income	1,000	1,000	285	(715)
Total revenues	238,275	238,255	258,698	20,443
Expenditures				
Cultural and recreation	174,932	174,932	90,864	(84,068)
Total expenditures	174,932	174,932	90,864	(84,068)
Excess (deficiency) of revenues over expenditures	63,343	63,323	167,834	104,511
Other Financing Sources (Uses)				
Transfer to other funds	(35,000)	(35,000)	(187,444)	-
Total other financing sources (uses)	(35,000)	(35,000)	(187,444)	-
Net Change In Fund Balance	28,343	28,323	(19,610)	104,511
Fund Balance, Beginning of Year	246,700	246,700	246,700	-
Fund Balance, End of Year	$ 275,043	$ 275,023	$ 227,090	$ 104,511

City of The Colony, Texas

Special Events Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended September 30, 2012

Exhibit C–4

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Gifts and contributions	$ 7,250	$ 7,250	$ 1,727	$ (5,523)
Investment income	100	100	-	(100)
Miscellaneous	34,225	34,225	54,754	20,529
Total revenues	41,575	41,575	56,481	14,906
Expenditures				
Cultural and recreation	342,398	342,398	324,044	(18,354)
Total expenditures	342,398	342,398	324,044	(18,354)
Excess (deficiency) of revenues over expenditures	(300,823)	(300,823)	(267,563)	33,260
Other Financing Sources (Uses)				
Transfer from other funds	319,317	319,317	319,137	(180)
Transfer to other funds	-	-	(50,000)	(50,000)
Total other financing sources (uses)	319,317	319,317	269,137	(50,180)
Net Change In Fund Balance	18,494	18,494	1,574	(16,920)
Fund Balance, Beginning of Year	39,925	39,925	39,925	-
Fund Balance, End of Year	$ 58,419	$ 58,419	$ 41,499	$ (16,920)

City of The Colony, Texas

Hotel/Motel Taxes Special Revenue Fund

Budgetary Comparison Schedule

For the Year Ended September 30, 2012

Exhibit C–5

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Hotel/motel taxes	$ 289,800	$ 289,800	$ 370,798	$ 80,998
Investment income	150	150	15	(135)
Miscellaneous	-	-	427	427
Total revenues	289,950	289,950	371,240	81,290
Expenditures				
Cultural and recreation	143,164	143,164	167,437	24,273
Total expenditures	143,164	143,164	167,437	24,273
Excess (deficiency) of revenues over expenditures	146,786	146,786	203,803	57,017
Other Financing Sources (Uses)				
Transfer to other funds	(180,000)	(180,000)	(180,000)	-
Total other financing sources (uses)	(180,000)	(180,000)	(180,000)	-
Net Change In Fund Balance	(33,214)	(33,214)	23,803	57,017
Fund Balance, Beginning of Year	123,020	123,020	123,020	-
Fund Balance, End of Year	$ 89,806	$ 89,806	$ 146,823	$ 57,017

City of The Colony, Texas

Child Safety Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended September 30, 2012

Exhibit C–6

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Grants	$ 50,800	$ 50,800	$ 52,277	$ 1,477
Investment Income	-	-	9	9
Total revenues	50,800	50,800	52,286	1,486
Expenditures				
Public safety	17,770	17,770	16,000	(1,770)
Total expenditures	17,770	17,770	16,000	(1,770)
Excess (deficiency) of revenues over expenditures	33,030	33,030	36,286	3,256
Other Financing Sources (Uses)				
Transfer to other funds	(75,000)	(75,000)	(75,000)	-
Total other financing sources (uses)	(75,000)	(75,000)	(75,000)	-
Net Change In Fund Balance	(41,970)	(41,970)	(38,714)	3,256
Fund Balance, Beginning of Year	74,752	74,752	74,752	-
Fund Balance, End of Year	$ 32,782	$ 32,782	$ 36,038	$ 3,256

City of The Colony, Texas

Storm Water Utility Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended September 30, 2012

Exhibit C–7

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Licenses and permits	$ 490,000	$ 490,000	$ 493,564	$ 3,564
Investment Income	-	-	-	-
Total revenues	490,000	490,000	493,564	3,564
Expenditures				
Public works	490,000	490,000	490,000	-
Total expenditures	490,000	490,000	490,000	-
Excess (deficiency) of revenues over expenditures	-	-	3,564	3,564
Other Financing Sources (Uses)				
Transfer to other funds	-	-	(1,857)	-
Total other financing sources (uses)	-	-	(1,857)	-
Net Change In Fund Balance	-	-	1,707	3,564
Fund Balance, Beginning of Year	259,767	259,767	259,767	-
Fund Balance, End of Year	$ 259,767	$ 259,767	$ 261,474	$ 3,564

Discretely Presented Component Units

The Colony Economic Development Corporation (TCEDC)

TCEDC is a legally separate entity from the City and was organized exclusively for the public purpose of the promotion and development of new expanded business enterprises to provide and encourage employment in the furtherance of public welfare.

The Colony Community Development Corporation (TCCDC)

A legally separate entity from the City and was organized exclusively for the public purpose of the promotion of economic development by developing, implementing, and financing projects under the Development Corporation Act of 1979.

City of The Colony, Texas

Economic Development Corporation

Balance Sheet

September 30, 2012

Exhibit F–1

Assets

Current Assets		
Cash and cash equivalents	$	5,627,825
Sales tax receivable		535,009
Total assets	$	6,162,834

Liabilities and Fund Balance

Current Liabilities		
Accounts payable	$	142,891
Total liabilities		142,891
Fund Balance		
Unassigned		6,019,943
Total liabilities and fund balances	$	6,162,834

City of The Colony, Texas

Economic Development Corporation

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

September 30, 2012

Exhibit F–2

Total fund balance – governmental fund	$	6,019,943
Amounts reported for governmental activities in the statement of net assets are different because		
Costs associated with the issuance of governmental long term debt are expensed when incurred in the fund statements and capitalized and amortized over the life of the debt in the government-wide financial statements. This amount represents the unamortized portion of bond issue costs.		46,703
Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.		(13,973)
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported in the fund financial statements.		(2,576,358)
Net assets of governmental activities	$	3,476,315

City of The Colony, Texas

Economic Development Corporation Statement of Revenues, Expenditures and Change in Fund Balances

For the Year Ended September 30, 2012

Exhibit F–3

Revenues	
Municipal sales tax	$ 1,788,164
Investment income	5,535
Miscellaneous	36,867
Total revenues	1,830,566
Expenditures	
Economic development	1,276,742
Total expenditures	1,276,742
Net Change In Fund Balance	553,824
Fund Balance, Beginning of Year	5,466,119
Fund Balance, End of Year	$ 6,019,943

City of The Colony, Texas

Economic Development Corporation Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2012

Exhibit F–4

Net change in fund balances – Economic Development Corporation	$	553,824
Amounts reported for governmental activities in the statement of activities are different because		
Current year amortization of the costs of bond issuance costs do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		(3,503)
Current year amortization of premiums on debt issuance costs do not reduce the use of current financial resources; therefore, are not as contra-expenditures in governmental funds.		4,712
Current year changes in accrued compensated absences do not require the use of financial resources; therefore, are not reported as expenditures in governmental funds.		(5,041)
Current year principal payments on long-term debt are recorded as expenditures in the fund financial statements, but are reflected as reductions in the liability for long-term debt in the government-wide financial statements.		124,719
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in government		767
Change in net assets of governmental activities	$	675,478

City of The Colony, Texas

Community Development Corporation – Balance Sheet

September 30, 2012

Exhibit F–5

Assets

Current Assets	
Cash and cash equivalents	$ 1,165,008
Sales tax receivable	383,972
Total assets	$ 1,548,980

Liabilities and Fund Balance

Current Liabilities	
Accounts payable	$ 124,867
Total liabilities	124,867
Fund Balance	
Unassigned	1,424,113
Total liabilities and fund balance	$ 1,548,980

City of The Colony, Texas

Community Development Corporation – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

September 30, 2012

Exhibit F–6

Total fund balances – governmental funds	$	1,424,113
Amounts reported for governmental activities in the statement of net assets are different because		
Long-term liabilities, including compensated absences payable are not due and and payable in the current period and therefore are not reported in the fund financial statements		-
Net assets of governmental activities	$	1,424,113

City of The Colony, Texas

Community Development Corporation – Statement of Revenues, Expenditures and Change in Fund Balances For the Year Ended September 30, 2012

Exhibit F–7

Revenues		
Municipal sales tax	$	1,788,164
Investment income		2,099
Miscellaneous revenues		5,088
Total revenues		1,795,351
Expenditures		
Current		
Economic development		1,795,836
Net Change In Fund Balance		(485)
Fund Balance, Beginning of Year		1,424,598
Fund Balance, End of Year	$	1,424,113

City of The Colony, Texas

Community Development Corporation – 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

Exhibit F–8

Net change in fund balances – total governmental funds	$	(485)
Amounts reported for governmental activities in the statement of activities are different because		
Current year changes in accrued compensated absences are recorded as contra-expenditures in the fund financial statements, but are reflected as decreases in the liability for compensated absences in the government-wide financial statements		9,509
Change in Net Assets of Governmental activities	$	9,024

THE COLONY

City by the Lake

Statistical Section

THE COLONY

City by the Lake

Statistical Section
(Unaudited)

The City of The Colony's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. The tables herein, are unaudited.

		Tables
Financial Trends	These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1–4
Revenue Capacity	These schedules present information to help the reader assess the City's most significant local revenue source, the property tax.	5–8
Debt Capacity	These schedules present information 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.	9–12
Demographic and Economic Indicators	These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	13–15
Operating Information	These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relate to the services the City provides and the activities it performs.	16–18

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

THE COLONY

City by the Lake

City of The Colony, Texas

Net Assets by Component
Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	Fiscal Year			
	2003	2004	2005	2006
Governmental Activities				
Invested in capital assets (net of related debt)	$ 100,990,395	$ 102,508,890	$ 99,960,918	$ 99,646,935
Restricted for				
Debt service	657,737	473,413	520,709	649,790
Governmental funded construction costs	-	-	-	-
Unrestricted	6,264,401	2,281,000	6,083,150	11,005,057
Total governmental activities net asset	$ 107,912,533	$ 105,263,303	$ 106,564,777	$ 111,301,782
Business-type Activities				
Invested in capital assets (net of related debt)	$ 20,997,915	$ 22,972,804	$ 25,114,313	$ 26,584,212
Restricted for				
Debt service	527,786	561,993	1,982,120	2,146,469
Unrestricted	29,861	(377,480)	(1,683,654)	2,825,843
Total business-type activities net asset	$ 21,555,562	$ 23,157,317	$ 25,412,779	$ 31,556,524
Primary Government				
Invested in capital assets (net of related debt)	$ 121,988,310	$ 125,481,694	$ 125,075,231	$ 126,231,147
Restricted for				
Debt service	1,185,523	1,035,406	2,502,829	2,796,259
Governmental funded construction costs	-	-	-	-
Unrestricted	6,504,262	1,903,520	4,399,496	13,830,900
Total primary governmental net assets	$ 129,678,095	$ 128,420,620	$ 131,977,556	$ 142,858,306

Table–1

Fiscal Year					
2007	**2008**	**2009**	**2010**	**2011**	**2012**
$ 110,759,032	$ 114,835,815	$ 120,522,026	$ 120,889,617	$ 120,171,449	$ 124,203,756
275,435	969,106	1,378,540	1,417,890	1,328,743	616,551
-	-	-	21,587,370	15,162,606	18,841,254
9,769,205	11,545,288	6,788,851	7,104,234	12,898,833	18,856,491
$ 120,803,672	$ 127,350,209	$ 128,689,417	$ 150,999,111	$ 149,561,631	$ 162,518,052
$ 28,799,583	$ 31,288,426	$ 34,221,183	$ 34,339,436	$ 32,790,670	$ 34,435,853
1,987,616	1,927,384	2,008,372	2,125,650	2,035,533	1,630,663
4,802,190	5,188,745	4,527,153	5,272,751	7,431,021	6,214,403
$ 35,589,389	$ 38,404,555	$ 40,756,708	$ 41,737,837	$ 42,257,224	$ 42,280,919
$ 139,558,615	$ 146,124,241	$ 154,779,309	$ 155,229,053	$ 152,962,119	$ 158,639,609
2,263,051	2,896,490	3,386,912	3,543,540	3,364,276	2,247,214
-	-	-	21,587,370	16,022,608	18,841,254
14,571,395	16,734,033	11,333,724	12,376,985	19,469,850	25,070,894
$ 156,393,061	$ 165,754,764	$ 169,499,945	$ 192,736,948	$ 191,818,853	$ 204,798,971

City of The Colony, Texas

Changes in Net Assets
Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities				
General government	$ 3,714,511	$ 3,499,937	$ 3,702,048	$ 4,076,007
Public safety	6,536,449	7,252,955	7,905,278	8,718,968
Public works	5,570,392	6,877,350	6,226,189	6,800,501
Culture and recreation	3,171,169	3,693,945	3,299,725	3,491,239
Interest on long-term debt	1,831,337	1,943,163	2,135,725	2,036,915
Total governmental activities expenses	20,823,858	23,267,350	23,268,965	25,123,630
Business-type activities				
Water and sewer	7,879,430	7,760,067	8,595,082	9,894,712
Total business-type activities expenses	7,879,430	7,760,067	8,595,082	9,894,712
Total primary goverment expenses	$ 28,703,288	$ 31,027,417	$ 31,864,047	$ 35,018,342
Program Revenues				
Governmental activities				
Charges for services				
General government	$ 165,811	$ 166,222	$ 272,468	$ 969,908
Public safety	709,270	947,552	1,194,993	1,527,570
Public works	690,910	491,916	1,723,199	523,801
Culture and recreation	783,621	929,866	650,576	668,477
Operating grants and contributions	1,132,312	990,405	1,504,198	5,322,230
Capital grants and contributions	24,477	663,962	2,036,404	1,764,383
Total governmental activities program revenues	3,506,401	4,189,923	7,381,838	10,776,369
Business-type activities				
Charges for services				
Water and sewer	8,653,115	8,643,667	10,058,890	12,772,249
Operating grants and contributions	-	-	-	-
Capital grants and contributions	100,590	227,824	1,043,371	2,542,627
Total business-type activities program revenues	8,753,705	8,871,491	11,102,261	15,314,876
Total primary government program revenues	$ 12,260,106	$ 13,061,414	$ 18,484,099	$ 26,091,245
Net (Expenses) Revenues				
Governmental activities	$ (17,317,457)	$ (19,077,427)	$ (15,887,127)	$ (14,347,261)
Business-type activities	874,275	1,111,424	2,507,179	5,420,164
Total primary government net expenses	$ (16,443,182)	$ (17,966,003)	$ (13,379,948)	$ (8,927,097)

Table–2

Fiscal Year					
2007	2008	2009	2010	2011	2012
$ 5,174,718	$ 5,457,879	$ 6,047,649	$ 5,348,676	$ 5,358,521	$ 5,088,732
9,615,093	10,724,686	11,931,119	12,007,197	14,315,846	13,033,809
7,138,705	6,787,684	6,460,351	7,259,566	6,103,481	6,540,099
3,869,375	3,828,479	4,166,790	4,328,613	4,220,462	4,383,077
2,113,208	1,797,601	2,294,631	2,148,148	2,803,970	2,262,515
27,911,099	28,596,329	30,900,540	31,092,200	32,802,280	31,308,232
10,210,302	12,121,212	12,267,934	12,675,692	12,966,102	13,262,154
10,210,302	12,121,212	12,267,934	12,675,692	12,966,102	13,262,154
$ 38,121,401	$ 40,717,541	$ 43,168,474	$ 43,767,892	$ 45,768,382	$ 44,570,386
$ 1,210,127	$ 1,864,500	$ 1,458,466	$ 2,339,378	$ 2,394,953	$ 1,382,069
1,626,470	1,678,345	1,556,809	1,376,055	1,756,273	1,467,787
509,999	609,161	648,546	3,035	-	-
571,053	636,726	628,334	636,493	681,708	691,786
3,426,207	2,866,700	1,760,789	2,113,635	1,532,482	14,574,876
8,226,536	6,706,427	3,947,382	24,282,758	1,939,338	2,766,960
15,570,392	14,361,859	10,000,326	30,751,354	8,304,754	20,883,478
11,340,679	12,989,227	13,219,584	13,615,694	14,502,097	13,646,312
170,058	170,058	-	307,870	-	-
3,404,723	1,018,773	2,190,944	1,794,035	731,229	676,404
14,915,460	14,178,058	15,410,528	15,717,599	15,233,326	14,322,716
$ 30,485,852	$ 28,539,917	$ 25,410,854	$ 46,468,953	$ 23,538,080	$ 35,206,194
$ (12,340,707)	$ (14,234,470)	$ (20,900,214)	$ (340,846)	$ (24,497,526)	$ (10,424,754)
4,705,158	2,056,846	3,142,594	3,041,907	2,267,224	1,060,562
$ (7,635,549)	$ (12,177,624)	$ (17,757,620)	$ 2,701,061	$ (22,230,302)	$ (9,364,192)

City of The Colony, Texas

Changes in Net Assets (Continued)

Accrual Basis of Accounting

Last Ten Fiscal Years (Unaudited)

	Fiscal Year			
	2003	2004	2005	2006
General Revenues and Other Changes in Net Assets				
Governmental activities				
Taxes				
Property taxes	$ 9,962,905	$ 11,149,306	$ 11,577,048	$ 11,887,846
Sales taxes	2,085,561	2,181,326	2,399,776	2,731,402
Franchise taxes	1,704,727	1,709,017	1,073,519	1,914,347
Hotel motel taxes	96,260	105,833	126,585	140,229
Penalties and interest	100,564	114,531	122,542	110,336
Interest on investments	286,743	208,210	463,229	806,666
Impact fees	42,641	165,047	66,870	112,149
Miscellaneous	22,984	11,375	1,781,034	-
Transfers	1,298,956	1,186,237	(1,052,707)	1,381,091
Total governmental activities	15,601,341	16,830,882	16,557,896	19,084,066
Business-type activities				
Property taxes	1,232,532	1,267,823	886,779	929,179
Interest on investments	141,027	105,012	623,604	1,040,660
Impact Fees	-	-	-	-
Miscellaneous	55,026	76,517	18,824	134,833
Gain/loss on sale/disposal of capital assets	-	-	-	-
Transfers	(1,298,956)	(1,186,237)	(1,781,064)	(1,381,091)
Total business-type activities	129,629	263,115	(251,857)	723,581
Total primary government	15,730,970	17,093,997	16,306,039	19,807,647
Change in Net Assets				
Governmental activities	(1,716,116)	(2,246,545)	1,301,474	4,737,005
Business-type activities	1,003,904	1,391,755	2,255,462	6,143,745
Total primary government	$ (712,212)	$ (854,790)	$ 3,556,936	$ 10,880,750

Source: Comprehensive Annual Financial Report

Note: Accrual-basis financial information for the city as a whole is only available back to fiscal year 2003, the year GASB Statement 34 was implemented.

Table–2 (Continued)

Fiscal Year					
2007	2008	2009	2010	2011	2012
$ 12,774,611	$ 14,305,445	$ 14,718,171	$ 14,733,978	$ 14,643,407	$ 14,797,974
2,880,852	3,055,468	3,096,768	3,118,514	3,435,175	3,655,111
1,939,565	1,807,584	2,049,184	2,024,933	2,199,253	3,104,073
141,496	125,573	129,444	282,798	371,056	370,798
121,549	126,492	124,297	154,803	102,593	155,272
843,217	725,623	294,167	39,924	76,193	50,088
435,092	272,529	(360,501)	-	-	-
249,534	80,136	407,769	-	-	-
2,456,591	282,247	1,857,605	2,295,590	2,232,369	1,247,859
21,842,507	20,781,097	22,316,904	22,650,540	23,060,046	23,381,175
764,062	23,758	9,170	12,660	-	-
864,807	552,763	199,739	29,222	21,000	16,263
433,122	444,770	835,678	139,110	-	-
18,405	19,276	22,577	-	463,532	194,729
(296,098)	-	-	-	-	-
(2,456,591)	(282,247)	(1,857,605)	(2,295,590)	(2,232,369)	(1,247,859)
(672,293)	758,320	(790,441)	(2,114,598)	(1,747,837)	(1,036,867)
21,170,214	21,539,417	21,526,463	20,535,942	21,312,209	22,344,308
9,501,800	6,546,627	1,416,690	22,309,694	(1,437,480)	12,956,421
4,032,865	2,815,166	2,352,153	927,309	519,387	23,695
$ 13,534,665	$ 9,361,793	$ 3,768,843	$ 23,237,003	$ (918,093)	$ 12,980,116

City of The Colony, Texas

Fund Balances, Governmental Funds
(Modified Accrual Basis of Accounting)
Last Ten Fiscal Years (Unaudited)

	Pre-GASB 54				
	Fiscal Year				
	2002	2003	2004	2005	2006
General Fund					
Reserved for					
Encumbrances	$ 38,377	$ 45,368	$ 196,487	$ 89,550	$ 276,747
Police confiscated funds	8,532	-	-	-	-
Unreserved – designated for Hidden Cove Park	-	-	-	404,000	404,000
Unreserved and undesignated	3,101,021	3,627,185	3,754,590	3,887,622	4,941,023
Total general fund	$ 3,147,930	$ 3,672,553	$ 3,951,077	$ 4,381,172	$ 5,621,770
All Other Governmental Funds					
Restricted	$ -	$ -	$ -	$ -	$ -
Committed	-	-	-	-	-
Reserved for					
Encumbrances	7,073,615	2,893,240	1,587,906	285	7,711
Capital projects	10,852,227	11,852,590	7,767,669	7,804,681	8,980,710
Debt service	856,790	1,087,595	749,504	840,387	1,017,383
Court security and technology	6,036	62,576	36,196	202,128	246,230
Unreserved and undesignated – special revenue funds	33,016	235,309	74,439	387,933	350,548
Total all other governmental funds	$ 18,821,684	$ 16,131,310	$ 10,215,714	$ 9,235,414	$ 10,602,582

Table–3

Fiscal Year					Post-GASB 54	
2007	2008	2009	2010		2011	2012
$ 151,818	$ 303,401	$ 128,959	$ 152,211	Nonspendable	$ -	$ 112,876
-	-	-	-	Unassigned	7,904,478	7,407,174
392,000	140,000	165,000	156,000		-	-
5,478,517	6,252,576	6,445,698	6,771,098		-	-
$ 6,022,335	$ 6,695,977	$ 6,739,657	$ 7,079,309		$ 7,904,478	$ 7,520,050
$ -	$ -	$ -	$ -	Restricted for capital projects	$ 19,856,420	$ 30,118,151
-	-	-	-	Restricted for debt service	1,328,743	616,551
				Restricted for other	873,735	901,645
9,814	141,193	97,326	83,971	Committed	480,430	268,589
12,187,996	7,437,260	2,832,183	32,766,218	Unassigned	(152,544)	-
965,997	1,123,924	1,301,247	1,592,932		-	-
302,728	352,660	288,755	328,436		-	-
452,916	740,965	393,979	584,000		-	-
$ 13,919,451	$ 9,796,002	$ 4,913,490	$ 35,355,557		$ 22,386,784	$ 31,904,936

City of The Colony, Texas

Changes in Fund Balances, Governmental Funds
(Modified Accrual Basis of Accounting)
Last Ten Fiscal Years (Unaudited)

	Fiscal Year				
	2002	2003	2004	2005	2006
Revenues					
Ad valorem taxes, penalties and interest	$ 8,298,352	$ 10,103,103	$ 11,219,342	$ 11,788,963	$ 11,992,032
Franchise taxes	1,670,935	1,690,366	1,733,689	1,716,536	2,301,330
Municipal sales tax	1,975,689	2,085,561	2,181,326	2,399,776	2,731,402
Licenses and permits	1,153,072	838,155	635,904	871,934	1,058,664
Charges for services	696,232	619,009	683,003	810,809	1,030,023
Fines and forfeitures	624,382	821,393	776,136	980,348	1,205,994
Grants	26,555	10,676	38,648	154,924	219,140
Gifts and contributions	304,000	1,418,127	1,185,159	1,240,354	1,837,848
Hotel/motel taxes	98,441	96,260	105,833	126,585	140,229
Recreation fees		163,610	189,394	45,265	10,696
Capital recovery fees	250,441	35,206	55,402	937,818	3,265,837
Interest earned	412,843	284,694	208,169	463,203	806,773
Miscellaneous	361,233	223,253	413,412	447,168	1,096,398
Total revenues	15,872,175	18,389,413	19,425,417	21,983,683	27,696,366
Expenditures					
Current					
General government	2,856,336	3,184,416	3,228,803	3,498,193	3,899,887
Public safety	5,570,456	6,078,635	6,898,576	7,700,142	8,321,276
Public works	2,166,850	2,107,679	3,754,400	4,114,276	3,169,204
Cultural and recreation	2,666,051	3,003,396	3,410,582	3,023,170	3,129,334
Capital outlay	10,389,486	8,748,888	10,153,386	1,726,414	4,469,999
Debt Service					
Principal retirement	1,304,370	1,733,153	1,950,819	1,984,709	2,073,677
Interest and fiscal charges	1,396,778	1,843,371	1,991,510	2,081,111	1,948,296
Cost of issuance of bonds	-	-	-	-	230,976
Contractual obligations	-	262,000	262,000	262,000	-
Total expenditures	$ 26,350,327	$ 26,961,538	$ 31,650,076	$ 24,390,015	$ 27,242,649
Excess (deficiency) of revenues over (under) expenditures	(10,478,152)	(8,572,125)	(12,224,659)	(2,406,332)	453,717

Table–4

Fiscal Year					
2007	2008	2009	2010	2011	2012
$ 12,774,562	$ 14,366,969	$ 14,907,953	$ 14,835,935	$ 14,979,835	$ 15,002,544
1,939,565	1,807,584	2,049,184	2,024,933	2,199,253	2,266,213
2,880,852	3,055,468	3,096,768	3,118,514	3,435,175	3,655,111
1,231,961	2,093,887	1,605,611	1,137,189	1,350,128	1,382,069
1,011,419	1,031,277	1,073,813	1,105,877	1,172,459	998,347
1,238,791	1,205,663	1,051,424	1,055,261	1,348,594	1,161,226
254,565	284,543	319,275	350,595	166,116	232,186
1,360,241	2,177,447	1,661,870	1,763,040	1,713,597	1,899,880
141,496	125,573	129,444	282,798	371,056	370,798
7,840	-	-	-	-	
2,293,141	4,384,262	2,984,691	23,444,825	1,477,503	14,574,876
842,023	722,799	293,179	39,690	76,193	50,088
628,015	568,042	883,425	1,056,634	1,046,066	837,860
26,604,471	31,823,514	30,056,637	50,215,291	29,335,975	42,431,198
4,764,536	5,199,183	5,372,394	5,259,315	5,242,015	4,068,715
9,175,863	10,190,968	11,189,360	13,970,748	17,507,678	12,277,603
3,428,083	2,890,446	4,426,316	5,100,959	9,870,654	7,156,968
3,627,643	3,658,082	3,876,561	4,367,343	4,746,425	4,561,579
7,105,135	10,199,487	6,632,542	734,486	383,637	109,838
2,457,656	2,981,100	3,106,100	3,301,150	3,415,254	4,434,919
2,185,797	2,251,494	2,121,938	1,944,886	2,555,585	2,245,051
-	-	-	380,436	111,541	140,574
-	-	-	-	-	-
$ 32,744,713	$ 37,370,760	$ 36,725,211	$ 35,059,323	$ 43,832,789	$ 34,995,247
(6,140,242)	(5,547,246)	(6,668,574)	15,155,968	(14,496,814)	7,435,951

City of The Colony, Texas

Changes in Fund Balances, Governmental Funds (Continued)
(Modified Accrual Basis of Accounting)
Last Ten Fiscal Years (Unaudited)

	Fiscal Year				
	2002	2003	2004	2005	2006
Other Financing Sources (Uses)					
Issuance of debt	$ 10,765,583	$ 5,200,000	$ 5,400,000	$ -	$ 10,081,585
Issuance of refunding debt	-	-	-	-	-
Payment of escrow for refunding debt	-	-	-	-	(9,280,273)
Premium on issuance of debt	-	2,890	1,350	-	-
Proceeds from sale of capital assets	-	-	-	69,889	11,646
Transfers from other funds	3,454,901	1,941,607	1,740,459	2,773,687	2,762,965
Transfers from component units	1,595,665	-	-	-	-
Transfers to other funds	(1,605,589)	(738,123)	(554,222)	(987,449)	(1,421,874)
Transfers to component units	(45,000)	-	-	-	-
Total other financing sources (uses)	14,165,560	6,406,374	6,587,587	1,856,127	2,154,049
Net Change in Fund Balances	$ 3,687,408	$ (2,165,751)	$ (5,637,072)	$ (550,205)	$ 2,607,766
Debt service as a percentage of noncapital expenditures	16.9%	21.1%	19.6%	19.1%	18.7%

Source: Comprehensive Annual Financial Report

Table–4 (Continued)

Fiscal Year					
2007	2008	2009	2010	2011	2012
$ 7,145,000	$ 8,115,000	$ -	$ 12,725,000	$ -	$ -
-	-	-	4,750,000	5,728,800	6,056,900
-	(6,357,600)	-	(5,039,202)	(5,971,643)	(6,076,552)
256,085	57,792	-	894,364	363,684	160,226
-	-	-	-	-	-
4,750,300	4,126,170	3,918,514	3,918,968	4,317,840	7,190,015
-	-	-	-	-	-
(2,293,709)	(3,843,923)	(2,088,915)	(1,623,379)	(2,085,471)	(5,632,816)
9,857,676	2,097,439	1,829,599	15,625,751	2,353,210	1,697,773
$ 3,717,434	$ (3,449,807)	$ (4,838,975)	$ 30,781,719	$ (12,143,604)	$ 9,133,724
18.1%	19.3%	17.4%	16.4%	14.0%	16.9%

City of The Colony, Texas

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Residential Property	Commercial Property	Lots, Land and Farm Property	Less Tax Exempt Property
2002	1,033,080,734	245,378,411	365,149	35,908,945
2003	1,242,220,959	275,722,806	370,327	38,109,537
2004	1,405,140,751	305,399,142	329,540	40,300,525
2005	1,399,499,783	323,245,018	350,241	46,351,581
2006	1,399,940,472	375,454,075	144,021	51,634,185
2007	1,428,465,087	449,127,821	280,938	69,801,485
2008	1,492,394,571	513,602,494	250,465	77,255,808
2009	1,522,142,530	611,399,792	209,972	78,053,258
2010	1,560,226,270	687,641,850	159,840,111	261,431,780
2011	1,569,607,583	632,696,025	150,073,277	257,990,301
2012	1,601,232,947	665,867,076	151,296,903	262,401,818

Source: City of The Colony Budget Document
Denton Central Appraisal District

Note: The County assesses property at 100% of it's market value. Tax rates are per $100 of assessed value.

[a] Includes adjustments to certified rolls.

[b] Excludes tax exempt property.

Table–5

Total Taxable Assessed Value[a]	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value[b] as a Percentage of Actual Value
1,242,915,349	$ 0.72500	1,242,915,349	100.00%
1,480,204,555	$ 0.72500	1,480,204,555	100.00%
1,670,568,908	$ 0.72000	1,670,568,908	100.00%
1,676,743,461	$ 0.72000	1,676,743,461	100.00%
1,723,904,383	$ 0.72000	1,723,904,383	100.00%
1,808,072,361	$ 0.71500	1,808,072,361	100.00%
1,928,991,722	$ 0.69750	1,928,991,722	100.00%
2,055,699,036	$ 0.69000	2,055,699,036	100.00%
2,146,276,451	$ 0.68800	2,146,276,451	100.00%
2,094,386,584	$ 0.68550	2,094,386,584	100.00%
2,155,995,108	$ 0.68300	2,155,995,108	100.00%

City of The Colony, Texas

Direct and Overlapping Property Tax Rates
(Per $100 of Assessed Value)
Last Ten Fiscal Years (Unaudited)

Table–6

	City Direct Rates			Overlapping Rates	
Fiscal Year	Operating/ General Rate	General Obligation Debt Service	Total Direct	Lewisville Independent School District	Denton County
2002	0.456800	0.182380	0.63918	1.7700	0.251930
2003	0.460080	0.185440	0.64552	1.7700	0.248970
2004	0.475640	0.171050	0.64669	1.7700	0.247170
2005	0.479530	0.189970	0.66950	1.7700	0.254800
2006	0.478580	0.189760	0.66834	1.6400	0.246480
2007	0.494010	0.220990	0.71500	1.6400	0.231920
2008	0.487500	0.210000	0.69750	1.3700	0.235890
2009	0.489280	0.200720	0.69000	1.3800	0.235770
2010	0.491582	0.196418	0.68800	1.4087	0.249800
2011	0.491658	0.193842	0.68550	1.4267	0.273900
2012	0.479971	0.203029	0.68300	1.4260	0.277357

Source: Lewisville ISD and Denton County.

City of The Colony, Texas

Principal Tax Payers

Current Year and Ten Years Ago (Unaudited)

Table–7

	2012			2003		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value[a]	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value[a]
AR No. 5, LLC	$ 45,920,104	1	2.13%			
Residences of Austin Ranch Ph IV LTD	40,250,000	2	1.87%			
Residences of Austin Ranch Ph V	37,855,303	3	1.76%			
Residences of Austin Ranch Ph II	36,900,000	4	1.71%	31,647,348	2	2.14%
Residences of Austin Ranch Ph1	36,301,993	5	1.68%			
Residences of Austin Ranch Ph I-IV LTD	32,400,000	6	1.50%			
Estancia at Morningstar II LP	23,000,000	7	1.07%			
Sonoma Grande at the Legends LP	22,539,804	8	1.05%			
Oly-Ida Bristol Oaks LP	17,837,000	9	0.83%			
Wal-Mart Real Est Bus Tr	15,100,000	10	0.70%	10,641,006	4	0.72%
The Residence of Austin Ranch #1	-		0.00%	35,099,867	1	2.37%
Centex Multi-Family Co.	-		0.00%	14,512,844	3	0.98%
Pizza Inn, Inc.	-		0.00%	4,024,800 [b]	5	0.27%
Wal-Mart Stores East, Inc.	-		0.00%	8,052,482	6	0.54%
Home Depot USA, Inc.	-		0.00%	7,801,683	7	0.53%
Oncor Electric Delivery	-		0.00%	7,436,640	8	0.50%
Albertson's	-		0.00%	7,436,640	9	0.50%
Southwestern Bell Telephone Co.	-		0.00%	6,034,380	10	0.41%
	$ 308,104,204		14.29%	$ 132,687,690		8.96%

Source: City of The Colony Budget Document and the Denton Central Appraisal District.

Note: [a] Taxpayers are assessed on January 1, 2011 (2011 tax year) for the 2012 fiscal year.

Note: b The actual market value for Pizza Inn, Inc. is $9,225,865. The taxable value shown reflects the tax abatements agreement between the City and Pizza Inn, Inc.

City of The Colony, Texas

Ad Valorem Tax Levies and Collections

Last Ten Fiscal Years (Unaudited)

Table–8

		Collected within the Fiscal Year of the Levy			Total Collections	
Fiscal Year	Taxes Levied for the Fiscal Year	Amount	Percentage of Levy	Delinquent Tax Collections	Amount	Percentage of Levy
2003	11,145,651	10,985,199	98.56%	258,135	11,243,334	100.88%
2004	12,313,015	12,143,546	98.62%	221,115	12,364,661	100.42%
2005	12,443,540	12,313,623	98.96%	248,509	12,562,132	100.95%
2006	12,794,771	12,621,521	98.65%	153,057	12,774,578	99.84%
2007	13,390,390	13,270,624	99.11%	156,959	13,427,583	100.28%
2008	13,953,264	13,664,674	97.93%	293,432	13,958,106	100.03%
2009	14,429,083	14,198,198	98.40%	312,506	14,510,704	100.57%
2010	14,712,417	14,381,516	97.75%	234,240	14,615,756	99.34%
2011	14,357,020	14,170,540	98.70%	295,778	14,466,318	100.76%
2012	14,725,447	14,671,313	99.63%	-	14,671,313	99.63%

Source: Denton County Tax Assessor and Collector

City of The Colony, Texas

Ratio of Outstanding Debt By Type

Last Ten Fiscal Years (Unaudited)

	Governmental Activities		
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Other Obligations
2002	6,275,013	31,195,583	1,511,000
2003	6,194,803	35,232,639	759,000
2004	6,118,484	38,993,139	262,000
2005	6,046,175	37,080,739	-
2006	15,317,798	29,849,940	-
2007	15,103,742	34,751,340	-
2008	15,040,000	31,269,761	-
2009	14,420,000	28,784,840	-
2010	18,215,000	34,450,254	-
2011	22,603,800	26,650,000	-
2012	23,505,550	24,097,222	-

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
[a]See Table 14 for personal income and population data.

Table–9

Business-Type Activities				
Water and Sewer Revenue Bonds	Other Obligations	Total Primary Government	Percentage of Personal Income[a]	Per Capita[a]
5,100,000	5,168,610	49,250,206	6.94%	1,589
4,820,000	4,546,069	51,552,511	6.97%	1,595
23,840,000	3,961,669	73,175,292	8.93%	2,044
23,540,000	3,415,594	70,082,508	8.39%	1,923
23,215,000	19,949,433	88,332,171	10.32%	2,363
22,875,000	26,903,660	99,633,742	8.83%	2,595
21,445,000	26,544,760	94,299,521	6.42%	2,366
20,000,000	26,170,860	89,375,700	6.12%	2,229
18,810,000	29,292,011	100,767,265	6.32%	2,254
17,565,000	28,159,259	94,978,059	6.48%	2,083
14,545,000	28,767,228	90,915,000	5.92%	1,989

City of The Colony, Texas

Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years (Unaudited)

Table–10

	General Bonded Debt Outstanding				
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Total	Percentage of Actual Taxable Value of Property[a]	Per Capita[b]
2002	$ 6,275,013	$ 31,195,583	$ 37,470,596	3.01%	1,209
2003	$ 6,194,803	$ 35,232,639	$ 41,427,442	2.80%	1,282
2004	$ 6,118,484	$ 38,993,139	$ 45,111,623	2.70%	1,260
2005	$ 6,046,175	$ 37,080,739	$ 43,126,914	2.57%	1,183
2006	$ 15,317,798	$ 29,849,940	$ 45,167,738	2.62%	1,208
2007	$ 15,103,742	$ 34,751,340	$ 49,855,082	2.76%	1,298
2008	$ 15,040,000	$ 31,269,761	$ 46,309,761	2.40%	1,162
2009	$ 14,420,000	$ 28,784,840	$ 43,204,840	2.10%	1,077
2010	$ 18,215,000	$ 34,450,254	$ 52,665,254	2.45%	1,178
2011	$ 22,603,800	$ 26,650,000	$ 49,253,800	2.35%	1,080
2012	$ 23,505,550	$ 24,097,222	$ 47,602,772	2.21%	1,042

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

[a] See Table 5 for property value data.

[b] See Table 14 for population data.

City of The Colony, Texas

Legal Debt Margin Information

Last Ten Fiscal Years (Unaudited)

	2002	2003	2004	2005	2006
Tax Rate Limit	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50
Current Tax Rate	0.725	0.725	0.720	0.720	0.720
Available Tax Rate	$ 1.78	$ 1.78	$ 1.78	$ 1.78	$ 1.78

Note: The City Charter of the City of The Colony, Texas does not provide for a debt limit. Under provisions of state law, the maximum tax rate is limited to $2.50 per $100 assessed valuation. No direct bond debt limitation is imposed on the City under current state law or the City's Charter.

Table–11

2007	2008	2009	2010	2011	2012
$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50
0.715	0.698	0.690	0.688	0.6855	0.6830
$ 1.79	$ 1.80	$ 1.81	$ 1.81	$ 1.81	$ 1.82

City of The Colony, Texas

Direct and Overlapping Governmental Activities Debt

September 30, 2012 (Unaudited)

Table–12

Governmental Unit	Gross Bonded Debt	Estimated Percentage Applicable[a]	The Colony Share of Overlapping Debt
Lewisville I.S.D.	1,056,278,367	12.23%	129,182,844
Little Elm I.S.D.	137,154,377	5.33%	7,310,328
Denton County	553,915,000	1.70%	9,416,555
	1,747,347,744		145,909,728
City of The Colony (Direct Debt)	90,915,000	100.00%	90,915,000
Total Direct and Overlapping Debt	$1,838,262,744		$ 236,824,728

Source: Assessed value data used to estimate applicable percentages provided by Denton Central Appraisal District. Debt outstanding data provided by each governmental unit.

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

City of The Colony, Texas

Pledged-Revenue Coverage

Last Ten Fiscal Years (Unaudited)

Table–13

	Water and Sewer System Revenue Bonds				
Fiscal Year	Total Revenues[a]	Less: Operating Expenses[b]	Net Available Revenue	Annual Requirement[c]	Times Coverage
2003	10,081,700	5,238,750	4,842,950	3,431,315	1.41
2004	10,110,235	5,286,863	4,823,372	3,436,004	1.40
2005	11,588,097	6,007,165	5,580,932	4,253,379	1.31
2006	16,785,357	6,646,074	10,139,283	4,265,099	2.38
2007	13,608,712	7,074,256	6,534,456	4,412,163	1.48
2008	14,199,852	7,990,876	6,208,976	4,012,879	1.55
2009	14,268,870	7,971,554	6,297,316	3,914,859	1.61
2010	13,796,686	7,963,716	5,832,970	4,416,029	1.32
2011	14,989,707	8,139,958	6,849,749	4,721,414	1.45
2012	13,925,260	8,660,247	5,265,013	1,630,663	3.23

Note: [a] Includes operating and nonoperating revenues.
[b] Includes operating expenses minus depreciation.
[c] Includes Principal and Interest.

City of The Colony, Texas

Demographic and Economic Statistics
Last Ten Calendar Years (Unaudited)

Table–14

Year	Estimated Population[a]	Personal Income	Per Capita Personal Income[b]	Median Age[b]	Median Household Income[b]	School Enrollment[c]	Unemployment Rate[d]
2002	31,000	709,993,000	22,903	31	64,341	6,674	5.0%
2003	32,314	740,087,542	22,903	31	66,956	6,727	5.3%
2004	35,796	819,835,788	22,903	31	71,621	6,730	3.9%
2005	36,450	834,814,350	22,903	32	74,852	6,670	3.9%
2006	37,386	856,251,558	22,903	32	79,071	6,609	3.8%
2007	38,400	1,128,691,200	29,393	32	80,827	6,703	4.0%
2008	39,850	1,469,428,900	36,874	33	88,804	6,584	4.8%
2009	40,100	1,460,843,000	36,430	33	90,162	6,536	7.7%
2010	44,704	1,594,189,344	35,661	33	92,104	6,476	7.1%
2011	45,600	1,466,450,400	32,159	30	62,738	6,435	7.8%
2012	45,700	1,535,657,100	33,603	33	76,663	6,472	7.0%

Sources: [a] Estimated Population – City of The Colony
[b] Per Capital Income, Median Age & Median Household Income - Community Sourcebook of ZIP Code Demographics
[c] School enrollment – Texas Education Agency
[d] Unemployment – Texas Workforce Commission

Note: Personal income is calculated by multiplying estimated population by per capita personal income.

City of The Colony, Texas

Principal Employers

Current and Five Years Ago (Unaudited)

Table–15

	2012			2006		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**
Lewisville ISD	722	1	3.32%	405	1	N/A
Wal-Mart	357	2	1.64%	320	3	N/A
City of The Colony	325	3	1.49%	382	2	N/A
Hawaiian Falls Water Pk	250	4	1.15%	200	4	N/A
Home Depot	112	5	0.51%	117	5	N/A
Edward Don & Company	105	6	0.48%	100	6	N/A
Austin Ranch	93	7	0.43%	-		
Texas Roadhouse	90	8	0.41%	-		
Kroger	70	9	0.32%	92	7	N/A
The Tribute	60	10	0.28%	60	10	N/A
Pizza Inn	-		-	-		
Rainbow	-		-	-		
Albertson's	-		-	75	8	N/A
Golden Corral	-		-	65	9	N/A
	2,184		10.04%	1,816		

Source: City of The Colony Economic Development Corporation

City of The Colony, Texas

Full-Time Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years (Unaudited)

Function/Program	2003[a]	2004[a]	2005[a]	2006[a]	2007[a]
General government	25	25	25	24	31
Public safety	88	97	106	112	120
Public works	35	37	46	37	40
Culture and recreation	39	39	37	31	33
Water/wastewater/Utilites	47	49	51	50	49
Total	234	247	265	254	273

Sources: City of The Colony Budget Document

Note: [a] Full-time equivalent information is unavailable.

Table–16

2008[a]	2009[a]	2010	2011	2012
30	30	29	33	43
133	133	138	140	140
40	48	48	47	37
34	34	70	38	38
52	44	42	28	28
289	289	327	286	286

City of The Colony, Texas

Operating Indicators By Function/Program

Last Ten Fiscal Years (Unaudited)

2007	2008	2009	2010	2011	2012
53	53	53	53	53	-
13,451	11,129	10,521	10,386	13,935	-
13,126	11,927	10,743	9,480	13,460	-
693	626	480	520	492	-
39	47	49	49	52	-
410	418	487	581	735	-
1,581	1,548	1,657	1,831	1,926	-
126	2,093	2,191	206	2,042	-
$ 44,399,931	$ 144,948,333	$ 97,973,276	$ 43,743,748	$ 80,964,772	$ -
983	983	983	983	983	-
73,031	73,031	34,633	33,589	39,166	-
97,727	91,468	86,994	81,659	85,129	-
19,088	19,186	19,450	16,960	19,479	-
11,317	11,467	11,686	11,723	11,661	-
3.75	4.30	3.84	3.86	4.50	-
2.35	2.34	3.84	2.28	2.16	-

Table–17

2008	2009	2010	2011	2012
53	53	53	53	53
11,129	10,521	10,386	13,935	11,619
11,927	10,743	9,480	13,460	11,532
626	480	520	492	467
47	49	49	52	50
418	487	581	735	568
1,548	1,657	1,831	1,926	1,774
2,093	2,191	206	2,042	2,508
$ 144,948,333	$ 97,973,276	$ 43,743,748	$ 80,964,772	$ 59,077,321
983	983	983	983	983
73,031	34,633	33,589	39,166	43,083
91,468	86,994	81,659	85,129	89,385
19,186	19,450	16,960	19,479	20,453
11,467	11,686	11,723	11,661	11,881
4.30	3.84	3.86	4.50	4.57
2.34	3.84	2.28	2.16	2.34

City of The Colony

Capital Asset Statistics By Function/Program

Last Ten Fiscal Years (Unaudited)

Function/Program	Fiscal year 2003	2004	2005	2006
Public Safety				
Fire stations	2	2	2	2
Police stations	1	1	1	1
Culture and Recreation				
Parks and Recreation				
Number of parks	21	22	27	27
Number of baseball diamonds	13	13	11	11
Number of soccer/football fields	16	16	16	16
Public swimming pools	2	2	2	2
Community centers				1
Library	1	1	1	1
Water and Wastewater				
Water mains (miles)	160	163	165	173
Sanitary sewer mains (miles)	191	192	193	200
Fire hydrants	1,099	1,154	1,179	1,273

Sources: City Departments

Table–18

Fiscal year					
2007	2008	2009	2010	2011	2012
2	2	3	3	3	3
1	1	1	1	1	1
27	27	27	27	27	27
11	11	11	11	11	11
16	16	16	16	16	16
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
175	177	177	179	193	197
202	203	203	206	2,003	207
1,305	1,333	1,339	1,367	1,391	1,420

THE COLONY

City by the Lake

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