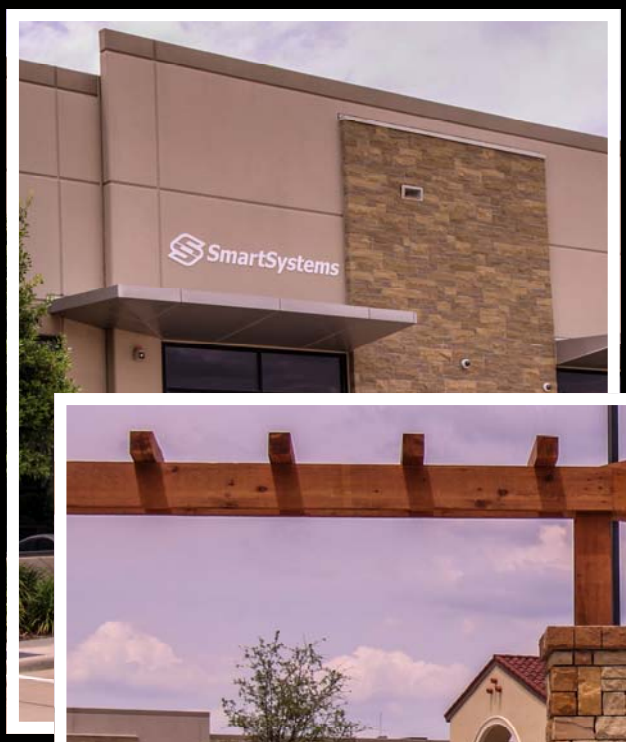
The Colony, Texas

Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2013



THE COLONY

City by the Lake

City of The Colony, Texas

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2013

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, 2013

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City by the Lake

Introductory Section

THE COLONY

City by the Lake

March 31, 2014

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, 2013.

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 auditor's report on the basic financial statements. The MD&A provides a 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 multiyear 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 Colony, 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 Colony is home to middle and upper class families, most who work in North Dallas and DFW International Airport area.

The Colony 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. Since the latter part of 2012, building has dramatically improved in Tribute, the only sizable residential development left in The Colony. Residential building permits nearly tripled to 130 during this fiscal year increasing the property tax roll by $25 million. Commercial building and permitting has continued to struggle the past numerous years. Announcement and the beginning of construction of the Texas Furniture Mart have dramatically increased the commercial interest in the 121 Corridor.

POPULATION

The City's population has grown steadily since the early 2000's and is currently estimated at 45,000. Most recent residential growth is due to continued development at The Tribute (formerly known as Wynnwood Peninsula) and Austin Ranch along State Highway 121. Construction has also started on the Texas Furniture Mart store, which is the actor of the 433 acre plan development. The development is expected to be a destination place with exclusive stores, shops, and surroundings.

The City's 2012 Ad Valorem tax base increased from the prior year by a little over 6% or $142 million to $2.322 billion. Sales tax revenues in the General Fund increased by a little over $400,000 or 11% 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.

Water and sewer revenues have trended up over the 10 years due primarily to growth. 2012-2013 revenues increased from the prior year by $687k or 5% due to growth and hot temperatures and less rain fall.

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 $.683 to $.680 per $100 valuation for fiscal year 2012-2013. Council's expectation is to continue to reduce the tax rate as additional revenues from growth and increased property valuations permit.

FUND BALANCE – GENERAL FUND

Reserves in the General Fund increased by about $800k during the fiscal year to almost 8 million or 104 operating days. Council's goal is 90 days.

FUND BALANCE – WATER AND SEWER FUND

Utility Fund reserves increased by about $200k during the current fiscal year to a little over $3.55 million or 89 operating days. Council's goal is 80 days.

PROSPECTS FOR THE FUTURE

The Colony'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), provides easy access to the north entrance of the DFW International Airport. The Tollway also provides easy access to the Dallas and George Bush Tollways and Interstate 75, making access to most of the metroplex easy.

Reconstruction of Arterial Streets, were completed during the past couple of years. Reconstruction of FM426 (Main St) 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 multifamily 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 multifamily 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 VI 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 Colony are Pizza Inn and Edward Don.

Jackson-Shaw/Cascades Limited Partnership a mixed-use development on 92 acres of land located at the northeast comer 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 Plan Development, a 400+ acre commercial development with an investment expected to exceed $1.5 billion. The Nebraska Furniture Mart store will be the cornerstone of the development and expected to open mid-2015.

DEBT SERVICE

A little over $2 million in new debt was issued this year to fund construction of the 121 overpass into the TIRZ ONE (NFM) development. 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 of The Colony 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. Also, this is the first year of activity for the Local Development Corporation (LDC) component unit established to govern the City's interest in the TIRZ ONE. A separate audit was done for the LDC and is included in this audit report. Each corporation is managed by their own board, which reports to City Council, who approves their budgets.

FINANCIAL MANAGEMENT

The Colony 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 (GFOA) of the United States and Canada 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, 2012. (This was the 22 consecutive year that The Colony 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, 2012. 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

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of The Colony

Texas

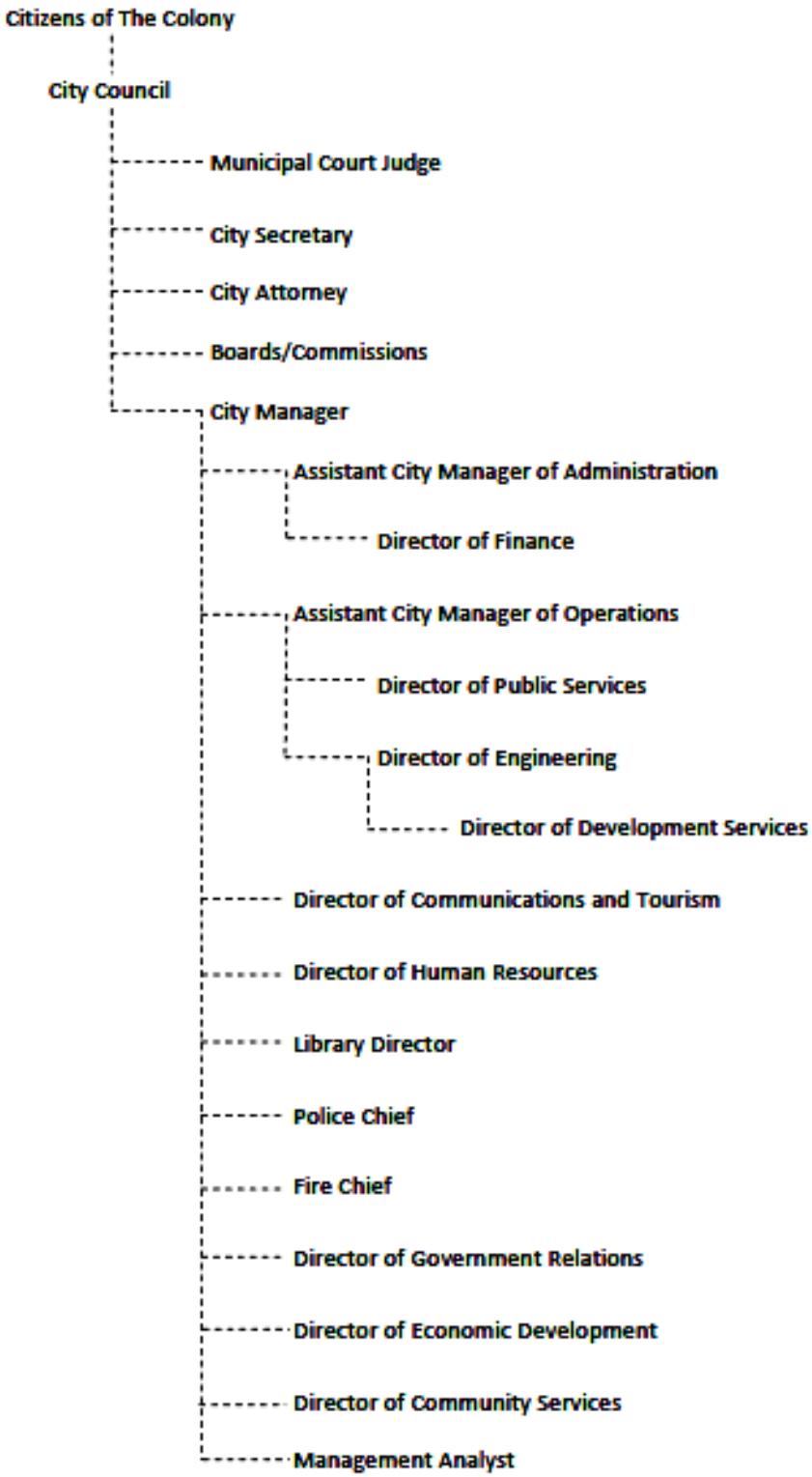
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

City of The Colony, Texas

September 30, 2013

Organizational Chart



City of The Colony, Texas

September 30, 2013

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

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I. Financial Section

THE COLONY

City by the Lake

BKD LLP
CPAs & Advisors

14241 Dallas Parkway, Suite 1100 // Dallas, TX 75254-2961
972.702.8262 // fax 972.702.0673 // bkd.com

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying basic 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 (the City), as of and for the year ended September 30, 2013, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of The Colony Local Development Corporation, a component unit of the City, which statements reflect total assets and revenues of $129,172,070 and $79,882, respectively, and represent 67% and 2% of the aggregate discretely presented component units' total assets and revenues, respectively, at September 30, 2013, and for the year then ended. The financial statements of this entity was audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for such entity, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, 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 of The Colony, Texas as of September 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2013 the City changed its method of accounting for deferred outflows of resources, deferred inflows of resources and bond issuance cost with the adoption of Governmental Accounting Standards Board Statements No. 63 and No. 65. Our opinions are not modified with respect to this matter.

Required Supplementary Information

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.

Supplementary Information

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 of 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.

Other Information

The accompanying information in the introductory and statistical sections 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 has not been subjected to the procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Dallas, Texas
March 31, 2014

THE COLONY

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A. Management's Discussion and Analysis

THE COLONY

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City of The Colony

Management's Discussion and Analysis

For the Year Ended September 30, 2013

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, 2013. 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 $225,148,443. Of this amount $13,361,901 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by $22,005,753, due to increase in net position of $21,931,106 in governmental activities and an increase of $74,647 in business-type activities.
- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $48,593,501, an increase of $9,168,515. The general fund had an increase in fund balance of $887,621. The capital projects fund had an increase in fund balance of $8,237,930 primarily due to intergovernmental revenue received for construction projects. Out of the $48,593,501 fund balances in the governmental funds, $8,307,886 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 $8,307,886 or 38.68% of total general fund expenditures (excluding transfers out).
- The City's total long-term debt decreased by $4,307,149 (4.6%) during the current fiscal year. The City issued $16,600,000 in bonds during 2013. The proceeds were and will be used for street improvements and refunding $15,720,000 of outstanding debt. There was an additional $6,798,829 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 position presents information on all of The City's assets and liabilities, with the difference as net position. Over time, the increase or decrease in net position 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 position changed during the most recent fiscal year. All changes in net position 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, legally separate Community Development Corporation and legally separate Local 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.

In the Statement of Net Position 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 three separate legal entities, The Community Development Corporation, Economic Development Corporation and the Local 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.

  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.

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.

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 2012 – 2013 fiscal year, the City's net position (assets exceeding liabilities) totaled $225,148,443.

The largest portion of the City's net position (77%) 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 position (17.06%) 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 ($13,361,901) may be used to meet the government's ongoing obligations to citizens and creditors.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	$ 51,607,682	$ 42,580,346	$ 7,538,110	$ 8,905,462	$ 59,145,792	$ 51,485,808
Capital assets	180,759,330	170,050,670	77,246,123	78,766,270	258,005,453	248,816,940
Total assets	232,367,012	212,631,016	84,784,233	87,671,732	317,151,245	300,302,748
Deferred Outflows of Resources	678,780	-	776,824	-	1,455,604	-
Long-term liabilities outstanding	46,666,152	47,942,336	42,435,861	44,574,000	89,102,013	92,516,336
Other liabilities	2,906,125	3,146,271	1,450,268	1,497,450	4,356,393	4,643,721
Total liabilities	49,572,277	51,088,607	43,886,129	46,071,450	93,458,406	97,160,057
Net position						
Net investment in capital assets	138,322,067	124,203,756	35,059,168	34,435,853	173,381,235	158,639,609
Restricted	36,774,502	19,457,805	1,630,805	1,630,663	38,405,307	21,088,468
Unrestricted	8,376,946	18,856,491	4,984,955	6,214,403	13,361,901	25,070,894
Total net position	$ 183,473,515	$ 162,518,052	$ 41,674,928	$ 42,280,919	$ 225,148,443	$ 204,798,971

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

The City's net position increased by $22,005,753 during the current fiscal year. Total assets increased by $16,848,497. Capital assets increased by $9,188,513 due to primarily using intergovernmental funds for infrastructure improvements, current and other assets increased by $7,659,984.

Changes in Net Position

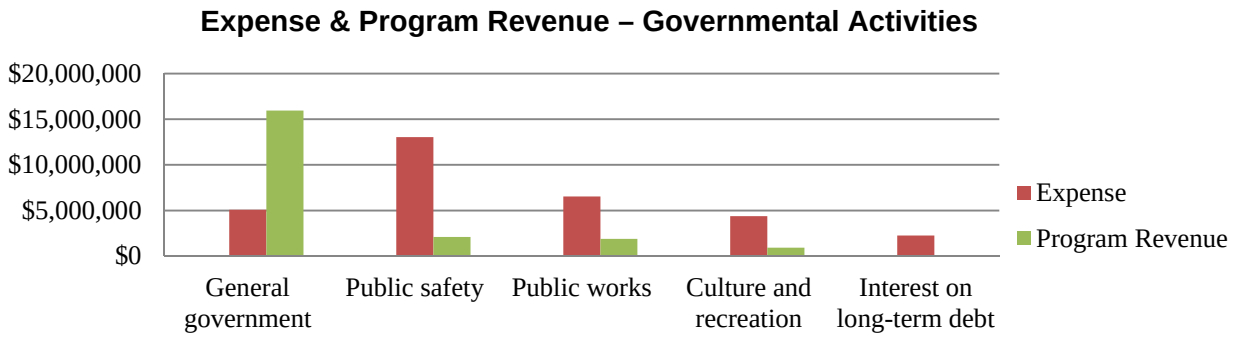
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues						
Charges for services	$ 4,339,433	$ 3,541,642	$ 14,185,896	$ 13,646,312	$ 18,525,329	$ 17,187,954
Operating grants and contributions	21,519,655	14,574,876	-	-	21,519,655	14,574,876
Capital grants and contributions	3,399,255	2,766,960	731,584	676,404	4,130,839	3,443,364
General Revenues					-	-
Property taxes	15,024,242	14,953,246	-	-	15,024,242	14,953,246
Sales taxes	4,098,458	3,655,111	-	-	4,098,458	3,655,111
Franchise taxes	2,205,461	3,104,073	-	-	2,205,461	3,104,073
Other Taxes	425,177	370,798	-	-	425,177	370,798
Interest	43,567	50,088	8,093	16,263	51,660	66,351
Miscellaneous	501,649	-	441,338	194,729	942,987	194,729
Total revenues	51,556,897	43,016,794	15,366,911	14,533,708	66,923,808	57,550,502
Expenses						
General government	5,376,865	10,519,152	-	-	5,376,865	10,519,152
Public safety	13,307,649	12,941,372	-	-	13,307,649	12,941,372
Public works	5,901,952	1,721,951	-	-	5,901,952	1,721,951
Culture and recreation	4,603,345	3,863,242	-	-	4,603,345	3,863,242
Interest on long-term debt	1,718,298	2,262,515	-	-	1,718,298	2,262,515
Water and sewer	-	-	14,009,946	13,262,154	14,009,946	13,262,154
Total expenses	30,908,109	31,308,232	14,009,946	13,262,154	44,918,055	44,570,386
Increase (Decrease) in Net Assets						
Before Transfers	20,648,788	11,708,562	1,356,965	1,271,554	22,005,753	12,980,116
Transfers	1,282,318	1,247,859	(1,282,318)	(1,247,859)	-	-
Increase (Decrease) in Net Position	21,931,106	12,956,421	74,647	23,695	22,005,753	12,980,116
Net Position, As Previously Reported*	162,518,052	149,561,631	42,280,919	42,257,224	204,798,971	191,818,855
Change in Accounting Principle	(975,643)	-	(680,638)	-	(1,656,281)	-
Net Position, Beginning of Year	161,542,409	149,561,631	41,600,281	42,257,224	203,142,690	191,818,855
Net Position, End of Year	$ 183,473,515	$ 162,518,052	$ 41,674,928	$ 42,280,919	$ 225,148,443	$ 204,798,971

*The cumulative effect of applying GASB Statement No. 65, *"Items Previously Reported as Assets and Liabilities"* resulted in beginning net position being restated. Fiscal year 2012 was not restated.

- **Governmental Activities –** Governmental activities increased the City's net position by $21,931,106 compared to an increase of $12,956,421 in prior year. Key elements of this overall net increase are as follows:

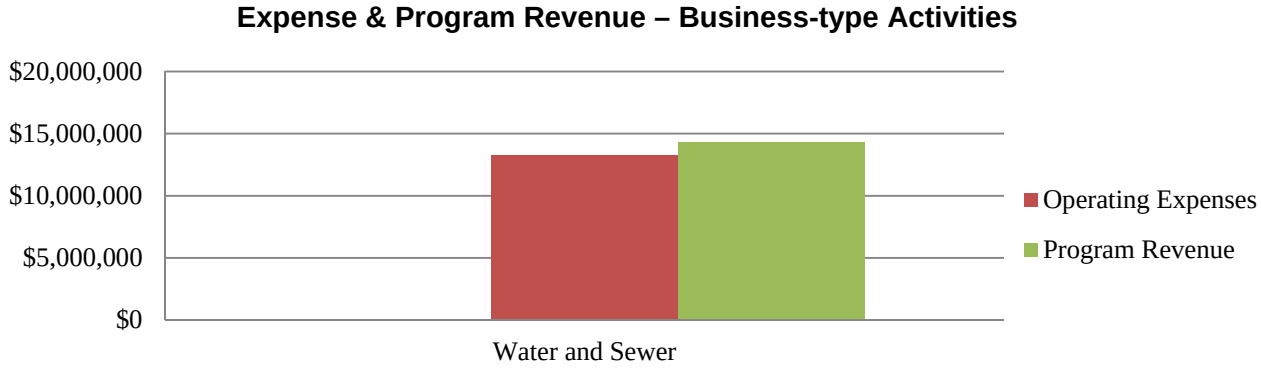
Grants and contributions increased by $687,475. In 2013, the City received $21,519,655 in intergovernmental revenues for streets in comparison to $13,776,000 the prior year.

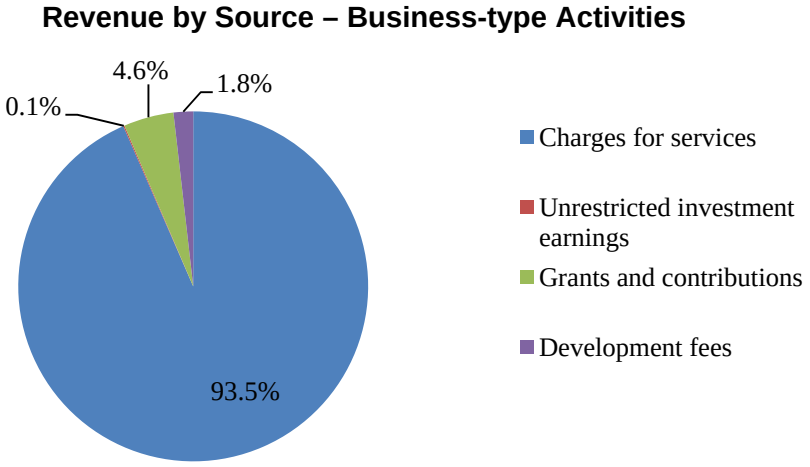
Overall, expenses increased $347,669 (.78%) due to increased costs in public safety, primarily due to increased street and sidewalk repairs.



- **Business-type Activities –** Increased the City's net position by $74,647. Key elements of this increase in the change in net position from 2013 are as follows:

  The overall increase in net position 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 $48,593,501 an increase of $9,168,515 in comparison with the prior year. Approximately 17.09% of this total amount ($8,307,886) 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 ($38,356,081) including infrastructure projects to be funded with intergovernmental revenues
- Pay debt service ($491,954)
- Restricted or committed for various purposes ($1,337,795)

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 $8,307,886. 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 38.68% of total general fund expenditures (excluding operating transfers to other funds).

The fund balance of the City's General Fund increased by $887,621 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 $491,954, 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 $124,597. The City has a dedicated property tax for general debt service. The property tax produced revenues of $4,740,645 in the current fiscal year. Refunding bonds were issued in 2013.

The Capital Projects Fund has a total fund balance of $38,356,081, all of which is restricted for future expenditures of currently approved capital items. The net increase in fund balance during the current year was $8,237,930 attributable primarily to intergovernmental revenue received in 2013 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 $50,000 increase in transfers from other funds between the original and final budget. Overall, revenues and transfers in had a $2,461,157 positive variance between final budget and actual while expenditures and transfers out had a $1,682,424 positive variance. The significant variances were associated with the allocation of overhead between the General Fund and other funds.

Capital Assets and Debt Administration

- **Capital Assets** – The City's investment in capital assets for its governmental and business-type activities as of September 30, 2013, amounts to $258,005,453 (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 increased by 3.7% (a 6.3% increase for governmental activities and a 2.6% decrease for business-type activities).

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

- **Plano Parkway Widening** – This project is the widening of Plano Parkway from the Sam Rayburn Tollway 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 North 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 reconstructed. The streets will be reconstructed 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.

Capital Assets

(**Net of Depreciation**)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Capital Assets Being Depreciated						
Water systems	$ -	$ -	$ 38,254,618	$ 38,481,903	$ 38,254,618	$ 38,481,903
Sanitary sewer systems	-	-	28,403,831	29,370,467	28,403,831	29,370,467
Drainage system	-	-	242,568	283,169	242,568	283,169
Buildings	17,864,199	18,634,780	222,405	237,525	18,086,604	18,872,305
Improvements other than buildings	10,657,299	10,638,886	-	-	10,657,299	10,638,886
Aquatic park	865,889	897,182	-	-	865,889	897,182
Machinery and equipment	3,213,726	2,401,670	218,662	313,788	3,432,388	2,715,458
Infrastructure	95,546,328	96,930,839	1,462,344	1,660,550	97,008,672	98,591,389
Total	$ 128,147,441	$ 129,503,357	$ 68,804,428	$ 70,347,402	$ 196,951,869	$ 199,850,759
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	22,855,643	10,791,067	5,168,223	5,145,396	28,023,866	15,936,463
Total	$ 52,611,889	$ 40,547,313	$ 8,441,695	$ 8,418,868	$ 61,053,584	$ 48,966,181

Additional information on the City's capital assets can be found in Note 4 on pages 39 – 40 to the basic financial statements.

Outstanding Debt

General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	$ 23,778,250	$ 23,395,500	$ 15,071,750	$ 3,879,500	$ 38,850,000	$ 27,275,000
Certificates of Obligation	18,900,000	21,610,000	23,768,949	24,997,778	42,668,949	46,607,778
Revenue Bonds	-	-	990,000	14,545,000	990,000	14,545,000
Total	$ 42,678,250	$ 45,005,500	$ 39,830,699	$ 43,422,278	$ 82,508,949	$ 88,427,778

- **Long-term Debt –** At the end of the current fiscal year, the City had total bonded debt outstanding of $82,508,949. Of this amount, $81,518,949 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt ($990,000) represents bonds secured solely by specified revenue sources (*i.e.*, revenue bonds).

The City's total debt decreased by $5,918,829 during the current fiscal year. One factor in this decrease was the issuance of $14,515,000 of debt used to refund $15,720,000 of existing debt. An additional $6,798,829 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 2013, the unemployment rate for the City is at 7.0%, which is the same as last year's rate. The City's unemployment rate is worse than the state's average unemployment rate at 6.5%, but better than the national average rate at 7.9%.
- Ad valorem tax base increased by a little over $140 million for 2012 – 2013 primarily from increased commercial appraisals due to the TIRZ and residential construction.
- Sales taxes were increased 11% from the prior year budget in anticipation of the recovering economy.
- Due to the tight control of expenditures, the tax rate for 2012 – 2013 was reduced by .25 cents.

All of these factors were considered in preparing the City's budget for the 2013 – 2014 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

B. 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 Position

September 30, 2013

Exhibit–1

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents	$ 23,804,814	$ 3,123,650	$ 26,928,464	$ 7,817,707
Receivables (net of allowance for uncollectibles)	2,083,578	1,790,165	3,873,743	879,408
Inventories	99,785	53,234	153,019	-
Prepaid expenses	-	12,278	12,278	3,856,438
Restricted				
Cash and cash equivalents	25,619,505	2,558,783	28,178,288	102,544,912
Receivables	-	-	-	29,146
Capital assets				
Nondepreciable	52,611,889	8,441,695	61,053,584	77,049,637
Depreciable (net of depreciation)	128,147,441	68,804,428	196,951,869	-
Total assets	232,367,012	84,784,233	317,151,245	192,177,248
Deferred Outflows of Resources				
Deferred loss on refunding	678,780	776,824	1,455,604	-
Total deferred outflows of resources	678,780	776,824	1,455,604	-
Liabilities				
Accounts payable and accrued liabilities	2,035,636	253,088	2,288,724	490,424
Accrued interest payable	200,278	-	200,278	13,325
Retainage payable	302,814	-	302,814	-
Unearned revenue	367,397		367,397	
Due to other governments	-	-	-	647,461
Payable from restricted assets				
Accounts payable and accrued liabilities	-	39,923	39,923	-
Accrued interest payable	-	240,425	240,425	7,148,938
Customer meter deposits	-	916,832	916,832	-
Noncurrent liabilities				
Due within one year	6,518,176	3,075,720	9,593,896	178,344
Due in more than one year	40,147,976	39,360,141	79,508,117	199,604,847
Total liabilities	49,572,277	43,886,129	93,458,406	208,083,339
Net Position				
Net investment in capital assets	138,322,067	35,059,168	173,381,235	(57,337,987)
Restricted for:				
Debt service	491,954	1,630,805	2,122,759	78,432
Construction	-	-	-	37,848,101
Government funded construction contracts	36,282,548	-	36,282,548	-
Unrestricted	8,376,946	4,984,955	13,361,901	3,505,363
Total net position	$ 183,473,515	$ 41,674,928	$ 225,148,443	$ (15,906,091)

City of The Colony, Texas

Statement of Activities

For the Year Ended September 30, 2013

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Program Activities				
Primary Government				
Governmental Activities				
General government	$ 5,376,865	$ 1,820,291	$ 21,519,655	$ -
Public safety	13,307,649	1,269,844	-	758,279
Public works	5,901,952	-	-	2,175,919
Culture and recreation	4,603,345	1,249,298	-	465,057
Interest on long-term debt	1,718,298	-	-	-
Total governmental activities	30,908,109	4,339,433	21,519,655	3,399,255
Business-type Activities				
Water and Sewer	14,009,946	14,185,896	-	731,584
Total business-type activities	14,009,946	14,185,896	-	731,584
Total primary government	$ 44,918,055	$ 18,525,329	$ 21,519,655	$ 4,130,839
Component Units				
The Colony Economic Development Corporation	$ 3,275,929	$ -	$ -	$ -
The Colony Community Development Corporation	3,345,219	-	-	-
The Colony Local Development Corporation	18,306,208	-	-	-
Total component units	$ 24,927,356	$ -	$ -	$ -

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 Position

Net Position, As Previously Reported*

Change in Accounting Principle

Net Position, Beginning of Year

Net Position, End of Year

*Net position as of September 1, 2012 has been restated for the effects of adopting GASB 65. The impact of this statement on 2012 is not shown.

See Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ 17,963,081	$ -	$ 17,963,081	$ -
(11,279,526)	-	(11,279,526)	-
(3,726,033)	-	(3,726,033)	-
(2,888,990)	-	(2,888,990)	-
(1,718,298)	-	(1,718,298)	-
(1,649,766)	-	(1,649,766)	-
-	907,534	907,534	-
-	907,534	907,534	-
$ (1,649,766)	$ 907,534	$ (742,232)	$ -
$ -	$ -	$ -	$ (3,275,929)
-	-	-	$ (3,345,219)
-	-	-	$ (18,306,208)
$ -	$ -	$ -	$ (24,927,356)
$ 14,926,095	$ -	$ 14,926,095	$ -
4,098,458	-	4,098,458	4,115,746
2,205,461	-	2,205,461	-
425,177	-	425,177	-
98,147	-	98,147	-
43,567	8,093	51,660	51,794
501,649	441,338	942,987	-
1,282,318	(1,282,318)	-	-
23,580,872	(832,887)	22,747,985	4,167,540
21,931,106	74,647	22,005,753	(20,759,816)
162,518,052	42,280,919	204,798,971	4,900,428
(975,643)	(680,638)	(1,656,281)	(46,703)
161,542,409	41,600,281	203,142,690	4,853,725
$ 183,473,515	$ 41,674,928	$ 225,148,443	$ (15,906,091)

THE COLONY

City by the Lake

Governmental Fund
Financial Statements

THE COLONY

City by the Lake

City of The Colony, Texas

Balance Sheet
Governmental Funds
September 30, 2013

Exhibit–3

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 8,783,075	$ 484,156	$ 13,254,822	$ 1,282,761	$ 23,804,814
Receivables (net of allowance for uncollectibles)					
Ad valorem taxes	100,299	41,124	-	-	141,423
Service accounts receivable	92,053	-	-	-	92,053
Franchise taxes	312,844	-	-	-	312,844
Sales taxes	908,554	-	-	-	908,554
Other	411,232	-	143,265	74,207	628,704
Restricted cash and cash equivalents	-	-	25,619,505	-	25,619,505
Inventory	99,785	-	-	-	99,785
Total assets	10,707,842	525,280	39,017,592	1,356,968	51,607,682
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable and accrued expenditures	1,657,120	646	358,697	19,173	2,035,636
Retainage payable	-	-	302,814	-	302,814
Unearned revenue	367,397	-	-	-	367,397
Total liabilities	2,024,517	646	661,511	19,173	2,705,847
Deferred Inflows of Resources - Property Taxes	275,654	32,680	-	-	308,334
Fund Balances					
Nonspendable	99,785	-	-	-	99,785
Restricted for capital projects	-	-	38,356,081	-	38,356,081
Restricted for debt service	-	491,954	-	-	491,954
Restricted (other)	-	-	-	915,493	915,493
Committed	-	-	-	422,302	422,302
Unassigned	8,307,886	-	-	-	8,307,886
Total fund balances	8,407,671	491,954	38,356,081	1,337,795	48,593,501
Total liabilities, deferred inflows of resources and fund balances	$ 10,707,842	$ 525,280	$ 39,017,592	$ 1,356,968	$ 51,607,682

City of The Colony, Texas

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

September 30, 2013

Exhibit–4

Total fund balances – governmental funds.	$ 48,593,501
Amounts reported for governmental activities in the statement of net position 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.	180,759,330
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.	(200,278)
Revenues earned but not available within 60 days of the year-end are not recognized as revenue on the fund financial statements.	308,334
Deferred loss on refunding of long-term debt deferred outflows of resources are not reported in the governmental funds.	678,780
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.	(46,666,152)
Net position of governmental activities	$ 183,473,515

City of The Colony, Texas

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2013

Exhibit–5

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Ad valorem taxes, penalties and interest	$ 10,194,997	$ 4,740,645	$ -	$ -	$ 14,935,642
Franchise taxes	2,205,461	-	-	-	2,205,461
Municipal sales tax	4,098,458	-	-	-	4,098,458
License and permits	1,106,935	-	-	713,356	1,820,291
Charges for services	1,249,298	-	-	-	1,249,298
Fines and forfeitures	1,175,578	-	-	94,266	1,269,844
Grants	42,938	128,938	215,000	78,181	465,057
Gifts and contributions	300,845	879,143	930,953	64,978	2,175,919
Hotel/Motel tax	-	-	-	425,177	425,177
Intergovernmental	-	-	21,519,655	-	21,519,655
Investment income	13,000	3,195	27,325	47	43,567
Miscellaneous	438,496	546	-	62,607	501,649
Total revenues	20,826,006	5,752,467	22,692,933	1,438,612	50,710,018
Expenditures					
Current					
General government	4,133,449	-	-	-	4,133,449
Public safety	12,244,772	-	-	130,093	12,374,865
Public works	1,619,801	-	379,299	2,202	2,001,302
Cultural and recreation	3,370,517	-	-	784,956	4,155,473
Capital outlay	109,838	-	16,174,160	-	16,283,998
Debt Service					
Principal retirement	-	4,195,250	-	-	4,195,250
Interest and fiscal charges	-	1,550,643	-	-	1,550,643
Cost of issuance of bonds	-	46,635	71,203	-	117,838
Total expenditures	21,478,377	5,792,528	16,624,662	917,251	44,812,818
Excess (deficiency) of revenues over (under) expenditures	(652,371)	(40,061)	6,068,271	521,361	5,897,200
Other Financing Sources (Uses)					
Transfers from other funds	1,747,290	-	547,298	480,000	2,774,588
Transfers to other funds	(207,298)	-	(451,172)	(833,800)	(1,492,270)
Transfers to component unit	-	(131,171)	-	-	(131,171)
Issuance of bonds	-	-	2,073,533	-	2,073,533
Refunding bonds issued	-	2,795,693	-	-	2,795,693
Bond premium	-	370,942	-	-	370,942
Payment to refunded bond escrow agent	-	(3,120,000)	-	-	(3,120,000)
Total other financing sources (uses)	1,539,992	(84,536)	2,169,659	(353,800)	3,271,315
Net Change in Fund Balances	887,621	(124,597)	8,237,930	167,561	9,168,515
Fund Balances, Beginning of Year	7,520,050	616,551	30,118,151	1,170,234	39,424,986
Fund Balances, End of Year	$ 8,407,671	$ 491,954	$ 38,356,081	$ 1,337,795	$ 48,593,501

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, 2013

Exhibit–6

Net change in fund balances – total governmental funds	$ 9,168,515
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.	16,216,314
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.	758,279
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.	(6,265,933)
Bond proceeds (including refunding bonds) provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. 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 Position. This is the amount by which proceeds of $4,988,000 fell below debt principal repayments of $7,315,000.	2,327,000
Bond premiums are recognized as an other financing source in the governmental funds, but are considered deferred assets on the Statement of Net Position. Premiums are amortized over the life of the bonds. This is the amount by which bond premium issued of $370,942 exceeded amortization of $89,920.	(281,022)
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.	(59,934)
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.	10,367
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 outflows of resources on the Statement of Net Position. This is the amount by which amortization of deferred loss on refunding of $166,469 exceeded the current year deferred loss of $81,552.	(126,583)
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.	184,103
Change in net position of governmental activities	$ 21,931,106

Proprietary Fund Financial Statements

City of The Colony, Texas
Statement of Net Position
Proprietary Funds
September 30, 2013

	Business-type Activities Water and Sewer Enterprise Fund
Assets	
Current Assets	
Cash and cash equivalents	$ 3,123,650
Receivables, net of allowance for uncollectibles	
Accounts	1,778,800
Other	11,365
Inventories	53,234
Prepaid expenses	12,278
Restricted cash and cash equivalents	2,558,783
Total current assets	7,538,110
Deferred Outflows of Resources	
Deferred loss on refunding	776,824
Total deferred outflows of resources	776,824
Noncurrent Assets	
Capital Assets	
Land	3,273,472
Water system	93,361,538
Sanitary sewer system	1,684,364
Buildings	706,481
Machinery and equipment	2,220,243
Engineering fees	2,473,213
Organizational costs	5,718,467
Construction in progress	5,168,223
Total capital assets	114,606,001
Less accumulated depreciation	(37,359,878)
Capital assets, net of accumulated depreciation	77,246,123
Total noncurrent assets	77,246,123
Total assets and deferred outflows of resources	$ 85,561,057

See Notes to Financial Statements

Exhibit–7

	Business-type Activities Water and Sewer Enterprise Fund
Liabilities and Net Position	
Current Liabilities	
Accounts payable and accrued liabilities	$ 253,088
Accrued compensated absences	248,906
Payable from restricted assets	
Accounts payable and accrued expenses	39,923
Unamortized bond premium	75,902
Bonds payable	2,750,912
Accrued interest payable	240,425
Customer meter deposits	916,832
Total current liabilities	4,525,988
Noncurrent Liabilities	
Bonds payable	37,079,787
Unamortized bond premium	2,280,354
Total noncurrent liabilities	39,360,141
Total liabilities	43,886,129
Net Position	
Net investment in capital assets	35,059,168
Restricted for:	
Revenue bond principal and interest	1,630,805
Unrestricted	4,984,955
Total net position	41,674,928
Total liabilities and net position	$ 85,561,057

THE COLONY

City by the Lake

City of The Colony, Texas

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2013

Exhibit–8

	Business-type Activities Water and Sewer Enterprise Fund
Operating Revenues	
Charges for sales of services	
Water service	$ 8,345,852
Wastewater treatment service	4,699,344
Other fees and penalties	1,027,854
Service charges	38,765
Miscellaneous	74,081
Total operating revenues	14,185,896
Operating Expenses	
Personnel services	3,130,716
Contractual services	675,387
Supplies	412,858
Maintenance	873,964
Water purchases	1,738,505
Overhead	2,593,753
Depreciation and amortization	2,649,731
Total operating expenses	12,074,914
Operating Income	2,110,982
Nonoperating Revenues (Expenses)	
Investment income	8,093
Interest expense	(1,935,032)
Development fees	606,419
Other	(165,081)
Net nonoperating revenues (expenses)	(1,485,601)
Income Before Capital Contributions and Transfers	625,381
Capital Contributions and Transfers	
Grants and contributions	306,999
Capital contributions	424,585
Transfers from other funds	741,172
Transfers to other funds	(2,023,490)
Total capital contributions and transfers	(550,734)
Change in Net Position	74,647
Net Position, As Previously Reported	42,280,919
Change in Accounting Principle	(680,638)
Net Position, Beginning of Year	41,600,281
Net Position, End of Year	$ 41,674,928

City of The Colony, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2013

	Water and Sewer Enterprise Fund
Operating Activities	
Cash received from customers	$ 14,269,927
Cash paid to employees for services	(3,125,394)
Cash paid for goods and services	(6,421,982)
Net cash provided by operating activities	4,722,551
Noncapital Financing Activities	
Property taxes	441,338
Transfers from other funds	741,172
Transfers of cash to other funds	(2,023,490)
Net cash used in noncapital financing activities	(840,980)
Capital and Related Financing Activities	
Principal paid on revenue bond maturities	(3,591,579)
Interest paid	(1,994,653)
Acquisition of capital assets	(704,999)
Net proceeds from issuance of bonds	737,602
Grants and contributions	306,999
Net cash used in capital and related financial activities	(5,246,630)
Investing Activities	
Investment income	8,093
Net cash provided by investing activities	8,093
Net Decrease in Cash and Cash Equivalents	(1,356,966)
Cash and Cash Equivalents, Beginning of Year	7,039,399
Cash and Cash Equivalents, End of Year	$ 5,682,433

See Notes to Financial Statements

Exhibit–9

	Business-type Activities Water and Sewer Enterprise Fund
Reconciliation of Operating Income to Net Cash Provided By Operating Activities	
Net operating income	$ 2,110,982
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	2,649,731
Amortization of bond issuance costs	-
Change in assets and liabilities	
(Increase) decrease in accounts receivable	(46,090)
(Increase) decrease in inventories	62,691
(Increase) decrease in prepaid expenses	(6,214)
Increase (decrease) in accounts payable and accrued liabilities	(183,992)
Increase (decrease) in compensated absences	5,322
Increase (decrease) in customer deposits	130,121
Total adjustments	2,611,569
Net cash provided by operating activities	$ 4,722,551
Noncash Investing and Financing Activities	
Contributions of capital assets	$ 424,585
Reconciliation of Total Cash to the Statements of Net Position	
Cash and cash equivalents, current	3,123,650
Restricted cash and cash equivalents	2,558,783
Cash and Cash Equivalents, End of Year	$ 5,682,433

THE COLONY

City by the Lake

Component Units Financial Statements

THE COLONY

City by the Lake

City of The Colony, Texas

Statement of Net Position
Component Units
September 30, 2013

Exhibit–10

	The Colony Economic Development Corporation	The Colony Community Development Corporation	The Colony Local Development Corporation	Total
Assets				
Cash and cash equivalents	$ 6,260,219	$ 1,557,488	$ -	$ 7,817,707
Sales tax receivable	439,704	439,704	-	879,408
Prepaids	-	-	3,856,438	3,856,438
Restricted assets:				
Cash and cash equivalents	18,614,613	18,614,614	65,315,685	102,544,912
Sales tax receivable	14,573	14,573	-	29,146
Land	1,438,304	1,438,304	37,577,058	40,453,666
Construction in progress	7,086,542	7,086,540	22,422,889	36,595,971
Total assets	33,853,955	29,151,223	129,172,070	192,177,248
Liabilities and Net Position				
Accounts payable	324,691	165,733	-	490,424
Accrued interest payable	1,309,826	1,295,853	4,556,584	7,162,263
Due to other government	-	-	647,461	647,461
Noncurrent liabilities				
Due within one year	178,344	-	-	178,344
Due in more than one year	29,841,883	27,568,613	142,194,351	199,604,847
Total liabilities	31,654,744	29,030,199	147,398,396	208,083,339
Net Position				
Net investment in capital assets	(21,495,381)	(19,043,769)	(16,798,837)	(57,337,987)
Restricted for:				
Debt service	39,216	39,216	-	78,432
Construction	18,589,970	18,589,971	668,160	37,848,101
Unrestricted	5,065,406	535,606	(2,095,649)	3,505,363
Total net position	$ 2,199,211	$ 121,024	$ (18,226,326)	$ (15,906,091)

City of The Colony, Texas

Statement of Activities

Component Units

For the Year Ended September 30, 2013

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Component Units				
The Colony Economic Development Corporation	$ 3,275,929	$ -	$ -	$ -
The Colony Community Development Corporation	3,345,219	-	-	-
The Colony Local Development Corporation	18,306,208	-	-	-
Total component units	$ 24,927,356	$ -	$ -	$ -

General Revenues

Taxes

Sales taxes

Interest on investments

Total general revenues and transfers

Change in Net Position

Net Position, As Previously Reported*

Change in Accounting Principle

Net Position, Beginning of Year

Net Position, End of Year

*Net position as of September 1, 2012 has been restated for the effects of adopting GASB 65. The impace of this statement on 2012 is not shown.

See Notes to Financial Statements

Exhibit–11

Net (Expenses) Revenue and Changes in Net Position

Component Units			
The Colony Economic Development Corporation	**The Colony Community Development Corporation**	**The Colony Local Development Corporation**	**Total**
$ (3,275,929)	$ -	$ -	$ (3,275,929)
-	(3,345,219)	-	(3,345,219)
-	-	(18,306,208)	(18,306,208)
(3,275,929)	(3,345,219)	(18,306,208)	(24,927,356)
2,031,773	2,031,773	52,200	4,115,746
13,755	10,357	27,682	51,794
2,045,528	2,042,130	79,882	4,167,540
(1,230,401)	(1,303,089)	(18,226,326)	(20,759,816)
3,476,315	1,424,113	-	4,900,428
(46,703)	-	-	(46,703)
3,429,612	1,424,113	-	4,853,725
$ 2,199,211	$ 121,024	$ (18,226,326)	$ (15,906,091)

THE COLONY

City by the Lake

C. Notes to Basic Financial Statements

THE COLONY

City by the Lake

City of The Colony, Texas
Notes to Basic Financial Statements
September 30, 2013

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.

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.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the 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.

- **The Colony Local Development Corporation (TCLDC) –** Established as the primary governing body for funding Tax Increment Reinvestment Zone (TIRZ) Number One public infrastructure. Surrounding these activities are performance agreements between the TCLDC and the developer, NMF Services which commenced November 2011 and will terminate on the 75 anniversary of the date in which the City collects its first sales tax dollar from the respective facility.

A majority of the members of both the TCEDC's, TCCDC's and TCLDC's Board of Directors are appointed by the City Council. Both the TCEDC, TCCDC and TCLDC 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, TCCDC and TCLDC 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 position 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 position reports all financial and capital resources of the City. It is displayed in the format of assets less liabilities equals net position, with the assets and liabilities shown in order of their relative liquidity. Net position are required to be displayed in three components: (1) net investment in capital assets; (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 position 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 position 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 position 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 collectible within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for nonmatured 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 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.

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.

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.

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 position 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 2013 levy was based was $2,179,988,416. 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, 2013, were 99.6% 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, 2013, was $0.680 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, 2013, the TCEDC contributed $306,999 to the Debt Service Fund and $320,547 to the General Fund. Additionally, the TCCDC contributed $865,534 to the Debt Service Fund, $597,845 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 GWFS and in the FFS 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 $4,438 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 ordinance of the City Council, the City's highest level of decision making authority. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. 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 GWFS 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.

Encumbrances

At the end of the fiscal year, encumbrances for goods and services that have not been received are canceled except in the Capital Projects Fund. Management has authority, by ordinance, to re-appropriate any encumbrances that were open at the prior fiscal year-end. At the beginning of the next fiscal year, management reviews all open encumbrances and approves needed encumbrances. In fiscal year 2013, management has not approved any reappropriation of encumbrances. There are no significant encumbrances at year-end that have not been restricted, committed or assigned.

New Pronouncements

During the current year ending September 30, 2013, the City has implemented GASB 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 future reporting period. This statement amends the net asset reporting requirements in GASB Statement No. 34, *Basic Financial Statements–and Management's Discussion and Analysis–for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

In accordance with generally accepted accounting principles and Codification of Governmental Accounting Standards, Section 2100, *"Defining the Financial Reporting Entity,"* these financial statements present the City (the primary government) and its component units. On October 1, 2012, the City implemented GASB Statement No. 61: *The Financial Reporting Entity: Omnibus, An Amendment of GASB Statements No. 14 and No. 34*. The component units discussed below are included in the City's financial reporting entity because of the significance of their operational or financial relationship with the City. The criteria established by the GASB for determining the reporting entity includes financial accountability and whether the financial statements would be misleading if data were not included. Discretely presented component units include The Colony Economic Development Corporation (TCEDC), The Colony Community Development Corporation (TCCDC) and The Colony Local Development Corporation (TCLDC). GASB 61 did not change the City's financial reporting entity. Additional information on the component units can be found in these footnotes.

Additionally, the City has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement redefines certain financial elements previously reported as assets and liabilities as deferred outflows and deferred inflows of resources. In addition, the statement changes the method of reporting debt issuance costs. Prior to implementation of GASB Statement No. 65, the City reported debt issuance costs, including costs related to bond insurance, as deferred debt expense which was capitalized and amortized over the life of the debt. Deferred debt expense was reported as an asset on the statement of net position. In GASB Statement No. 65, bond issuance costs, excluding bond insurance costs, are to be recognized in the period incurred. Implementation of GASB Statement No. 65 resulted in a restatement of previously reported net position, with net position as of October 1, 2012 decreasing $975,643, $680,638, $1,656,281 and $46,703 for governmental activities, business-type activities, total government-wide and discretely presented component units, respectively. Additionally, deferred loss on refunding has been reclassified from a component of noncurrent liabilities to deferred outflows of resources as a result of the provisions of GASB 65.

During the year ending September 30, 2015, the City will implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses/expenditures. The effects of implementing this statement is unknown, but is expected to have a material effect on net position.

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, 2013, the carrying amount of the City's deposits was $63,392,108 and the bank balance was $62,919,944. All of the bank balances are covered by federal depository insurance or are fully collateralized. The City had petty cash totaling $4,515 at September 30, 2013.

Additionally, TCEDC, TCCDC and TCLDC held investment balances in bank secured money market accounts of $18,614,613, $18,614,613 and $65,315,685, respectively. Bank balances for TCEDC and TCCDC were both $18,608,535.

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, 2013, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and cash equivalents – primary government	$ 26,928,464
Restricted cash and cash equivalents – primary government	28,178,288
Cash and cash equivalents – component units	7,817,707
Restricted cash and cash equivalents – component units	102,544,912
	$ 165,469,371

Deposits and investments as of September 30, 2013, consist of the following:

Cash on hand	$ 8,727,712
Investment pools	156,741,659
	$ 165,469,371

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, 2013, the City had the following investments:

Investment Type	Amount	Weighted-average Maturity
TexPool	$ 30,190,876	< 90 days
TexPool Prime	24,005,871	< 90 days
Money Market Mutual Funds	102,544,912	< 90 days
	$ 156,741,659	

As of September 30, 2013, 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	$ 30,190,876	N/A	AAAm
TexPool Prime	24,005,871	N/A	AAAm
Money Market Mutual Funds	102,544,912	N/A	AAAm
	$ 156,741,659		

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, 2013, 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, 2013, 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 position 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, 2013, 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	$ 120,405	$ 40,132	$ -	$ -	$ -	$ -
Franchise taxes	312,844	-	-	-	-	-
Sales taxes	908,554	-	-	-	-	879,408
Restricted sales tax	-	-	-	-	-	29,146
Service accounts	155,005	-	-	-	1,967,708	-
Other	411,232	-	143,265	74,207	11,365	-
Gross receivables	1,908,040	40,132	143,265	74,207	1,979,073	908,554
Allowance for uncollectibles	(83,058)	992	-	-	(188,908)	-
Net total receivables	$ 1,824,982	$ 41,124	$ 143,265	$ 74,207	$ 1,790,165	$ 908,554

The Water and Sewer Fund service accounts receivable include unbilled charges for services rendered through September 30, 2013, in the amount of $983,819.

Note 4: Capital Assets

Capital asset activity for the year ended September 30, 2013, were as follows:

	Balance September 30, 2012	Capital Acquisitions	Sales or Other Dispositions	Adjustments/ Transfers	Balance September 30, 2013
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	10,791,067	16,216,314	-	(4,151,738)	22,855,643
Total capital assets not being depreciated	40,547,313	16,216,314	-	(4,151,738)	52,611,889
Capital assets being depreciated					
Buildings	23,161,636	18,875	-	-	23,180,511
Improvements other than buildings	15,013,991	624,645	-	-	15,638,636
Swimming pool	1,553,114	21,516	-	-	1,574,630
Machinery and equipment	9,664,579	1,390,383	(176,956)	(623,476)	10,254,530
Infrastructure	170,653,993	2,854,598	-	-	173,508,591
Total capital assets being depreciated	$ 220,047,313	$ 4,910,017	$ (176,956)	$ (623,476)	$ 224,156,898
Less: Accumulated depreciation for					
Buildings	$ (4,526,856)	$ (789,456)	$ -	$ -	$ (5,316,312)
Improvements other than buildings	(4,375,105)	(606,232)	-	-	(4,981,337)
Swimming pool	(655,932)	(52,809)	-	-	(708,741)
Machinery and equipment	(7,262,909)	(578,327)	800,432	-	(7,040,804)
Infrastructure	(73,723,154)	(4,239,109)	-	-	(77,962,263)
Total accumulated depreciation	(90,543,956)	(6,265,933)	800,432	-	(96,009,457)
Capital assets being depreciated, net	129,503,357	(1,355,916)	623,476	(623,476)	128,147,441
Governmental activities capital assets, net	$ 170,050,670	$ 14,860,398	$ 623,476	$ (4,775,214)	$ 180,759,330

	Balance September 30, 2012	Capital Acquisitions	Sales or Other Dispositions	Adjustments/ Transfers	Balance September 30, 2013
Business-type Activities					
Capital assets not being depreciated					
Land	$ 3,273,472	$ -	$ -	$ -	$ 3,273,472
Construction in progress	5,145,396	705,000	-	(682,173)	5,168,223
Total capital assets not being depreciated	8,418,868	705,000	-	(682,173)	8,441,695
Capital assets being depreciated					
Building	706,481	-	-	-	706,481
Water system	51,022,265	1,042,275	-	-	52,064,540
Sanitary system	41,241,586	55,412	-	-	41,296,998
Drainage system	1,684,364	-	-	-	1,684,364
Machinery and equipment	1,629,183	9,070	(41,486)	623,476	2,220,243
Infrastructure	8,191,680	-	-	-	8,191,680
Total capital assets being depreciated	104,475,559	1,106,757	(41,486)	623,476	106,164,306
Less: Accumulated depreciation for					
Building	(468,956)	(15,120)	-	-	(484,076)
Water system	(12,540,362)	(1,269,560)	-	-	(13,809,922)
Sanitary system	(11,871,119)	(1,022,048)	-	-	(12,893,167)
Drainage system	(1,401,195)	(40,601)	-	-	(1,441,796)
Machinery and equipment	(1,315,395)	(104,196)	41,486	(623,476)	(2,001,581)
Infrastructure	(6,531,130)	(198,206)	-	-	(6,729,336)
Total accumulated depreciation	(34,128,157)	(2,649,731)	41,486	(623,476)	(37,359,878)
Capital assets being depreciated, net	70,347,402	(1,542,974)	-	-	68,804,428
Business-type activities capital assets, net	$ 78,766,270	$ (837,974)	$ -	$ (682,173)	$ 77,246,123
Component Unites					
Capital assets not being depreciated					
Land	$ -	$ 54,244,601	$ (13,790,935)	$ -	$ 40,453,666
Construction in progress	-	50,769,053	(14,173,082)	-	36,595,971
Total capital assets not being depreciated	-	105,013,654	(27,964,017)	-	77,049,637
Component unit capital assets	$ -	$ 105,013,654	$ (27,964,017)	$ -	$ 77,049,637

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

General government	$ 1,115,798
Public safety	801,613
Public works	3,900,650
Culture and recreation	447,872
Total depreciation expense – governmental activities	$ 6,265,933
Business-type activities	
Water and Sewer	$ 2,649,731
Total depreciation expense – business-type activities	$ 2,649,731

Note 5: Long-term Debt

At September 30, 2013, bonds payable consisted of the following individual issues:

	Governmental	Business-type	Component Unit
Certificate Obligations			
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.	$ 245,000	$ -	$ -
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.	-	14,078,949	2,356,051
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.	5,055,000	5,835,000	-
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.	305,000	-	-
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.	9,170,000	3,425,000	-
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.	2,040,000	430,000	-
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2013, 2.00% to 4.375%, maturing in annual installments of $155,000 to $675,000 through 2033.	2,085,000	-	-
	$ 18,900,000	$ 23,768,949	$ 2,356,051

	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.	$ 6,715,000	$ -	$ -
General Obligation Refunding Bonds, Series 2010, 2.00% to 4.00%, maturing in annual installments of $170,000 to $510,000 through 2022.	3,945,000	-	-
General Obligation Refunding Bonds, Series 2011, 2.00% to 4.00%, maturing in annual installments of $20,000 to $890,000 through 2022.	5,219,600	1,685,400	-
General Obligation Refunding Bonds, Series 2012, 2.00% to 3.00%, maturing in annual installments of $255,000 to $1,295,000 through 2023.	4,995,650	1,774,350	-
General Obligation Refunding Bonds, Series 2013, 3.00% to 5.00%, maturing in annual installments of $1,205,000 to $1,775,000 through 2024.	2,903,000	11,612,000	-
	$ 23,778,250	$ 15,071,750	$ -
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 2014.	$ -	$ 990,000	$ -
Sales Tax Revenue Bonds, Series 2013 (Infrastructure Bonds), 4.50% to 7.25%, maturing in annual installments of $195,000 to $2,770,000 through 2042.	-	-	29,580,000
Sales Tax Revenue Bonds, Series 2013 (Infrastructure Bonds), 4.50% to 7.25%, maturing in annual installments of $195,000 to $2,770,000 through 2042.	-	-	29,580,000
Sales Tax Increment Contract Revenue Bonds, Series 2013, 5% to 7.625%, maturing in annual installments from October 1, 2018 through October 1, 2042.	-	-	15,875,000
Sales Tax Revenue Bonds, Series 2013 (Infrastructure Bonds), 2.594% to 4.881%, maturing in annual installments from October 1, 2020 through October 1, 2047.	-	-	106,850,000
Sales Tax Revenue Bonds, Series 2013 (Infrastructure Bonds), 5% to 7.625%, maturing in annual installments from October 1, 2018 through October 1, 2042.	-	-	19,515,000
	$ -	$ 990,000	$ 201,400,000

The following is a summary of long-term liability activity, including current portion, of the City for the year ended September 30, 2013:

	Beginning of Year	Increases	Decreases	Refunding	End of Year	Within One-Year
Governmental Activities						
Certificate obligations	$ 21,610,000	$ 2,085,000	$ (1,675,000)	$ (3,120,000)	$ 18,900,000	$ 1,525,000
General obligations	23,395,500	2,903,000	(2,520,250)	-	23,778,250	2,747,900
Unamortized bond premium	1,551,524	370,942	(89,920)	-	1,832,546	89,920
Compensated absences	2,095,422	1,524,978	(1,465,044)	-	2,155,356	2,155,356
Governmental activity long-term liabilities	$ 48,652,446	$ 6,883,920	$ (5,750,214)	$ (3,120,000)	$ 46,666,152	$ 6,518,176
Business-type Activities						
Certificate obligations	$ 24,997,778	$ -	$ (1,228,829)	$ -	$ 23,768,949	$ 1,278,812
General obligations	3,879,500	11,612,000	(419,750)	-	15,071,750	482,100
Revenue bonds	14,545,000	-	(955,000)	(12,600,000)	990,000	990,000
Unamortized bond premium	1,090,854	1,341,304	(75,902)	-	2,356,256	75,902
Compensated absences	243,584	198,068	(192,746)	-	248,906	248,906
Business-type activity long-term liabilities	$ 44,756,716	$ 13,151,372	$ (2,872,227)	$ (12,600,000)	$ 42,435,861	$ 3,075,720
Component Units						
Certificate obligations	$ 2,487,222	$ 59,160,000	$ (131,171)	$ -	$ 61,516,051	$ 136,188
Revenue bonds	-	142,240,000	-	-	142,240,000	-
Unamortized bond premium	62,831	-	(4,712)	-	58,119	4,712
Unamortized bond discount	-	(4,070,544)	2,121	-	(4,068,423)	-
Compensated absences	26,305	24,764	(13,625)	-	37,444	37,444
Component units long-term liabilities	$ 2,576,358	$ 197,354,220	$ (147,387)	$ -	$ 199,783,191	$ 178,344

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, 2013, outstanding principal on outstanding defeased debt obligations totaled $30,558,375.

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, 2013, the amount outstanding under the debt obligation was $2,356,051.

During July 2013, the City issued $14,515,000 General Obligation Refunding Bonds, Series 2013. The purpose of the bonds were to refund a portion of the City's Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2004 as well as Waterworks and Sewer System Revenue Bonds, Series 2004 (both will be called in 2014) 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 3% and 5% and mature in 2024. The bonds were issued at a premium of $1,539,318. As a result of the refunding, the City decreased total debt service requirements by $1,667,946, which resulted in an economic gain of $1,095,461. Additionally, a deferred loss on refunding of $776,824 was recognized and will be amortized over the life of the refunded bond.

During February 2013, the TCEDC and TCCDC individually issued $29,580,000 Sales Tax Revenue Bonds (Nebraska Furniture Mart Texas Project Infrastructure Bonds) to meet performance requirements between TCEDC and TCCDC and NFM Services, the developer. The combined bond issuance of $59,160,000 is committed to the infrastructure of this facility. These bonds were issued at par value and mature October 2042.

During February 2013, the TCLDC issued Sales Tax Increment Contract Revenue Bonds, Series 2013A, due in annual installments from October 1, 2020 through October 1, 2047, at interest rates from 2.594% to 4.881%, issued in the amount of $106,850,000, with a remaining balance at September 30, 2013, of $106,850,000.

During February 2013, the LDC issued Sales Tax Increment Contract Revenue Bonds, Series 2013, due in annual installments from October 1, 2018 through October 1, 2042, at interest rates from 5% to 7.625%, issued in the amount of $15,875,000, with a remaining balance at September 30, 2013, of $15,875,000.

Also during February 2013, the TCLDC issued Ad Valorem Tax Increment Contract Revenue Bonds, Series 2013, due in annual installments from October 1, 2018 through October 1, 2042, at interest rates from 5% to 7.625%, issued in the amount of $19,515,000, with a remaining balance at September 30, 2013, of $19,515,000.

During March 2012, the TCEDC, TCCDC and TCLDC individually entered into a pledge agreement where the consideration of future sales tax revenue from the above mentioned development will be used to repay pledge, received as private funding by the above component units. This pledge was effectively an incentive agreement to secure the development of Nebraska Furniture Mart, through NFM Services, within the City of The Colony. The funding provided is held by an escrow agent and restricted for infrastructure and construction of the development noted. Repayment of this private funding is effective through a 75-year period beginning on the receipt of the first dollar of sales tax from the development on commencement of operations. Sales tax revenues received are first applied to current principal and interest debt requirements, next to prior principal and interest amounts not covered by sales tax revenues of the period, third to the private funding through the pledge agreement and last the excess sales tax proceeds from the development are split 50% to each of the component units and NFM Services for each respective corporations sales tax proceeds. If the designated sales tax revenues of each component unit do not repay the full pledged balance no further obligation will follow the 75 year anniversary date of June 2088.

The following is a summary of pledged sales tax revenue activity of the Component Units for the year ended September 30, 2013:

Component Unit	Beginning of Year	Additions	Reductions	End of Year
Economic Development Corporation	$ 79,360,000	$ -	$ -	$ 79,360,000
Community Development Corporation	79,360,000	-	-	79,360,000
Local Development Corporation	90,700,000	-	-	90,700,000
	$ 249,420,000	$ -	$ -	$ 249,420,000

The following is a summary of annual sales tax collections and respective allocations to debt service and unrestricted for the year ended September 30, 2013 *(rounded to the nearest thousand)*:

Component Unit	NFM Sales Tax	TIRZ Allocation (90%)	Component Unit Allocation (10%)
Economic Development Corporation	$ 29,000	$ 26,100	$ 2,900
Community Development Corporation	29,000	26,100	2,900
Local Development Corporation	58,000	52,200	5,800

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, 2013.

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for each bond type for the years subsequent to September 30, 2013, are as follows:

Certificate Obligation Bonds

Annual debt service requirements to maturity for certificate obligation bonds, including interest of $7,448,062 for governmental activities, $8,984,889 for business-type activities and $279,750,095 for component unit activities are as follows:

	Governmental Activities		
Fiscal Years Ending September 30,	Principal	Interest	Total
2014	$ 1,355,000	$ 796,083	$ 2,151,083
2015	1,155,000	746,343	1,901,343
2016	930,000	700,558	1,630,558
2017	970,000	663,422	1,633,422
2018	1,015,000	623,456	1,638,456
2019 – 2023	5,250,000	2,493,156	7,743,156
2024 – 2028	5,920,000	1,235,863	7,155,863
2029 – 2033	2,305,000	189,181	2,494,181
Total	$ 18,900,000	$ 7,448,062	$ 26,348,062

	Business-type Activities		
Fiscal Years Ending September 30,	Principal	Interest	Total
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	1,535,858	840,352	2,376,210
2019 – 2023	8,745,320	3,140,603	11,885,923
2023 – 2027	7,416,946	934,772	8,351,718
2028 – 2030	595,000	36,000	631,000
Total	$ 23,768,949	$ 8,984,889	$ 32,753,838

Fiscal Years Ending September 30,	Component Unit Activities		
	Principal	Interest	Total
2014	$ 136,186	$ 10,405,408	$ 10,541,594
2015	141,922	11,799,839	11,941,761
2016	149,090	11,792,743	11,941,833
2017	546,975	11,785,289	12,332,264
2018	574,142	11,759,889	12,334,031
2019 – 2023	9,944,680	57,893,881	67,838,561
2024 – 2028	19,428,056	54,264,656	73,692,712
2029 – 2033	29,145,000	47,815,288	76,960,288
2034 – 2038	44,010,000	37,172,019	81,182,019
2039 – 2043	64,930,000	20,620,593	85,550,593
2044 – 2048	34,750,000	4,440,490	39,190,490
Total	$ 203,756,051	$ 279,750,095	$ 483,506,146

General Obligation Bond

Annual debt service requirements to maturity for general obligation bonds, including interest of $4,290,110 for governmental activities and $15,495,904 for business-type activities are as follows:

Fiscal Years Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2014	$ 2,637,850	$ 828,391	$ 3,466,241
2015	3,052,850	748,917	3,801,767
2016	3,079,900	660,069	3,739,969
2017	3,097,350	567,247	3,664,597
2018	2,660,600	466,114	3,126,714
2019 – 2023	8,894,700	1,001,622	9,896,322
2024	355,000	17,750	372,750
Total	$ 23,778,250	$ 4,290,110	$ 28,068,360

Fiscal Years Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2014	$ 592,150	$ 612,966	$ 1,205,116
2015	1,452,150	1,286,248	2,738,398
2016	1,475,100	1,314,841	2,789,941
2017	1,482,650	1,333,543	2,816,193
2018	1,364,400	1,387,526	2,751,926
2019 – 2023	7,285,300	7,785,780	15,071,080
2024	1,420,000	1,775,000	3,195,000
Total	$ 15,071,750	$ 15,495,904	$ 30,567,654

Revenue Bonds

Annual debt service requirements to maturity for revenue bonds, including interest of $640,805 for business-type activities are as follows:

Fiscal Years Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2014	$ 990,000	$ 640,805	$ 1,630,805
Total	$ 990,000	$ 640,805	$ 1,630,805

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 2013 were as follows:

Transfer Fund	Transfer In	Transfer Out	Transfer
General			
Water and Sewer Enterprise	$ 1,523,490	$ -	Budgetary
Capital Projects Fund	-	47,298	Capital Projects
Nonmajor governmental	223,800	160,000	Budgetary
Capital Projects Fund			
Water and Sewer Enterprise	500,000	451,172	Capital Projects
General Fund	47,298	-	Capital Projects
Water and Sewer Enterprise			
General Fund	-	1,523,490	Budgetary
Capital Projects Fund	451,172	500,000	Capital Projects
Nonmajor governmental	290,000	-	Budgetary
Nonmajor Governmental			
General Fund	160,000	223,800	Budgetary
Enterprise Fund	-	290,000	Budgetary
Nonmajor governmental	320,000	320,000	Budgetary
	$ 3,515,760	$ 3,515,760	

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 statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

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/her 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 25.4-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 2013).

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,		
	2013	2012	2011
NPO, beginning of the period	$ -	$ -	$ -
Annual required contribution	1,974,608	2,085,794	2,388,097
Contributions made (100%)	(1,974,608)	(2,085,794)	(2,388,097)
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	25.4 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)
2011	$ 2,388,097	$ 2,388,097	100%	$ -
2012	2,085,794	2,085,794	100%	-
2013	1,974,608	1,974,608	100%	-

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

Actuarial valution date	December 31, 2012
Actuarial value of plan assets	$ 52,888,253
Actuarial accrued liability (AAL)	60,728,120
Funded rate	87.09%
Unfunded AAL	7,839,867
Covered payroll	15,761,112
Unfunded AAL as a % of covered payroll	49.7%

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, 2013, 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, 2013, the City had authorized construction contract commitments of approximately $42,560,000.

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 2013, 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.

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D. Required Supplementary Information

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City of The Colony, Texas

Schedule of Funding Progress

Required Supplementary Information

For the Year Ended September 30, 2013

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))
12/31/2008	TMRS	$ 26,870,041	$ 41,690,175	$ 14,820,134	64.5%	$ 14,873,359	99.6%
12/31/2009	TMRS	30,412,675	48,050,036	17,637,361	63.3%	15,794,534	111.7%
12/31/2010	TMRS	43,409,635	53,450,730	10,041,095	81.2%	15,554,464	64.6%
12/31/2011	TMRS	48,476,592	57,367,956	8,891,364	84.5%	15,743,058	56.5%
12/31/2012	TMRS	52,888,253	60,728,120	7,839,867	87.1%	15,761,112	49.7%

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 2012, 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 2012 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, 2012 TMRS Comprehensive Annual Financial Report (CAFR).

City of The Colony, Texas

General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended September 30, 2013

Exhibit A–2

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Ad valorem taxes, penalties and interest	$ 10,175,593	$ 10,175,593	$ 10,194,997	$ 19,404
Franchise taxes	2,121,000	2,121,000	2,205,461	84,461
Municipal sales tax	3,572,730	3,572,730	4,098,458	525,728
Licenses and permits	648,575	648,575	1,106,935	458,360
Charges for services	340,000	340,000	1,249,298	909,298
Fines and forfeitures	1,006,700	1,006,700	1,175,578	168,878
Grants	43,915	43,915	42,938	(977)
Gifts and contributions	-	-	300,845	300,845
Investment income	10,500	10,500	13,000	2,500
Miscellaneous	445,836	445,836	438,496	(7,340)
Total revenues	18,364,849	18,364,849	20,826,006	2,461,157
Expenditures				
Current				
General government				
Community image	403,214	403,214	387,049	16,165
General administration	515,943	515,943	804,798	(288,855)
City secretary	248,056	248,056	238,000	10,056
City council	33,079	33,079	29,289	3,790
Human resources	2,699,728	2,699,728	262,293	2,437,435
Finance	799,944	799,944	793,301	6,643
Information technology	633,935	633,935	489,272	144,663
Nondepartmental	2,322,094	2,322,094	585,732	1,736,362
Fleet services	568,734	568,734	563,518	5,216
Public safety				
Municipal court	356,742	356,742	362,361	(5,619)
Fire	5,151,376	5,151,376	5,289,496	(138,120)
Police	6,752,043	6,752,043	6,612,185	139,858
Public works				
Engineering	1,296,101	1,296,101	1,274,749	21,352
Facilities maintenance	403,214	403,214	415,817	(12,603)
Cultural and recreation				
Parks and recreation	-	-	1,875,799	(1,875,799)
Aquatic park	-	-	398,550	(398,550)
Library	976,598	976,598	939,408	37,190
Community center	-	-	156,760	(156,760)
Total expenditures	23,160,801	23,160,801	21,478,377	1,682,424
Excess (deficiency) of revenues over expenditures	(4,795,952)	(4,795,952)	(652,371)	4,143,581
Other Financing Sources and (Uses)				
Transfers from other funds	1,740,290	1,790,290	1,747,290	(43,000)
Transfers to other funds	(160,000)	(160,000)	(207,298)	(47,298)
Total other financing sources (uses)	1,580,290	1,630,290	1,539,992	(90,298)
Net Change In Fund Balance	(3,215,662)	(3,165,662)	887,621	4,053,283
Fund Balance, Beginning of Year	7,520,050	7,520,050	7,520,050	-
Fund Balance, End of Year	$ 4,304,388	$ 4,354,388	$ 8,407,671	$ 4,053,283

City of The Colony, Texas

Notes to Required Supplementary Information

For the Year Ended September 30, 2013

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

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City by the Lake

E. Combining and Individual Fund Statements

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.

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City by the Lake

City of The Colony, Texas

Debt Service Fund

Budgetary Comparison Schedule

For the Year Ended September 30, 2013

Exhibit B-1

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Ad valorem tax	$ 4,807,880	$ 4,807,880	$ 4,740,645	$ (67,235)
Gifts and contributions	-	-	879,143	879,143
Investment income	1,500	1,500	3,195	1,695
Grants	-	-	128,938	128,938
Miscellaneous	-	-	546	546
Total revenues	4,809,380	4,809,380	5,752,467	943,087
Expenditures				
Principal retirement	4,313,700	4,313,700	4,195,250	118,450
Interest and fiscal charges	1,803,761	1,803,761	1,550,643	253,118
Total expenditures	6,117,461	6,117,461	5,745,893	371,568
Excess (deficiency) of revenues over expenditures	(1,308,081)	(1,308,081)	6,574	1,314,655
Other Financing Sources				
Transfers from other funds	1,008,081	1,008,081	-	(1,008,081)
Transfers to component unit	-	-	(131,171)	(131,171)
Total other financing sources	1,008,081	1,008,081	(131,171)	(1,139,252)
Net Change In Fund Balance	(300,000)	(300,000)	(124,597)	175,403
Fund Balance, Beginning of Year	616,551	616,551	616,551	-
Fund Balance, End of Year	$ 316,551	$ 316,551	$ 491,954	$ 175,403

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	$ (124,597)
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	3,166,635
Bond issuance costs are recognized as an expenditure for GAAP reporting, but are not included in total expenditures in the budget basis	(46,635)
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	(3,120,000)
Actual amount (GAAP basis) Net Change in Fund Balance	$ (124,597)

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.

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.

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.

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.

THE COLONY

City by the Lake

City of The Colony, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2013

	Special Revenue				
	Lake Parks	Special Events	Hotel/Motel Taxes	Library Grants	Police Forfeited Funds
Assets					
Cash and cash equivalent	$ 380,745	$ 49,896	$ 72,938	$ 7,302	$ 19,093
Accounts receivable	-	-	24,098	4,999	-
Total assets	$ 380,745	$ 49,896	$ 97,036	$ 12,301	$ 19,093
Liabilities and Fund Balances					
Liability					
Accounts payable and accrued expenses	$ 3,399	$ 4,940	$ 9,921	$ 590	$ 245
Total liabilities	3,399	4,940	9,921	590	245
Fund Balance					
Restricted	-	-	87,115	11,711	18,848
Committed	377,346	44,956	-	-	-
Total fund balances	377,346	44,956	87,115	11,711	18,848
Total liabilities and fund balances	$ 380,745	$ 49,896	$ 97,036	$ 12,301	$ 19,093

Exhibit C–1

Federal Seized Funds	Child Safety Fund	Storm Water Utility	Court Security	Court Technology	Keep The Colony Beautiful	Citizens Donations	Total Nonmajor Governmental Funds
$ 13,110	$ (1,607)	$ 302,385	$ 334,444	$ 79,059	$ 20,161	$ 5,235	$ 1,282,761
-	45,110	-	-	-	-	-	74,207
$ 13,110	$ 43,503	$ 302,385	$ 334,444	$ 79,059	$ 20,161	$ 5,235	$ 1,356,968
$ -	$ -	$ -	$ -	$ 78	$ -	$ -	$ 19,173
-	-	-	-	78	-	-	19,173
13,110	43,503	302,385	334,444	78,981	20,161	5,235	915,493
-	-	-	-	-	-	-	422,302
13,110	43,503	302,385	334,444	78,981	20,161	5,235	1,337,795
$ 13,110	$ 43,503	$ 302,385	$ 334,444	$ 79,059	$ 20,161	$ 5,235	$ 1,356,968

City of The Colony, Texas

Combining Statements of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2013

	Special Revenue				
	Lake Parks	Special Events	Hotel/Motel Taxes	Library Grants	Police Forfieted Funds
Revenues					
License and permits	$ 213,645	$ -	$ -	$ -	$ -
Fines and forfeitures	-	-	-	-	-
Hotel/motel taxes	-	-	425,177	-	-
Gifts and contributions	62,450	1,650	-	-	-
Grants	-	-	-	18,801	-
Investment income	-	-	-	-	29
Miscellaneous	175	59,226	843	-	-
Total revenues	276,270	60,876	426,020	18,801	29
Expenditures					
Current					
Cultural and recreation	91,014	377,419	305,728	10,795	-
Public works	-	-	-	-	-
Public safety	-	-	-	-	10,195
Total expenditures	91,014	377,419	305,728	10,795	10,195
Excess (deficiency) of revenues over (under) expenditures	185,256	(316,543)	120,292	8,006	(10,166)
Other Financing Sources (Uses)					
Transfers from other funds	-	320,000	140,000	-	-
Transfers to other funds	(35,000)	-	(320,000)	-	-
Total other financing sources (uses)	(35,000)	320,000	(180,000)	-	-
Net Change in Fund Balances (Deficits)	150,256	3,457	(59,708)	8,006	(10,166)
Fund Balances (Deficits), Beginning of Year	227,090	41,499	146,823	3,705	29,014
Fund Balances, End of Year	$ 377,346	$ 44,956	$ 87,115	$ 11,711	$ 18,848

Exhibit C–2

Federal Seized Funds	Child Safety Fund	Storm Water Utility	Court Security	Court Technology	Keep The Colony Beautiful	Citizens Donations	Total Nonmajor Governmental Funds
$ -	$ -	$ 499,711	$ -	$ -	$ -	$ -	$ 713,356
28,200	-	-	28,314	37,752	-	-	94,266
-	-	-	-	-	-	-	425,177
-	-	-	-	-	-	878	64,978
-	59,380	-	-	-	-	-	78,181
18	-	-	-	-	-	-	47
-	-	-	-	-	2,363	-	62,607
28,218	59,380	499,711	28,314	37,752	2,363	878	1,438,612
-	-	-	-	-	-	-	784,956
-	-	-	-	-	2,202.00	-	2,202
18,622.00	31,915	-	39,874	29,487	-	-	130,093
18,622	31,915	-	39,874	29,487	2,202	-	917,251
9,596	27,465	499,711	(11,560)	8,265	161	878	521,361
-	-	-	-	-	$ 20,000	-	480,000
-	(20,000)	(458,800)	-	-	-	-	(833,800)
-	(20,000)	(458,800)	-	-	20,000	-	(353,800)
9,596	7,465	40,911	(11,560)	8,265	20,161	878	167,561
3,514	36,038	261,474	346,004	70,716	-	4,357	1,170,234
$ 13,110	$ 43,503	$ 302,385	$ 334,444	$ 78,981	$ 20,161	$ 5,235	$ 1,337,795

City of The Colony, Texas

Lake Parks Special Revenue Fund

Budgetary Comparison Schedule

For the Year Ended September 30, 2013

Exhibit C–3

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Fees and permits	$ 113,915	$ 113,915	$ 213,645	$ 99,730
Developer contributions	64,000	64,000	62,450	(1,550)
Investment income	-	-	-	-
Miscellaneous income	-	-	175	175
Total revenues	177,915	177,915	276,270	98,355
Expenditures				
Cultural and recreation	132,750	132,750	91,014	(41,736)
Total expenditures	132,750	132,750	91,014	(41,736)
Excess (deficiency) of revenues over expenditures	45,165	45,165	185,256	140,091
Other Financing Sources (Uses)				
Transfer to other funds	(35,000)	(35,000)	(35,000)	-
Total other financing sources (uses)	(35,000)	(35,000)	(35,000)	-
Net Change In Fund Balance	10,165	10,165	150,256	140,091
Fund Balance, Beginning of Year	227,090	227,090	227,090	-
Fund Balance, End of Year	$ 237,255	$ 237,255	$ 377,346	$ 140,091

City of The Colony, Texas

Special Events Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended September 30, 2013

Exhibit C–4

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Gifts and contributions	$ 8,000	$ 8,000	$ 1,650	$ (6,350)
Investment income	100	100	-	(100)
Miscellaneous	40,000	40,000	59,226	19,226
Total revenues	48,100	48,100	60,876	12,776
Expenditures				
Cultural and recreation	342,398	342,398	377,419	35,021
Total expenditures	342,398	342,398	377,419	35,021
Excess (deficiency) of revenues over expenditures	(294,298)	(294,298)	(316,543)	(22,245)
Other Financing Sources (Uses)				
Transfer from other funds	180,000	180,000	320,000	140,000
Transfer to other funds	-	-	-	-
Total other financing sources (uses)	180,000	180,000	320,000	140,000
Net Change In Fund Balance	(114,298)	(114,298)	3,457	117,755
Fund Balance, Beginning of Year	41,499	41,499	41,499	-
Fund Balance, End of Year	$ (72,799)	$ (72,799)	$ 44,956	$ 117,755

City of The Colony, Texas

Hotel/Motel Taxes Special Revenue Fund

Budgetary Comparison Schedule

For the Year Ended September 30, 2013

Exhibit C–5

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Hotel/motel taxes	$ 3,400,000	$ 340,000	$ 425,177	$ 85,177
Investment income	30	30	-	(30)
Miscellaneous	-	-	843	843
Total revenues	3,400,030	340,030	426,020	85,990
Expenditures				
Cultural and recreation	379,719	379,719	305,728	(73,991)
Total expenditures	379,719	379,719	305,728	(73,991)
Excess (deficiency) of revenues over expenditures	3,020,311	(39,689)	120,292	159,981
Other Financing Sources (Uses)				
Transfer from other funds	140,000	140,000	140,000	-
Transfer to other funds	(180,000)	(180,000)	(320,000)	(140,000)
Total other financing sources (uses)	(40,000)	(40,000)	(180,000)	(140,000)
Net Change In Fund Balance	2,980,311	(79,689)	(59,708)	19,981
Fund Balance, Beginning of Year	146,823	146,823	146,823	-
Fund Balance, End of Year	$ 3,127,134	$ 67,134	$ 87,115	$ 19,981

City of The Colony, Texas

Child Safety Special Revenue Fund

Budgetary Comparison Schedule

For the Year Ended September 30, 2013

Exhibit C–6

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Grants	$ 45,158	$ 45,158	$ 59,380	$ 14,222
Contributions	-	-	-	-
Total revenues	45,158	45,158	59,380	14,222
Expenditures				
Public safety	31,915	31,915	31,915	-
Total expenditures	31,915	31,915	31,915	-
Excess (deficiency) of revenues over expenditures	13,243	13,243	27,465	14,222
Other Financing Sources (Uses)				
Transfer to other funds	(20,000)	(20,000)	(20,000)	-
Total other financing sources (uses)	(20,000)	(20,000)	(20,000)	-
Net Change In Fund Balance	(6,757)	(6,757)	7,465	14,222
Fund Balance, Beginning of Year	36,038	36,038	36,038	-
Fund Balance, End of Year	$ 29,281	$ 29,281	$ 43,503	$ 14,222

City of The Colony, Texas

Storm Water Utility Special Revenue Fund

Budgetary Comparison Schedule

For the Year Ended September 30, 2013

Exhibit C–7

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Licenses and permits	$ -	$ -	$ 499,711	$ 499,711
Investment Income	-	-	-	-
Total revenues	-	-	499,711	499,711
Expenditures				
Public works	490,000	490,000	-	(490,000)
Total expenditures	490,000	490,000	-	(490,000)
Excess (deficiency) of revenues over expenditures	(490,000)	(490,000)	499,711	989,711
Other Financing Sources (Uses)				
Transfer to other funds	(458,800)	(458,800)	(458,800)	-
Total other financing sources (uses)	(458,800)	(458,800)	(458,800)	-
Net Change In Fund Balance	(948,800)	(948,800)	40,911	989,711
Fund Balance, Beginning of Year	261,474	261,474	261,474	-
Fund Balance, End of Year	$ (687,326)	$ (687,326)	$ 302,385	$ 989,711

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.

The Colony Local Development Corporation (TCLDC)

A legally separate entity from the City and was organized exclusively for the purpose of serving as the primary governing body for the funding of Tax Increment Reinvestment Zone Number One public infrastructure between the City of The Colony and NFM Services.

City of The Colony, Texas

Balance Sheet

Economic Development Corporation

September 30, 2013

Exhibit F–1

Assets

Current Assets	
Cash and cash equivalents	$ 6,260,219
Sales tax receivable	439,704
Restricted assets:	
Cash and cash equivalents	18,614,613
Sales tax receivable	14,573
Total assets	$ 25,329,109

Liabilities and Fund Balance

Current Liabilities	
Accounts payable	$ 324,691
Total liabilities	324,691
Fund Balance	
Restricted for:	
Debt Service	39,216
Construction	18,589,970
Unassigned	6,375,232
Total liabilities and fund balances	$ 25,329,109

City of The Colony, Texas

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position Economic Development Corporation September 30, 2013

Exhibit F–2

Total fund balance – governmental fund	$	25,004,418
Amounts reported for governmental activities in the statement of net position 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.		8,524,846
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.		(1,309,826)
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.		(30,020,227)
Net position of governmental activities	$	2,199,211

City of The Colony, Texas

Statement of Revenues, Expenditures and Changes in Fund Balances
Economic Development Corporation
For the Year Ended September 30, 2013

Exhibit F–3

Revenues	
Municipal sales tax	$ 2,031,773
Investment income	13,755
Miscellaneous	-
Total revenues	2,045,528
Expenditures	
Current	
Economic development	1,013,958
Capital Outlay	8,524,846
Debt Service	
Principal payments	131,171
Interest and fiscal charges	463,316
Total expenditures	10,133,291
Other Financing Sources (Uses)	
Transfers from other governments	131,171
Transfers to other governments	(627,546)
Proceeds from issuance of bonds	29,580,000
Bond discount	(2,011,387)
Total other financing sources (uses)	27,072,238
Net Change In Fund Balance	18,984,475
Fund Balance, Beginning of Year	6,019,943
Fund Balance, End of Year	$ 25,004,418

City of The Colony, Texas

Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Economic Development Corporation

For the Year Ended September 30, 2013

Exhibit F–4

Net change in fund balances – Economic Development Corporation	$ 18,984,475
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 amount of capital assets recorded in the current period.	8,524,846
Current year changes in accrued compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.	(11,139)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which proceeds of $29,580,000 were greater than principal payments of $131,171	(29,448,829)
Bond discounts and premiums are recognized as an other financing use or source in the funds, but are considered deferred items on the Statement of Net Position. Discounts are amortized over the life of the bonds. This is the full amount of bond discount of $2,011,387.	2,011,387
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in government funds.	(1,291,141)
Change in net position of governmental activities	$ (1,230,401)

City of The Colony, Texas

Balance Sheet

Community Development Corporation

September 30, 2013

Exhibit F–5

Assets

Current Assets		
Cash and cash equivalents	$	1,557,488
Sales tax receivable		439,704
Restricted assets:		
Cash and cash equivalents		18,614,614
Sales tax receivable		14,573
Total assets	$	20,626,379

Liabilities and Fund Balance

Current Liabilities		
Accounts payable	$	165,733
Total liabilities		165,733
Fund Balance		
Restricted for:		
Debt Service		39,216
Construction		18,589,971
Unassigned		1,831,459
Total liabilities and fund balance	$	20,626,379

City of The Colony, Texas

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

Community Development Corporation

September 30, 2013

Exhibit F–6

Total fund balances – governmental funds	$ 20,460,646
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets (net of accumulated depreciation) used in governmental current financial resources and therefore are not reported in the governmental funds balance sheet.	8,524,844
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.	(1,295,853)
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.	(27,568,613)
Net position of governmental activities	$ 121,024

City of The Colony, Texas

Statement of Revenues, Expenditures and Changes in Fund Balances Community Development Corporation For the Year Ended September 30, 2013

Exhibit F–7

Revenues	
Municipal sales tax	$ 2,031,773
Investment income	10,357
Total revenues	2,042,130
Expenditures	
Current	
Economic development	1,586,050
Capital outlay	8,524,844
Debt service	
Interest and fiscal charges	463,316
Total expenditures	10,574,210
Other Financing Sources (Uses)	
Proceeds from issuance of bonds	29,580,000
Bond discount	(2,011,387)
Total other financing sources (uses)	27,568,613
Net Change In Fund Balance	19,036,533
Fund Balance, Beginning of Year	1,424,113
Fund Balance, End of Year	$ 20,460,646

City of The Colony, Texas

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Community Development Corporation

For the Year Ended September 30, 2013

Exhibit F–8

Net change in fund balances – total governmental funds	$ 19,036,533
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 amount of capital assets recorded in the current period.	8,524,844
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount of bond proceeds of $29,580,000.	(29,580,000)
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in government funds.	(1,295,853)
Bond discounts are recognized as an other financing use in the governmental funds, but are considered deferred liabilities on the Statement of Net Position. Discounts are amortized over the life of the bonds. This is the full amount of bond discount of $2,011,387 as amortization has not begun.	2,011,387
Change in net position of governmental activities	$ (1,303,089)

City of The Colony, Texas

Balance Sheet

Local Development Corporation

September 30, 2013

Exhibit F–9

Assets

Current Assets	
Restricted cash and cash equivalents	65,315,685
Prepaid	3,856,438
Total assets	$ 69,172,123

Liabilities and Fund Balance

Current Liabilities	
Due to other governments	$ 647,461
Total liabilities	647,461
Fund Balance	
Nonspendable:	
Prepaid items	3,856,438
Restricted for:	
Construction	64,668,224
Total liabilities and fund balances	$ 69,172,123

City of The Colony, Texas

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

Local Development Corporation

September 30, 2013

Exhibit F–10

Total fund balance – governmental fund	$ 68,524,662
Amounts reported for governmental activities in the statement of net position 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.	59,999,947
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.	(4,556,584)
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.	(142,194,351)
Net position of governmental activities	$ (18,226,326)

City of The Colony, Texas

Statement of Revenues, Expenditures and Change in Fund Balances

Local Development Corporation

For the Year Ended September 30, 2013

Exhibit F–11

Revenues	
Municipal sales tax	$ 52,200
Investment income	27,682
Total revenues	79,882
Expenditures	
Current	
General government	2,185,715
Economic development	11,561,788
Capital outlay	59,999,947
Total expenditures	73,747,450
Other Financing Sources (Uses)	
Proceeds from issuance of bonds	142,240,000
Bond discount	(47,770)
Total other financing sources (uses)	142,192,230
Net Change In Fund Balance	68,524,662
Fund Balance, Beginning of Year	-
Fund Balance, End of Year	$ 68,524,662

City of The Colony, Texas

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Local Development Corporation

For the Year Ended September 30, 2013

Exhibit F–12

Net change in fund balances – Local Development Corporation	$ 68,524,662
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 amount of capital assets recorded in the current period.	59,999,947
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which proceeds of $29,580,000 were greater than principal payments of $131,171	(142,240,000)
Bond discounts and premiums are recognized as an other financing use or source in the funds, but are considered deferred items on the Statement of Net Position. Discounts are amortized over the life of the bonds. This is the full amount of bond discount of $47,770 less current year amortization of $2,121.	45,649
Accrued interest payable does not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.	(4,556,584)
Change in net position of governmental activities	$ (18,226,326)

THE COLONY

City by the Lake

II. 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 are derived from the comprehensive annual financial reports for the relevant year.

THE COLONY

City by the Lake

City of The Colony, Texas

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Governmental Activities					
Net investment in capital assets	$ 102,508,890	$ 99,960,918	$ 99,646,935	$ 110,759,032	$ 114,835,815
Restricted for:					
Debt service	473,413	520,709	649,790	275,435	969,106
Governmental funded construction costs	-	-	-	-	-
Unrestricted	2,281,000	6,083,150	11,005,057	9,769,205	11,545,288
Total governmental activities net position	$ 105,263,303	$ 106,564,777	$ 111,301,782	$ 120,803,672	$ 127,350,209
Business-type Activities					
Net investment in capital assets	$ 22,972,804	$ 25,114,313	$ 26,584,212	$ 28,799,583	$ 31,288,426
Restricted for:					
Debt service	561,993	1,982,120	2,146,469	1,987,616	1,927,384
Unrestricted	(377,480)	(1,683,654)	2,825,843	4,802,190	5,188,745
Total business-type activities net position	$ 23,157,317	$ 25,412,779	$ 31,556,524	$ 35,589,389	$ 38,404,555
Primary Government					
Net investment in capital assets	$ 125,481,694	$ 125,075,231	$ 126,231,147	$ 139,558,615	$ 146,124,241
Restricted for:					
Debt service	1,035,406	2,502,829	2,796,259	2,263,051	2,896,490
Governmental funded construction costs	-	-	-	-	-
Unrestricted	1,903,520	4,399,496	13,830,900	14,571,395	16,734,033
Total primary government net position	$ 128,420,620	$ 131,977,556	$ 142,858,306	$ 156,393,061	$ 165,754,764

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–1

Fiscal Year				
2009	2010	2011	2012	2013
$ 120,522,026	$ 120,889,617	$ 120,171,449	$ 124,203,756	$ 138,322,067
1,378,540	1,417,890	1,328,743	616,551	491,954
-	21,587,370	15,162,606	18,841,254	36,282,548
6,788,851	7,104,234	12,898,833	18,856,491	8,744,343
$ 128,689,417	$ 150,999,111	$ 149,561,631	$ 162,518,052	$ 183,840,912
$ 34,221,183	$ 34,339,436	$ 32,790,670	$ 34,435,853	$ 35,059,168
2,008,372	2,125,650	2,035,533	1,630,663	1,630,805
4,527,153	5,272,751	7,431,021	6,214,403	4,962,507
$ 40,756,708	$ 41,737,837	$ 42,257,224	$ 42,280,919	$ 41,652,480
$ 154,779,309	$ 155,229,053	$ 152,962,119	$ 158,639,609	$ 173,381,235
3,386,912	3,543,540	3,364,276	2,247,214	2,122,759
-	21,587,370	16,022,608	18,841,254	36,282,548
11,333,724	12,376,985	19,469,850	25,070,894	13,706,850
$ 169,499,945	$ 192,736,948	$ 191,818,853	$ 204,798,971	$ 225,493,392

City of The Colony, Texas

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Expenses					
Governmental activities					
General government	$ 3,499,937	$ 3,702,048	$ 4,076,007	$ 5,174,718	$ 5,457,879
Public safety	7,252,955	7,905,278	8,718,968	9,615,093	10,724,686
Public works	6,877,350	6,226,189	6,800,501	7,138,705	6,787,684
Culture and recreation	3,693,945	3,299,725	3,491,239	3,869,375	3,828,479
Interest on long-term debt	1,943,163	2,135,725	2,036,915	2,113,208	1,797,601
Total governmental activities expenses	23,267,350	23,268,965	25,123,630	27,911,099	28,596,329
Business-type activities					
Water and sewer	7,760,067	8,595,082	9,894,712	10,210,302	12,121,212
Total business-type activities expenses	7,760,067	8,595,082	9,894,712	10,210,302	12,121,212
Total governmental expenses	$ 31,027,417	$ 31,864,047	$ 35,018,342	$ 38,121,401	$ 40,717,541
Program Revenues					
Governmental activities					
Charges for services					
General government	$ 166,222	$ 272,468	$ 969,908	$ 1,210,127	$ 1,864,500
Public safety	947,552	1,194,993	1,527,570	1,626,470	1,678,345
Public works	491,916	1,723,199	523,801	509,999	609,161
Culture and recreation	929,866	650,576	668,477	571,053	636,726
Operating grants and contributions	990,405	1,504,198	5,322,230	3,426,207	2,866,700
Capital grants and contributions	663,962	2,036,404	1,764,383	8,226,536	6,706,427
Total governmental activities program revenues	4,189,923	7,381,838	10,776,369	15,570,392	14,361,859
Business-type activities					
Charges for services					
Water and sewer	8,643,667	10,058,890	12,772,249	11,340,679	12,989,227
Operating grants and contributions	-	-	-	170,058	170,058
Capital grants and contributions	227,824	1,043,371	2,542,627	3,404,723	1,018,773
Total business-type activities program revenues	8,871,491	11,102,261	15,314,876	14,915,460	14,178,058
Total governmental program revenues	$ 13,061,414	$ 18,484,099	$ 26,091,245	$ 30,485,852	$ 28,539,917
Net (Expenses) Revenues					
Governmental activities	$ (19,077,427)	$ (15,887,127)	$ (14,347,261)	$ (12,340,707)	$ (14,234,470)
Business-type activities	1,111,424	2,507,179	5,420,164	4,705,158	2,056,846
Total net (expenses) and program revenues	$ (17,966,003)	$ (13,379,948)	$ (8,927,097)	$ (7,635,549)	$ (12,177,624)

Table–2

Fiscal Year				
2009	2010	2011	2012	2013
$ 6,047,649	$ 5,348,676	$ 5,358,521	$ 5,088,732	$ 5,376,865
11,931,119	12,007,197	14,315,846	13,033,809	13,176,478
6,460,351	7,259,566	6,103,481	6,540,099	5,901,952
4,166,790	4,328,613	4,220,462	4,383,077	4,603,345
2,294,631	2,148,148	2,803,970	2,262,515	1,718,298
30,900,540	31,092,200	32,802,280	31,308,232	30,776,938
12,267,934	12,675,692	12,966,102	13,262,154	14,009,946
12,267,934	12,675,692	12,966,102	13,262,154	14,009,946
$ 43,168,474	$ 43,767,892	$ 45,768,382	$ 44,570,386	$ 44,786,884
$ 1,458,466	$ 2,339,378	$ 2,394,953	$ 1,382,069	$ 1,820,291
1,556,809	1,376,055	1,756,273	1,467,787	1,269,844
648,546	3,035	-	-	-
628,334	636,493	681,708	691,786	1,249,298
1,760,789	2,113,635	1,532,482	14,574,876	21,519,655
3,947,382	24,282,758	1,939,338	2,766,960	3,399,255
10,000,326	30,751,354	8,304,754	20,883,478	29,258,343
13,219,584	13,615,694	14,502,097	13,646,312	14,185,896
-	307,870	-	-	-
2,190,944	1,794,035	731,229	676,404	731,584
15,410,528	15,717,599	15,233,326	14,322,716	14,917,480
$ 25,410,854	$ 46,468,953	$ 23,538,080	$ 35,206,194	$ 44,175,823
$ (20,900,214)	$ (340,846)	$ (24,497,526)	$ (10,424,754)	$ (1,518,595)
3,142,594	3,041,907	2,267,224	1,060,562	907,534
$ (17,757,620)	$ 2,701,061	$ (22,230,302)	$ (9,364,192)	$ (611,061)

City of The Colony, Texas

Changes in Net Position (Continued)

Accrual Basis of Accounting

Last Ten Fiscal Years (Unaudited)

	Fiscal Year				
	2004	2005	2006	2007	2008
General Revenues and Other Changes in Net Position					
Governmental activities					
Taxes					
Property taxes	$ 11,149,306	$ 11,577,048	$ 11,887,846	$ 12,774,611	$ 14,305,445
Sales taxes	2,181,326	2,399,776	2,731,402	2,880,852	3,055,468
Franchise taxes	1,709,017	1,073,519	1,914,347	1,939,565	1,807,584
Hotel/motel taxes	105,833	126,585	140,229	141,496	125,573
Penalties and interest	114,531	122,542	110,336	121,549	126,492
Interest on investments	208,210	463,229	806,666	843,217	725,623
Impact fees	165,047	66,870	112,149	435,092	272,529
Miscellaneous	11,375	1,781,034	-	249,534	80,136
Transfers	1,186,237	(1,052,707)	1,381,091	2,456,591	282,247
Total governmental activities	16,830,882	16,557,896	19,084,066	21,842,507	20,781,097
Business-type activities					
Property taxes	1,267,823	886,779	929,179	764,062	23,758
Interest on investments	105,012	623,604	1,040,660	864,807	552,763
Impact fees	-	-	-	433,122	444,770
Miscellaneous	76,517	18,824	134,833	18,405	19,276
Gain/loss on sale/disposal of capital assets	-	-	-	(296,098)	-
Transfers	(1,186,237)	(1,781,064)	(1,381,091)	(2,456,591)	(282,247)
Total business-type activities	263,115	(251,857)	723,581	(672,293)	758,320
Total primary government	17,093,997	16,306,039	19,807,647	21,170,214	21,539,417
Change in Net Position					
Governmental activities	(2,246,545)	1,301,474	4,737,005	9,501,800	6,546,627
Business-type activities	1,391,755	2,255,462	6,143,745	4,032,865	2,815,166
Total primary government	$ (854,790)	$ 3,556,936	$ 10,880,750	$ 13,534,665	$ 9,361,793

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 No. 34 was implemented.

Table–2 (Continued)

Fiscal Year				
2009	2010	2011	2012	2013
$ 14,718,171	$ 14,733,978	$ 14,643,407	$ 14,797,974	$ 15,162,321
3,096,768	3,118,514	3,435,175	3,655,111	4,098,458
2,049,184	2,024,933	2,199,253	3,104,073	2,707,110
129,444	282,798	371,056	370,798	425,177
124,297	154,803	102,593	155,272	98,147
294,167	39,924	76,193	50,088	43,567
(360,501)	-	-	-	-
407,769	-	-	-	-
1,857,605	2,295,590	2,232,369	1,247,859	1,282,318
22,316,904	22,650,540	23,060,046	23,381,175	23,817,098
9,170	12,660	-	-	-
199,739	29,222	21,000	16,263	8,093
835,678	139,110	-	-	-
22,577	-	463,532	194,729	418,890
-	-	-	-	-
(1,857,605)	(2,295,590)	(2,232,369)	(1,247,859)	(1,282,318)
(790,441)	(2,114,598)	(1,747,837)	(1,036,867)	(855,335)
21,526,463	20,535,942	21,312,209	22,344,308	22,961,763
1,416,690	22,309,694	(1,437,480)	12,956,421	22,298,503
2,352,153	927,309	519,387	23,695	52,199
$ 3,768,843	$ 23,237,003	$ (918,093)	$ 12,980,116	$ 22,350,702

City of The Colony, Texas

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

	Fiscal Year			
	2004	2005	2006	2007
General Fund				
Reserved for:				
Encumbrances	$ 196,487	$ 89,550	$ 276,747	$ 151,818
Police confiscated funds	-	-	-	-
Unreserved – designated for Hidden Cove Park	-	404,000	404,000	392,000
Unreserved and undesignated	3,754,590	3,887,622	4,941,023	5,478,517
Total general fund	$ 3,951,077	$ 4,381,172	$ 5,621,770	$ 6,022,335
All Other Governmental Funds				
Restricted	$ -	$ -	$ -	$ -
Committed	-	-	-	-
Reserved for:				
Encumbrances	1,587,906	285	7,711	9,814
Capital projects	7,767,669	7,804,681	8,980,710	12,187,996
Debt service	749,504	840,387	1,017,383	965,997
Court security and technology	36,196	202,128	246,230	302,728
Unreserved and undesignated – special revenue funds	74,439	387,933	350,548	452,916
Total all other governmental funds	$ 10,215,714	$ 9,235,414	$ 10,602,582	$ 13,919,451

Source: Comprehensive Annual Financial Report

Table–3

Fiscal Year						
2008	2009	2010		2011*	2012	2013
$ 303,401	$ 128,959	$ 152,211	Nonspendable	$ -	$ 112,876	$ 99,785
-	-	-	Unassigned	7,904,478	7,407,174	8,307,886
140,000	165,000	156,000		-	-	-
6,252,576	6,445,698	6,771,098		-	-	-
$ 6,695,977	$ 6,739,657	$ 7,079,309		$ 7,904,478	$ 7,520,050	$ 8,407,671
$ -	$ -	$ -	Restricted for capital projects	$ 19,856,420	$ 30,118,151	$ 38,356,081
-	-	-	Restricted for debt service	1,328,743	616,551	491,954
			Restricted for other	873,735	901,645	915,493
141,193	97,326	83,971	Committed	480,430	268,589	422,302
7,437,260	2,832,183	32,766,218	Unassigned	(152,544)	-	-
1,123,924	1,301,247	1,592,932		-	-	-
352,660	288,755	328,436		-	-	-
740,965	393,979	584,000		-	-	-
$ 9,796,002	$ 4,913,490	$ 35,355,557		$ 22,386,784	$ 31,904,936	$ 40,185,830

* GASB Statement No. 54 was implemented in fiscal year 2011

City of The Colony, Texas

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Revenues					
Ad valorem taxes, penalties and interest	$ 11,219,342	$ 11,788,963	$ 11,992,032	$ 12,774,562	$ 14,366,969
Franchise taxes	1,733,689	1,716,536	2,301,330	1,939,565	1,807,584
Municipal sales tax	2,181,326	2,399,776	2,731,402	2,880,852	3,055,468
Licenses and permits	635,904	871,934	1,058,664	1,231,961	2,093,887
Charges for services	683,003	810,809	1,030,023	1,011,419	1,031,277
Fines and forfeitures	776,136	980,348	1,205,994	1,238,791	1,205,663
Grants	38,648	154,924	219,140	254,565	284,543
Gifts and contributions	1,185,159	1,240,354	1,837,848	1,360,241	2,177,447
Hotel/motel taxes	105,833	126,585	140,229	141,496	125,573
Recreation fees	189,394	45,265	10,696	7,840	-
Capital recovery fees	55,402	937,818	3,265,837	2,293,141	4,384,262
Interest earned	208,169	463,203	806,773	842,023	722,799
Miscellaneous	413,412	447,168	1,096,398	628,015	568,042
Total revenues	19,425,417	21,983,683	27,696,366	26,604,471	31,823,514
Expenditures					
Current					
General government	3,228,803	3,498,193	3,899,887	4,764,536	5,199,183
Public safety	6,898,576	7,700,142	8,321,276	9,175,863	10,190,968
Public works	3,754,400	4,114,276	3,169,204	3,428,083	2,890,446
Cultural and recreation	3,410,582	3,023,170	3,129,334	3,627,643	3,658,082
Capital outlay	10,153,386	1,726,414	4,469,999	7,105,135	10,199,487
Debt Service					
Principal retirement	1,950,819	1,984,709	2,073,677	2,457,656	2,981,100
Interest and fiscal charges	1,991,510	2,081,111	1,948,296	2,185,797	2,251,494
Cost of issuance of bonds	-	-	230,976	-	-
Contractual obligations	262,000	262,000	-	-	-
Total expenditures	$ 31,650,076	$ 24,390,015	$ 27,242,649	$ 32,744,713	$ 37,370,760
Excess (deficiency) of revenues over (under) expenditures	$ (12,224,659)	$ (2,406,332)	$ 453,717	$ (6,140,242)	$ (5,547,246)

Table–4

Fiscal Year				
2009	2010	2011	2012	2013
$ 14,907,953	$ 14,835,935	$ 14,979,835	$ 15,002,544	$ 14,935,642
2,049,184	2,024,933	2,199,253	2,266,213	2,205,461
3,096,768	3,118,514	3,435,175	3,655,111	4,098,458
1,605,611	1,137,189	1,350,128	1,382,069	1,820,291
1,073,813	1,105,877	1,172,459	998,347	1,249,298
1,051,424	1,055,261	1,348,594	1,161,226	1,269,844
319,275	350,595	166,116	232,186	465,057
1,661,870	1,763,040	1,713,597	1,899,880	2,175,919
129,444	282,798	371,056	370,798	425,177
-	-	-		
2,984,691	23,444,825	1,477,503	14,574,876	21,519,655
293,179	39,690	76,193	50,088	43,567
883,425	1,056,634	1,046,066	837,860	501,649
30,056,637	50,215,291	29,335,975	42,431,198	50,710,018
5,372,394	5,259,315	5,242,015	4,068,715	4,133,449
11,189,360	13,970,748	17,507,678	12,277,603	12,374,865
4,426,316	5,100,959	9,870,654	7,156,968	2,001,302
3,876,561	4,367,343	4,746,425	4,561,579	4,155,473
6,632,542	734,486	383,637	109,838	16,283,998
3,106,100	3,301,150	3,415,254	4,434,919	4,195,250
2,121,938	1,944,886	2,555,585	2,245,051	1,550,643
-	380,436	111,541	140,574	117,838
-	-	-	-	-
$ 36,725,211	$ 35,059,323	$ 43,832,789	$ 34,995,247	$ 44,812,818
$ (6,668,574)	$ 15,155,968	$ (14,496,814)	$ 7,435,951	$ 5,897,200

City of The Colony, Texas

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Other Financing Sources (Uses)					
Issuance of debt	$ 5,400,000	$ -	$ 10,081,585	$ 7,145,000	$ 8,115,000
Issuance of refunding debt	-	-	-	-	-
Payment of escrow for refunding debt	-	-	(9,280,273)	-	(6,357,600)
Premium on issuance of debt	1,350	-	-	256,085	57,792
Proceeds from sale of capital assets	-	69,889	11,646	-	-
Transfers from other funds	1,740,459	2,773,687	2,762,965	4,750,300	4,126,170
Transfers from component units	-	-	-	-	-
Transfers to other funds	(554,222)	(987,449)	(1,421,874)	(2,293,709)	(3,843,923)
Total other financing sources (uses)	6,587,587	1,856,127	2,154,049	9,857,676	2,097,439
Net Change in Fund Balances	$ (5,637,072)	$ (550,205)	$ 2,607,766	$ 3,717,434	$ (3,449,807)
Debt service as a percentage of noncapital expenditures	19.6%	19.1%	18.7%	18.1%	19.3%

Source: Comprehensive Annual Financial Report

Table–4 (Continued)

Fiscal Year				
2009	2010	2011	2012	2013
$ -	$ 12,725,000	$ -	$ -	$ 2,073,533
-	4,750,000	5,728,800	6,056,900	2,795,693
-	(5,039,202)	(5,971,643)	(6,076,552)	(3,120,000)
-	894,364	363,684	160,226	370,942
-	-	-	-	-
3,918,514	3,918,968	4,317,840	7,190,015	2,774,588
-	-	-	-	(131,171)
(2,088,915)	(1,623,379)	(2,085,471)	(5,632,816)	(1,492,270)
1,829,599	15,625,751	2,353,210	1,697,773	3,271,315
$ (4,838,975)	$ 30,781,719	$ (12,143,604)	$ 9,133,724	$ 9,168,515
17.4%	16.4%	14.0%	19.6%	17.3%

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
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
2013	1,570,595,410	725,097,869	119,916,725	235,621,588

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
1,670,568,908	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%
2,179,988,416	0.68000	2,179,988,416	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
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
2013	0.460260	0.219740	0.68000	1.4530	0.282867

Source: Lewisville ISD and Denton County.

City of The Colony, Texas

Principal Tax Payers

Current Year and Ten Years Ago (Unaudited)

Table–7

	2013			2004		
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	2.11%			
Residences of Austin Ranch #4 LTD	40,250,000	2	1.85%			
Residences of Austin Ranch #2	36,900,000	3	1.69%			
Residences of Austin Ranch #1	38,127,778	4	1.75%			0.00%
Residences of Austin Ranch 1-4 LTD	32,417,927	5	1.49%			
Estancia at Morningstar II LP	23,000,000	6	1.06%			
Sonoma Grande at the Legends LP	22,539,804	7	1.03%			
Oly-Ida Bristol Oaks LP	17,837,000	8	0.82%			
Residences of Austin Ranch No 6 LTD	15,499,100	9	0.71%			
Wal-Mart Real Est Bus Tr	15,100,000	10	0.69%	18,601,481	2	1.11%
The Residence of Austin Ranch #1	-		0.00%	78,297,877	1	4.69%
Centex Multi-Family Co.	-		0.00%	14,416,622	3	0.86%
Pizza Inn, Inc.	-		0.00%	12,214,880	4	0.73%
Wal-Mart Stores East, Inc.	-		0.00%	4,849,183 [b]	5	0.29%
Home Depot USA, Inc.	-		0.00%	8,719,450	6	0.52%
Estancia at Morningstar II LP	-		0.00%	4,010,015	7	0.24%
Oncor Electric Delivery	-		0.00%	6,461,195	8	0.39%
Albertson's	-		0.00%	5,077,613	9	0.30%
Southwestern Bell Telephone Co.	-		0.00%	5,012,030	10	0.30%
	$ 287,591,713		13.19%	$ 157,660,346		9.44%

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.

[b] The actual market value for Pizza Inn, Inc. is $10,050,248. 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
2004	12,313,015	12,143,546	98.62%	164,524	12,308,070	99.96%
2005	12,443,540	12,313,623	98.96%	128,020	12,441,643	99.98%
2006	12,794,771	12,621,521	98.65%	170,529	12,792,050	99.98%
2007	13,390,390	13,270,624	99.11%	112,339	13,382,963	99.94%
2008	13,953,264	13,664,674	97.93%	275,848	13,940,522	99.91%
2009	14,429,083	14,198,198	98.40%	216,550	14,414,748	99.90%
2010	14,712,417	14,381,516	97.75%	310,598	14,692,114	99.86%
2011	14,357,020	14,170,540	98.70%	155,445	14,325,985	99.78%
2012	14,725,447	14,671,313	99.63%	-	14,671,313	99.63%
2013	14,831,883	14,770,162	99.58%	-	14,770,162	99.58%

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
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	-
2013	23,778,250	21,256,051	-

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]
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
990,000	38,840,699	84,865,000	5.17%	1,835

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]
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
2013	$ 23,778,250	$ 21,256,051	$ 45,034,301	2.07%	974

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)

	2004	2005	2006	2007	2008
Tax Rate Limit	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50
Current Tax Rate	0.720	0.720	0.720	0.715	0.698
Available Tax Rate	$ 1.78	$ 1.78	$ 1.78	$ 1.79	$ 1.80

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

2009	2010	2011	2012	2013
$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50
0.690	0.688	0.686	0.6830	0.6800
$ 1.81	$ 1.81	$ 1.81	$ 1.82	$ 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.	$ 1,256,272,880	12.23%	$ 153,642,173
Little Elm I.S.D.	137,154,377	5.33%	7,310,328
Denton County	596,245,000	1.70%	10,136,165
	1,989,672,257		171,088,667
City of The Colony (Direct Debt)	45,034,301	100.00%	45,034,301
Total Direct and Overlapping Debt	$ 2,034,706,558		$ 216,122,968

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
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	4,265,022	1.23
2013	14,800,804	9,425,182	5,375,622	4,588,214	1.17

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]
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%
2013	46,248	1,639,954,080	35,460	30	62,738	6,688	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

	2013			2009		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**
Lewisville I.S.D.	722	1	3.32%	690	1	N/A
Wal-Mart	357	2	1.64%	387	2	N/A
City of The Colony	325	3	1.49%	353	3	N/A
Hawaiian Falls Water Park	250	4	1.15%	200	4	N/A
Top Golf	150	5	0.69%	-	-	N/A
Home Depot	112	6	0.51%	110	5	N/A
Edward Don & Company	105	7	0.48%	105	6	N/A
Williams-Sonoma	100	8	0.46%	-	-	N/A
Austin Ranch	93	9	0.43%	82	7	N/A
Texas Roadhouse	90	10	0.41%	46	10	N/A
Kroger	-	-	-	70	8	N/A
The Tribute	-	-	-	60	9	N/A
	2,304		10.59%	2,103		

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	2004[a]	2005[a]	2006[a]	2007[a]	2008[a]
General government	25	25	24	31	30
Public safety	97	106	112	120	133
Public works	37	46	37	40	40
Culture and recreation	39	37	31	33	34
Water/wastewater/Utilites	49	51	50	49	52
Total	247	265	254	273	289

Sources: City of The Colony Budget Document

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

Table–16

2009[a]	2010	2011	2012	2013
30	29	33	43	43
133	138	140	140	140
48	48	47	37	37
34	70	38	38	38
44	42	28	28	28
289	327	286	286	286

City of The Colony, Texas

Operating Indicators By Function/Program

Last Ten Fiscal Years (Unaudited)

Function/Program	2004	2005	2006	2007
Police				
Number of police officers	46	46	46	53
Number of violations (citations)	6,702	10,646	10,646	13,451
Municipal Court				
Number of traffic cases	9,331	12,035	12,546	13,126
Number of city ordinance cases	502	773	1,046	693
Fire				
Number of firefighters	32	39	39	39
Number of emergency fire responses	419	431	512	410
Number of medical emergencies	1,368	1,392	1,466	1,581
Development Services				
Total number of building permits[a]	23	40	71	126
Estimated valuation[a]	$ 12,292,810	$ 10,583,729	$ 84,677,147	$ 44,399,931
Parks and Recreation				
Number of acres	983	983	983	983
Number of recreation center participants	94,000	67,679	67,679	73,031
Library				
Volumes in collection[b]	93,331	95,205	96,079	97,727
Number of library cardholders	17,608		18,576	19,088
Water and Wastewater				
Number of water accounts	11,087	11,154	11,162	11,317
Average daily water consumption (millions of gallons)	4.10	4.29	4.80	3.75
Average daily effluent (millions of gallons)	2.19	2.23	2.11	2.35

Sources: City Departments

Notes: [a] Includes residential and commercial permits.
[b] Includes books and media.

Table–17

2008	2009	2010	2011	2012	2013
53	53	53	53	53	53
11,129	10,521	10,386	13,935	11,619	11,619
11,927	10,743	9,480	13,460	11,532	11,532
626	480	520	492	467	467
47	49	49	52	50	50
418	487	581	735	568	568
1,548	1,657	1,831	1,926	1,774	1,774
2,093	2,191	206	2,042	2,508	2,508
$ 144,948,333	$ 97,973,276	$ 43,743,748	$ 80,964,772	$ 59,077,321	$ 59,077,321
983	983	983	983	983	983
73,031	34,633	33,589	39,166	43,083	43,083
91,468	86,994	81,659	85,129	89,385	89,385
19,186	19,450	16,960	19,479	20,453	20,453
11,467	11,686	11,723	11,661	11,881	11,881
4.30	3.84	3.86	4.50	4.57	4.57
2.34	3.84	2.28	2.16	2.34	2.34

City of The Colony

Capital Asset Statistics By Function/Program

Last Ten Fiscal Years (Unaudited)

Function/Program	Fiscal Year 2004	2005	2006	2007
Public Safety				
Fire stations	2	2	2	2
Police stations	1	1	1	1
Culture and Recreation				
Parks and Recreation				
Number of parks	22	27	27	27
Number of baseball diamonds	13	11	11	11
Number of soccer/football fields	16	16	16	16
Public swimming pools	2	2	2	2
Community centers			1	1
Library	1	1	1	1
Water and Wastewater				
Water mains (miles)	163	165	173	175
Sanitary sewer mains (miles)	192	193	200	202
Fire hydrants	1,154	1,179	1,273	1,305

Sources: City Departments

Table–18

Fiscal Year					
2008	**2009**	**2010**	**2011**	**2012**	**2013**
2	3	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
177	177	179	193	197	197
203	203	206	206	207	207
1,333	1,339	1,367	1,391	1,420	1,420

THE COLONY

City by the Lake

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