A photograph of a dense forest with many trees and a path leading through them. The trees are tall and thin, with green leaves. The path is a light-colored dirt or gravel path that curves through the trees. The overall scene is a lush, green forest.

Frisco Commons Trail

CITY OF FRISCO, TEXAS
COMPREHENSIVE
ANNUAL
FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2012



PROGRESS IN MOTION

CITY OF FRISCO, TEXAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Prepared by:

Financial Services Department

Assistant City Manager - Nell Lange
Director - Anita Cothran, CGFO
Assistant Director - Danny Collier, CPA
Assistant Director - Jennifer Hundt, CPA

Tanya Anderson
Bee Youngblood
Kim Sinclair
Debra Padilla
Angela Short
BJ Long
Catherine Meleky
Mary Ann Valentine



PROGRESS IN MOTION

**Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2012**

TABLE OF CONTENTS

Page
Number

INTRODUCTORY SECTION

Letter of Transmittal	1
GFOA - Certificate of Achievement	9
Organizational Chart	10
Elected Officials and Administrative Officers	11

FINANCIAL SECTION

Report of Independent Auditors	13
--------------------------------	----

Management's Discussion and Analysis	17
---------------------------------------------	----

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Assets	31
Statement of Activities	32

Fund Financial Statements:

Governmental Fund Financial Statements:

Balance Sheet - Governmental Funds	35
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets	36
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	37
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	38
General Fund Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	39
Adjustments to Revenues, Expenditures and Other Financing Sources and Uses from GAAP Basis to Budgetary Basis	39
TIRZ #1 Fund Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	40

Proprietary Fund Financial Statements:

Statement of Net Assets - Proprietary Funds	42
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	45
Statement of Cash Flows - Proprietary Funds	46

TABLE OF CONTENTS (continued)

Page
Number

FINANCIAL SECTION (continued)

Component Units Fund Financial Statements:

Combining Statement of Net Assets - Component Units	49
Combining Statement of Activities - Component Units	50

Notes to the Basic Financial Statements	53
------------------------------------------------	----

Required Supplementary Information:

Schedule of Funding Progress - Texas Municipal Retirement System	86
------------------------------------------------------------------	----

Combining and Individual Fund Statements and Schedules:

Budget to Actual Comparisons - Major Funds

Capital Projects Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	92
Adjustments to Revenues, Expenditures and Other Financing Sources and Uses from GAAP Basis to Budgetary Basis	92
Debt Service Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	93

Non-major Governmental Funds

Combining Balance Sheet	96
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	98

Budget to Actual Comparisons - Non-major Governmental Funds

Hotel/Motel Tax Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	100
Panther Creek PID Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	101
Superdrome Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	102
Grants Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	103
CDBG Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	104
Traffic Safety Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	105
Frisco Square MMD Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	106

TABLE OF CONTENTS (continued)

Page
Number

FINANCIAL SECTION (continued)

Court Fees Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	107
PEG Cable Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	108
Capital Reserve Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	109
Impact Fees Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	110

Non-major Proprietary Fund Financial Statements:

Statement of Net Assets - Proprietary Funds	112
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	115
Statement of Cash Flows - Proprietary Funds	116

Component Units Financial Statements:

Balance Sheet	120
Statement of Revenues, Expenditures, and Changes in Fund Balances	121
Reconciliation of the Balance Sheet of Component Units to the Statement of Net Assets	122
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Component Units to the Statement of Activities	122

STATISTICAL SECTION (Unaudited)

Net Assets by Component	124
Changes in Net Assets	126
Governmental Activities Tax Revenues By Source	129
Fund Balances of Governmental Funds	130
Changes in Fund Balances of Governmental Funds	132
General Governmental Tax Revenues By Source	132
Property Values	134
Property Tax Rates - Direct and Overlapping Governments	136
Principal Taxpayers - Current Year and Nine Years Ago	139
Property Tax Levies and Collections	140
Ratio of Outstanding Debt by Type	142
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita	144
Computation of Direct and Overlapping Bonded Debt	146
Computation of Legal Debt Margin	147
Demographic and Economic Statistics	148
Principal Employers	149
Full-time City Government Employees by Function/Program	150
Operating Indicators by Function	151
Capital Asset Statistics by Function	152



PROGRESS IN MOTION

Introductory Section

Harold Bacchus Community Park





PROGRESS IN MOTION



February 26, 2013

Honorable Mayor, Members of the City Council, City Manager,
and Citizens
City of Frisco
Frisco, Texas

The Financial Services Department is pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Frisco, Texas (the City), for the year ended September 30, 2012, in accordance with Section 7.18 of the City Charter.

This report is published to provide the City Council, our citizens, our bondholders, staff and other interested parties with detailed information concerning the financial condition and activities of the City government. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. 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.

Crowe Horwath LLP, Certified Public Accountants, has issued an unqualified ("clean") opinion on the City of Frisco's financial statements for the year ended September 30, 2012. The report of independent auditors is located at the beginning of the financial section of this report.

This letter of transmittal is designed to compliment Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements.

City of Frisco Profile

The City of Frisco, incorporated in 1908, is located in west central Collin County and east central Denton County, approximately 25 miles north of downtown Dallas at the intersection of Dallas North Tollway (DNT) and State Highway 121, now known as Sam Rayburn Tollway (SRT). US Highway 380 is the northern border for the City. Frisco is readily accessible via SRT from the Dallas Fort Worth International Airport or via the DNT from Love Field Airport in Dallas. The City currently encompasses (incorporated and unincorporated) 70 square miles which is approximately 46% developed.

Frisco continues to experience a substantial population growth, especially in the last ten years. Our population was 6,550 in 1991, 33,714 in 2000 and 116,989 by the 2010 census date. On October 1, 2012, the population was estimated to be 128,281. The chart below details the City's populations for each census date since 1910.

Year	Population
1910	332
1920	733
1930	618
1940	670
1950	736
1960	1,184
1970	1,845
1980	3,420
1990	6,138
2000	33,714
2010	116,989

Frisco is a political subdivision that operates as a home-rule city under the laws of the State of Texas and a charter approved by the voters in 1987 and amended in 2002 and 2010. The government is empowered to levy a property tax on both real and personal property located within its boundaries. The government also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the governing council.

The City operates under the Council/Manager form of government. Policy-making and legislative authority are vested in the governing council, which consists of a Mayor and a six-member Council. The governing council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the government's manager, attorney and municipal judge. The City Manager is the chief administrative officer. He is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the government's departments. The Council is elected on a non-partisan basis. Council members are elected to three-year staggered terms, with two council members elected every year. The Mayor is elected to three-year terms. The Council members and the Mayor are elected at-large, and are limited to three consecutive elective terms.

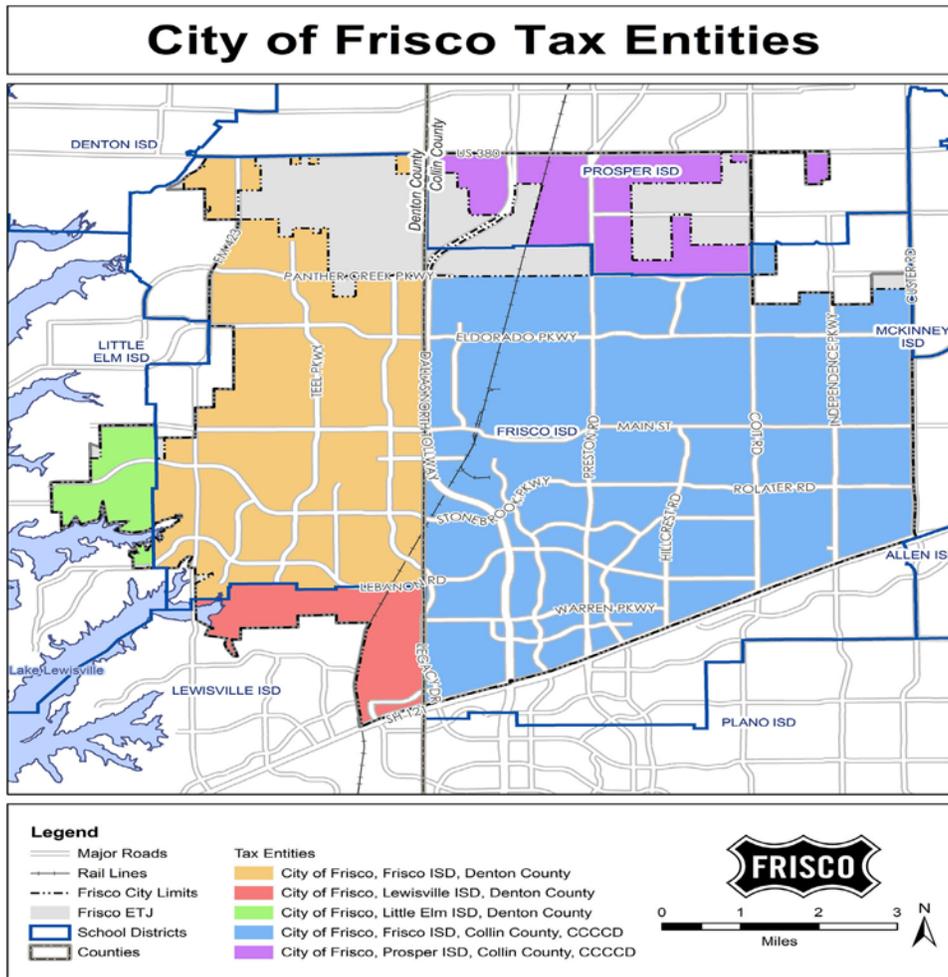
The financial reporting entity (the government) includes all the funds of the primary government. Services that are provided to the citizenry have proven to be necessary and meaningful and are those that the City can provide at the least cost. The government provides a full range of services including police and fire protection; emergency ambulance service; environmental health; sanitation services; community development; building inspections; traffic control; parks and libraries; the construction and operation of water, sewer, drainage, streets and infrastructure; convention and tourism activities, and cultural events. Additionally, general administrative services are provided by the City.

Discretely presented component units are legally separate entities and not part of the primary government's operations. Accordingly, the Frisco Economic Development Corporation, the Frisco Community Development Corporation and the City of Frisco Charitable Foundation are included in the financial statements as discretely presented component units.

The Council is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City of Frisco's financial planning and control. All departments are required to submit requests for appropriation to the City Manager's office on or before June 15 each year. These requests are used to develop a proposed budget. The proposed budget is then presented to the City Council for review on or before August 15. The City Council is required to hold public hearings and to adopt a final budget no later than September 30, the close of the City of Frisco's fiscal year. The budget is prepared by fund, function (e.g., public safety), department (e.g., police), division (e.g., patrol), and object (e.g., expense). Transfer of appropriations within a department may be made with approval of the Department Head. Transfers within funds may be made with approval of the City Manager. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

Financial reports are produced showing budget and actual expenditures by line item, and are available electronically monthly for City department and division managers review. Finance staff review and analyze for budgetary compliance by line item. Personnel expenditures are monitored and controlled at a position control level and capital expenditures are monitored and controlled by line item. Revenue budgets are reviewed monthly.

Overlapping property tax rates for the taxing entities within the City range from \$2.15927 to \$2.45821 (see page 136) depending on which County and which school district the property is located. This map shows the boundaries for each taxing jurisdiction within the City of Frisco.



Local Economy

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

According to the U. S. Census Bureau’s 2011 American Community Survey published in 2012, Frisco’s median household income of \$106,232 compares favorably to \$76,201 for Dallas-Fort Worth (DFW) and \$68,936 for Texas. Also, according to the survey, the workforce is educated with 62% of the population having a bachelor’s degree or more, compared to 31% for DFW and 26% for Texas.

Frisco is home to a diversified group of companies. The Frisco Economic Development Corporation (FEDC) continues implementing concepts identified in the comprehensive economic development strategy adopted in 2010. The areas of industry focus are: Computers & Electronics, Medical Services, Telecommunications, Financial Services, Software & Media, Entertainment & Recreation and Renewable Energy. Also included in the strategy were four major focus goals for the FEDC:

- (1) Attract jobs from outside the DFW metroplex;
- (2) Retain & expand local businesses;
- (3) Enhance Frisco's innovation culture through entrepreneurship;
- (4) Improve product readiness & competitiveness.

The FEDC will continue to follow this strategy in 2013.

For FY 2012, the FEDC facilitated 31 new projects in Frisco, potentially filling or adding 839,591 square feet, with a potential capital investment exceeding \$151 million and potentially creating/retaining 3,129 jobs.

The chart below summarizes the projects and impact for the four quarters of FY 2012.

**Summary of FEDC Projects for Q1 – Q4
FY12**

Year	Number of Projects	Potential Square Feet	Potential Capital Investment	Potential Direct Jobs Created/Retained
Q1 FY11/12	8	183,971	\$57,110,500	754
Q2 FY11/12	6	239,500	\$31,365,000	609
Q3 FY11/12	10	187,250	\$37,130,000	549
Q4 FY11/12	7	228,870	\$25,656,000	1,217
Total YTD	31	839,591	\$151,261,500	3,129

The City of Frisco added several new companies to our community during 2012 including: Gearbox Software, Greatbatch, Inc., Mitel Corporation, MoneyGram Payment Systems, and Wingspan. We also had several of our local companies expand their office space. Century Payments, Kenexa Technology, Centennial Medical Center, and Walgreens Specialty Pharmacy were all retained and expanded during the year.

New development included: Pole Position Raceway, an indoor go kart race track; Frisco Aquatics' announced plans for a new facility; Performance Tennis and Fitness Center, a planned 24 court tennis center; and the Frisco Gun Club announced a 43,000 square foot indoor gun range. 2012 also brought the opening of an Academy Sports and Outdoors retail location to southeast Frisco.

When T-Mobile announced it was closing their Frisco Call Center, FEDC assisted in finding new employment for some of those 615 employees, and also participated in hosting a job fair for more than 100 employees of Exide Technologies, when the company closed its battery recycling operation in 2012.

Frisco continues to be a destination location with venues and attractions that generate significant economic benefits to Frisco retailers, restaurants and hotels. On January 5, 2013, we welcomed back the NCAA Division I Football Championship Game (FCS)

hosted by the Southland Conference and partnered with Hunt Sports Group, Frisco Chamber of Commerce, Frisco CVB and Frisco Economic Development Corporation. The game sold out and offered standing room only seating to the fans. Nationally, viewers of the FCS title game got a glimpse of FC Dallas Stadium in Frisco as the game was broadcast live on ESPN2. This was the third year the City hosted this event and in December 2012 the NCAA awarded another three year agreement through 2016.

Frisco's development is expected to be robust in 2013 as well. Community growth will continue with new single family housing starts averaging approximately 140 per month during FY 2013. We have several large subdivisions, including Phillips Creek Ranch, Lawler Park North and Richwoods developing during this year. Frisco ISD continues to build new school facilities to accommodate growth opening the 31st – 33rd elementary schools and the 13th middle school in 2012. FISD also announced a seventh high school, to be named Independence, scheduled to open in 2014.

Looking forward, the City anticipates continued development interest and investment as our business attraction and retention efforts, as well as our schools, public safety, infrastructure and parks systems make Frisco one of the best places to locate and grow a business or raise a family.

Long-Term Financial Planning

The City has a working five-year financial plan including staffing requirements and a working five-year capital improvement program. Over the past several years, special considerations for the challenges and opportunities created by the economy have been evaluated and these plans have been adjusted accordingly. With improvements to the local economy, Council plans to name a Citizens Bond Committee during the Summer of 2013 to address continuing needs for infrastructure, park development and facilities.

Major capital improvement plans include: **street and utility projects** including FM 2478/Custer Road (Stonebridge to US 380), Coit Road (Main Street to Eldorado Parkway), Eldorado Parkway (Hillcrest to Castleman), Rockhill Road (CR 26 to Preston Road), Stonebrook Parkway, and signals and right of way acquisitions throughout the City; **facilities projects** include the completion of Frisco Fire Station #7 and the design of Fire Station #8 along with replacement of various Fire apparatus, and the Museum of American Railroads; **parks projects** including various trails that will connect schools to neighborhood parks and roadways, Phillips Creek Hike and Bike Trail, Cottonwood Creek Linear Park, and land acquisitions; **stormwater projects** including Panther Creek Flood Plain Mapping and studies of White Rock Creek and West Rowlett Creek; **water & sewer projects** including Legacy Elevated Storage Tank, Panther Creek Sewer Interceptor, Stonebrook Parkway, Rockhill Road, and Main Street waterlines. A bond election was passed in May 2006 to continue funding the capital improvement plan for the City. Within the plan, the City plans to issue General Obligation debt in 2013 for the design of Fire Station #8 and the purchase of replacement apparatus, for road construction projects, and for various park projects. In addition, the City plans to issue Certificates of Obligation debt in 2013 in anticipation of capital project needs in FY 2014 for the Utility Fund.

The City Council has a Finance & Audit Committee which meets on an as-needed basis to discuss financial and budgetary information, financial policies, fund balance reserve requirements and tax rate setting information.

With the recognition of increased needs for internal control, the City continues a contracted service to provide internal control monitoring to safeguard the City's assets and provide a reasonable assurance of proper recording of financial transactions. We have developed a model which allows staff to evaluate risks and action plans for internal controls.

In addition, the City has recognized the long-term financial implications of its pension and retiree health benefits. Regarding pensions, we have adopted accelerated funding as proposed by the Texas Municipal Retirement System to ensure the long-term sustainability of the plan. For retiree health care, we have provided an optional retirement health plan, fully funded by the retirees at higher rates than the City's employee rates, to meet their health care insurance coverage needs. These changes were designed to provide a sustainable benefit to our employees without shifting costs to future tax payers.

Relevant Financial Policies

The City has adopted financial policies that set forth the basic framework for the fiscal management of the City. These policies are developed within the parameters established by applicable provisions of the Texas Local Government Code and the City Charter. The policies are reviewed on an annual basis and modified to accommodate changing circumstances or conditions. Changes made in FY 2012 to our current financial policies included: clarifying the senior tax exemption home value percentages, clarifying the procedure for approving one-time excess revenue transfers to our Capital Reserve Fund after the final end of year financial position is disclosed, increasing the days in cash reserve for the Utility Fund, and adding additional requirements to maintain one-twelfth of the annual principal and interest payment in the Debt Service Fund as fund balance.

None of the City's financial policies had a significant impact on the current period's financial statements, as the City was able to maintain reserve levels within the stated policies for the governmental funds. Constant review of revenue and expenditure trends and reserve levels is maintained with specific responsibility assigned to the Assistant City Manager.

Major Initiatives

For the FY 2013 Approved Budget, we continued addressing growing needs. The City was able to weather several years of significantly restricted revenue growth due to the economic circumstances. Localities around the country have been forced to address tough budget choices, and Frisco has adapted as well, readjusting service priorities and evaluating delivery methods.

City department managers have continued to meet the growth and revenue limitation challenges with resourcefulness and determination. Continuing prudence and good stewardship in the use of resources allocated, Council recognized and approved additional staffing for the first time in several years to address built up needs. We were able to "unfreeze" several staff positions to improve service level demands. Funding for

merit increases and a one-time 2% market adjustment for all city staff was approved in this new budget. Expenditures for capital outlay to replace aging equipment and police pursuit vehicles, as well as a full year's funding for Fire Station #7 were included in the funding program.

Also, during the year, the City's Financial Services Department continued a Council directive for *Transparency in Government*. The monthly financial report which provides internal and external users with general awareness of the City's financial positions and economic activity is published each month. This report is presented to the City Council, usually the second meeting of the month, and posted on the city website. Available on the website are City check registers, historical budget and financial documents. During 2012, staff also created a Tax Dollars calculator on-line for citizens to input their property's taxable value and see how much of their tax dollar is spent for different city services and for each taxing entity within the City.

Awards and Acknowledgements

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 Frisco for its comprehensive annual financial report for the fiscal year ended September 30, 2011. This was the twelfth year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit had to 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 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.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire Financial Services Department staff and our independent auditors. We would like to express our appreciation to all members of the other City departments who assisted and contributed to the preparation and publication of this report. Special thanks are extended to all members of the City Council and City Manager's Office for their leadership and support of professionalism and sound fiscal management.

Respectfully submitted,



Anita Cothran, CGFO
Director of Finance



Nell Lange
Assistant City Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Frisco
Texas

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

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

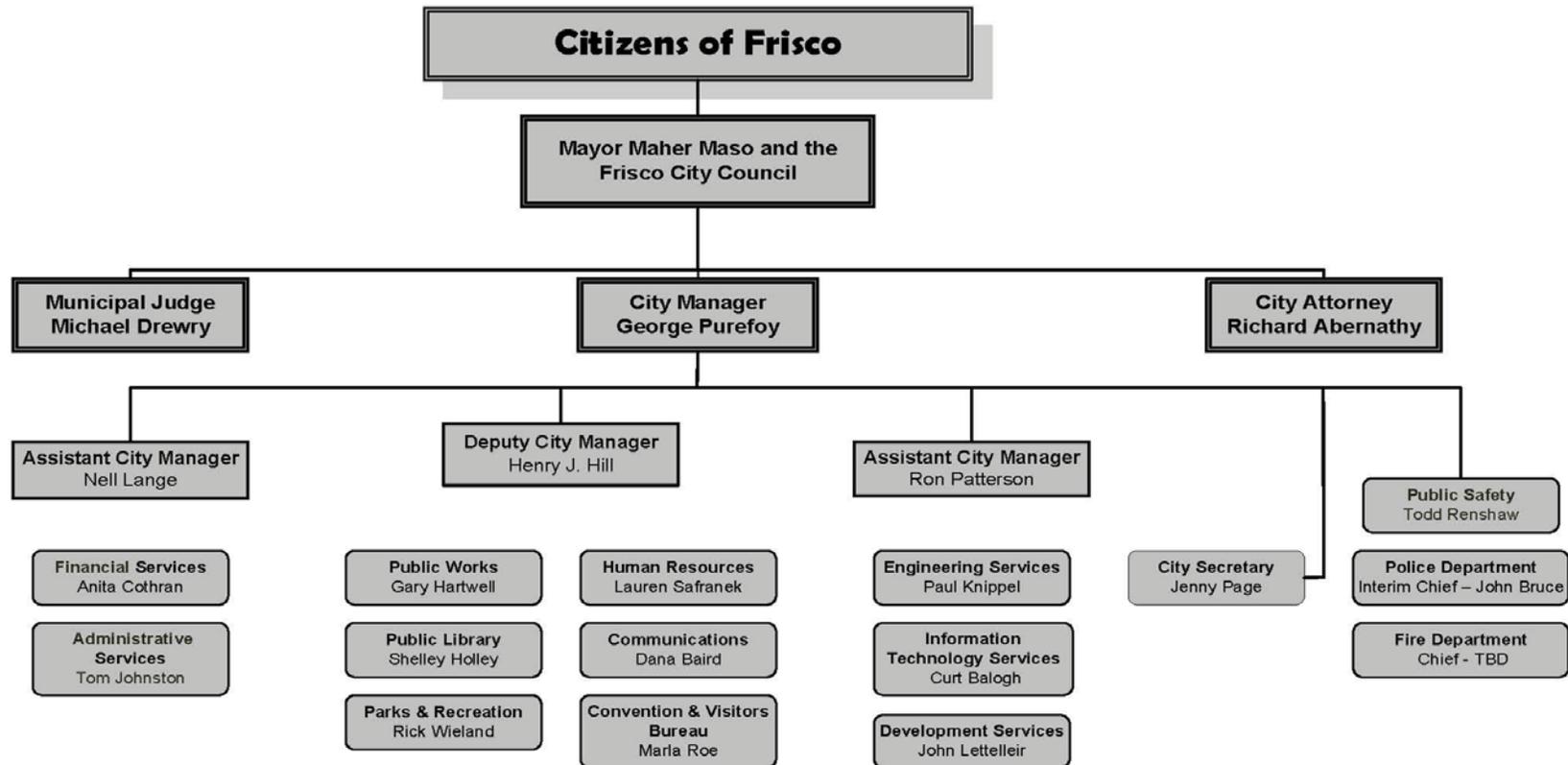


Christopher P. Moivell

President

Jeffrey R. Emer

Executive Director



Elected Officials and Administrative Officers
September 30, 2012



Council Members

Mayor	Maher Maso
Mayor Pro-tem, Place 2	Jeff Cheney
Deputy Mayor Pro-tem, Place 6	Scott Johnson
Councilmember, Place 1	Bob Allen
Councilmember, Place 3	Will Sowell
Councilmember, Place 4	John Keating
Councilmember, Place 5	Tim Nelson

Administrative Officers

City Manager	George A. Purefoy
Deputy City Manager	Henry J. Hill, III
Assistant City Manager	Ron Patterson
Assistant City Manager	Nell Lange
City Attorney	Richard Abernathy
City Judge	Michael Drewry
City Secretary	Jenny Page
Director of Financial Services	Anita Cothran
Director of Communications	Dana Baird
Director of Public Safety	Todd Renshaw
Fire Chief	Vacant
Interim Police Chief	John Bruce
Director of Public Works	Gary Hartwell
Director of Human Resources	Lauren Safranek
Director of Administrative Services	Tom Johnston
Director of Information Tech Services	Curt Balogh
Director of Library Services	Shelly Holley
Director of Parks & Recreation	Rick Wieland
Director of Engineering Services	Paul Knippel
Director of Development Services	John Lettelleir
Economic Development President	James Gandy
CVB Executive Director	Marla Roe



PROGRESS IN MOTION

Financial Section

Stephen's Green Park

A photograph of a paved path winding through a lush green park. The path is light-colored and curves through a dense canopy of trees. The ground is covered in green grass, and the scene is brightly lit, suggesting a sunny day. The path leads towards a large, open green area in the distance, possibly a golf course or a large lawn.



PROGRESS IN MOTION

Report of Independent Auditors

Honorable Mayor and Members of
The City Council
City of Frisco, Texas

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

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

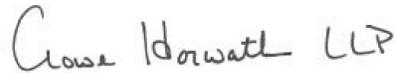
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Frisco, as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the TIRZ#1 Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2013, on our consideration of the City of Frisco's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Funding Progress, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Frisco's financial statements. The introductory section, combining and individual non-major fund financial statements, budgetary comparison schedules, and statistical tables listed in the table of contents are presented for purposes of additional analysis and are 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 financial statements. The combining and individual non-major fund financial statements and budgetary comparison schedules have 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the combining and individual non-major fund financial statements and budgetary comparison schedules, are fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in blue ink that reads "Crowe Horwath LLP". The signature is written in a cursive, flowing style.

Crowe Horwath LLP

Irving, Texas
February 26, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS



PROGRESS IN MOTION

CITY OF FRISCO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012

As management of the City of Frisco, (the City), we offer readers of the City's financial statement, this narrative overview and analysis of the financial activities of the City for the year ended September 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-8 of this report and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of Frisco exceeded its liabilities at the close of the most recent fiscal year by \$982,269,807 (net assets). The majority of the City's net assets are invested in capital assets or restricted for specific purposes. The remaining \$94,177,625 is unrestricted net assets and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's net assets of governmental activities increased by \$3,780,482 as a result of this year's operations. Net assets of the City's business-type activities increased as a result of this year's operations by \$4,407,086.
- As of the close of the current fiscal year, the City of Frisco's governmental funds reported a combined ending fund balance of \$119,600,117. Approximately 25 percent of this total amount is available for spending at the City's discretion (unassigned).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$29,484,739 or 36 percent of total general fund expenditures.
- The City of Frisco's total debt decreased by \$36,451,252, 6 percent during the current fiscal year. The key factors in this change were the advance refunding of prior year debt and the principal retirements and amortizations of premiums, discounts and deferrals of current debt.
- The ad valorem rate for the City was \$.461910 for FY 2012, slightly reduced from fiscal year 2011. This tax rate supports debt service, operations and maintenance, and bond programs to construct infrastructure and city facilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Frisco's basic financial statements. The City of Frisco's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

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

The government-wide financial statements are prepared utilizing the economic resources measurement focus and the accrual basis of accounting. The *statement of net assets* presents information on all of the City of Frisco's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Frisco is improving or deteriorating. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm and sewer lines, etc.), to assess the overall health or financial condition of the City.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All of the revenues and expenses are taken into account as soon as the underlying event giving rise to the item occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In the statement of net assets and the statement of activities, the City is divided into three kinds of activities:

- **Governmental activities** – Most of the City's basic services are reported here, including police, fire, library, planning and development, parks and recreation, public works, information services, finance, human resources and general administration. Property taxes, sales taxes, franchise taxes, charges for services and intergovernmental revenue finance most of these activities.
- **Business-type activities** – Includes services for which the City charges a fee to customers to help cover all or most of the cost of providing such services. The City's water and sewer system operations, stormwater operations and environmental services are reported here.
- **Component units** – The City includes three separate legal entities in its report – the Frisco Economic Development Corporation, the Frisco Community Development Corporation and the City of Frisco Charitable Foundation. Although legally separate, these "component units" are included because the City is financially accountable for them.

Reporting the City's Most Significant Funds

Fund financial statements. The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies. The City's two kinds of funds – governmental and proprietary – utilize different accounting approaches.

- **Governmental funds** – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is detailed in a reconciliation following each of the governmental fund financial statements.

The City of Frisco maintains fifteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, tax increment refinancing zone fund (TIRZ #1), capital projects fund, and the debt service fund all of which are considered to be major funds. Data from the other eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

- **Proprietary funds** – The City charges customers directly for certain services it provides. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business-type activities that are reported in the government-wide statements, but enterprise fund financial statements provide more detail and additional information, such as cash flows.

The City of Frisco maintains three individual enterprise funds. The City uses enterprise funds to account for its water and sewer, storm drainage and environmental services activities. Only the water and sewer 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 presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to the employees.

THE CITY AS A WHOLE – GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets and net assets by category may serve over time as a useful indicator of the government’s financial position. In the case of the City of Frisco, assets exceeded liabilities by \$982,269,807 as of September 30, 2012.

By far the largest portion of the City’s net assets (89 percent) reflects its investment in capital assets (e.g., land, infrastructure, 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 be used to liquidate these liabilities.

**City of Frisco’s Net Assets
September 30, 2012**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 211,467,074	\$ 216,672,913	\$ 83,675,215	\$ 81,258,951	\$ 295,142,289	\$ 297,931,864
Capital assets	<u>1,067,094,673</u>	<u>1,083,650,436</u>	<u>245,971,767</u>	<u>249,950,965</u>	<u>1,313,066,440</u>	<u>1,333,601,401</u>
Total assets	<u>1,278,561,747</u>	<u>1,300,323,349</u>	<u>329,646,982</u>	<u>331,209,916</u>	<u>1,608,208,729</u>	<u>1,631,533,265</u>
Long term liabilities	434,656,185	465,218,092	98,408,146	105,721,052	533,064,331	570,939,144
Other liabilities	<u>79,632,080</u>	<u>74,612,257</u>	<u>13,242,511</u>	<u>11,899,625</u>	<u>92,874,591</u>	<u>86,511,882</u>
Total Liabilities	<u>514,288,265</u>	<u>539,830,349</u>	<u>111,650,657</u>	<u>117,620,677</u>	<u>625,938,922</u>	<u>657,451,026</u>
Net assets:						
Invested in capital assets, net of related debt	696,300,300	703,694,806	174,745,396	173,946,035	871,045,696	877,640,841
Restricted	4,192,127	3,058,450	12,854,359	11,751,675	17,046,486	14,810,125
Unrestricted	<u>63,781,055</u>	<u>53,739,744</u>	<u>30,396,570</u>	<u>27,891,529</u>	<u>94,177,625</u>	<u>81,631,273</u>
Total net assets	<u>\$ 764,273,482</u>	<u>\$ 760,493,000</u>	<u>\$217,996,325</u>	<u>\$213,589,239</u>	<u>\$ 982,269,807</u>	<u>\$ 974,082,239</u>

An additional portion of the City’s net assets (2 percent) represents resources that are subject to external restrictions on how they may be used, including bond covenants. The remaining balance of unrestricted net assets \$94,177,625 may be used to meet the government’s ongoing obligations to citizens and creditors in accordance with the City’s fund designation and fiscal policies.

As of September 30, 2012, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal years.

Analysis of the City’s Operations – Overall the City had an increase in net assets of \$8,187,568.

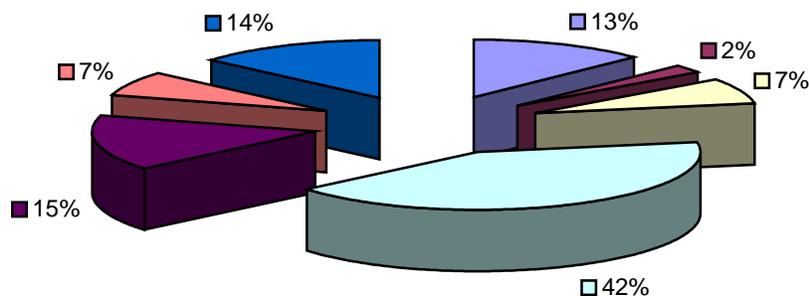
Governmental activities: Governmental activities increased the net assets by \$3,780,482 or 46% of the total growth in net assets. Net assets invested in capital assets, net of related debt decreased by \$7,394,506 and unrestricted net assets increased by \$10,041,311, due to an overall decrease in capital assets, as depreciation expense exceeded capital outlay for the year and no new money debt was issued this year. Restricted net assets increased by \$1,133,677, primarily due to excess revenues over expenses for the debt service fund and the TIRZ #1 fund.

Total revenues for governmental activities decreased when compared to the prior year by \$4,537,209. General revenue had a net increase of \$5,793,147, while program revenues had a decrease of \$10,330,356. These were primarily due to the following factors:

General revenues: Property tax revenue includes an increase of \$2,488,060 and is due to a combination of the increased value in existing property and the value generated by new improvements and annexations. Sales taxes increased \$2,636,797 due to an increase in retail sales for the entire year. Franchise and other taxes show decreases over the prior year collections, while Intergovernmental increased with the changes in the TIRZ #1 tax collections, as new properties continue to be added to this investment zone. Investment earnings decreased slightly due to a decrease of market investment yields during the year due to the national market conditions and short term nature of the City's investment portfolio.

Program revenues: Charges for services increased during the year due to higher collections for various fees including cultural & recreational fees and building permits. Operating grants and contributions increased slightly this fiscal year while decreases were seen in capital grants and contributions due in part to a decrease in developer contributions recognized for capital projects. The remaining decrease in capital contributions can be attributed to fewer payments from the county and state for road projects.

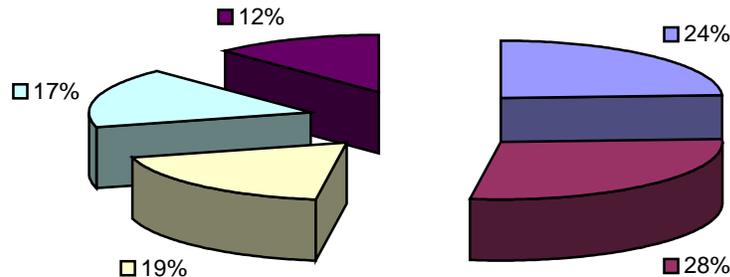
FY 12 Governmental Revenues



Charges for Service	Operating Grants	Capital Grants	Ad Valorem Tax
Sales Tax	Other Tax	Intergovernmental	

Total expenses for governmental activities increased \$1,697,444 or 1 percent. This increase is attributed to increases in all functional areas, other than general government and interest expense. General government expenses include a payment of \$9.6 million to Frisco Independent School District as part of the agreement with the TIRZ #1 to provide property tax revenue generated in the TIRZ #1 for school district construction expenses. Incurred expenses of \$44,347,310 were to provide public safety to the citizens of Frisco. These expenses were somewhat offset by the collection of revenues from various sources, including grant income and charges for services. Public works is also a significant expense and provides roadway repairs and traffic control/signals for the citizens. Recreation programming and city park utilization also continue to increase with increasing demands from the growing population. Total salaries and benefits for the governmental activities totaled approximately \$62 million or 40% of the total expenses, while depreciation expense totaled \$43.5 million or 28%.

FY 12 Governmental Expenses



■ General Govt
 ■ Public Safety
 ■ Public Works
 ■ Culture & Recreation
 ■ Interest on LTD

Business-type activities: Net assets from business-type activities increased by \$4,407,086 accounting for the remaining total growth in net assets. Program revenues of the City's business-type activities were \$68,550,894 for the fiscal year ended September 30, 2012. Operating expenses for the City's business-type activities totaled \$63,860,320. The increase in the net assets is affected by several factors, including the following:

The City's water and sewer system recorded charges for services of \$51,752,962 and impact fees and contributions of \$4,898,053. Revenues showed a net decrease during the year primarily due to a decrease in the sale of water of \$3,405,497 and sewer service charges increases of \$1,924,337. The decrease in water sales is attributed to a wetter summer this year and to our increased campaign to citizens for water consumption conservation. Total operating expenses were \$53,369,324. The most significant expenses of the water and sewer fund were \$14,495,524 to purchase water, \$10,768,704 for the cost of sewage treatment, \$10,706,702 for depreciation and \$8,463,684 for salaries and benefits.

The following table provides a summary of the City's operations for fiscal year ended September 30, 2012, with comparative totals for the fiscal year ended September 30, 2011.

**City of Frisco's Changes in Net Assets
September 30, 2012**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues						
Charges for services	\$ 20,467,138	\$ 19,782,107	\$ 63,652,841	\$ 63,702,014	\$ 84,119,979	\$ 83,484,121
Operating grants and contributions	3,615,317	3,297,331	1,000	111,317	3,616,317	3,408,648
Capital grants and contributions	<u>11,607,188</u>	<u>22,940,561</u>	<u>4,897,053</u>	<u>8,420,269</u>	<u>16,504,241</u>	<u>31,360,830</u>
Total program revenues	35,689,643	46,019,999	68,550,894	72,233,600	104,240,537	118,253,599
General revenues						
Ad valorem tax	67,161,904	64,673,844	-	-	67,161,904	64,673,844
Sales tax	24,489,084	21,852,287	-	-	24,489,084	21,852,287
Franchise tax	7,796,833	8,367,733	-	-	7,796,833	8,367,733
Other tax	3,450,258	3,519,660	-	-	3,450,258	3,519,660
Intergovernmental	21,709,424	20,389,441	97,000	97,000	21,806,424	20,486,441
Investment earnings	<u>501,365</u>	<u>512,756</u>	<u>191,049</u>	<u>106,235</u>	<u>692,414</u>	<u>618,991</u>
Total general revenues	<u>125,108,868</u>	<u>119,315,721</u>	<u>288,049</u>	<u>203,235</u>	<u>125,396,917</u>	<u>119,518,956</u>
Total revenues	160,798,511	165,335,720	68,838,943	72,436,835	229,637,454	237,772,555
Expenses						
General government	38,034,476	39,620,057	-	-	38,034,476	39,620,057
Public safety	44,347,310	40,962,287	-	-	44,347,310	40,962,287
Public works	29,228,885	27,636,526	-	-	29,228,885	27,636,526
Culture and recreation	26,640,104	25,458,162	-	-	26,640,104	25,458,162
Interest	19,338,791	22,215,090	-	-	19,338,791	22,215,090
Water and sewer	-	-	53,369,324	47,539,765	53,369,324	47,539,765
Other Enterprise Funds	-	-	<u>10,490,996</u>	<u>9,766,785</u>	<u>10,490,996</u>	<u>9,766,785</u>
Total expenses	157,589,566	155,892,122	63,860,320	57,306,550	221,449,886	213,198,672
Increase in net assets before transfers	3,208,945	9,443,598	4,978,623	15,130,285	8,187,568	24,573,883
Transfers	<u>571,537</u>	<u>517,878</u>	<u>(571,537)</u>	<u>(517,878)</u>	-	-
Increase in net assets	3,780,482	9,961,476	4,407,086	14,612,407	8,187,568	24,573,883
Net assets, October 1	<u>760,493,000</u>	<u>750,531,524</u>	<u>213,589,239</u>	<u>198,976,832</u>	<u>974,082,239</u>	<u>949,508,356</u>
Net assets, September 30	<u>\$ 764,273,482</u>	<u>\$ 760,493,000</u>	<u>\$217,996,325</u>	<u>\$ 213,589,239</u>	<u>\$ 982,269,807</u>	<u>\$ 974,082,239</u>

THE CITY'S FUNDS

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

At the close of the City's fiscal year on September 30, 2012, the governmental funds of the City reported a combined fund balance of \$119,600,117, a decrease of \$3,960,157 in comparison with the prior year. Unassigned fund balance, which is available for spending at the government's discretion, constitutes \$29,484,739 of this balance. The remainder of fund balance is non-spendable, restricted, committed or assigned. 1) Non-spendable fund balances (\$1,030,714) includes prepaids and inventories held by the government, 2) Restricted balances includes bond proceeds restricted for capital projects (\$50,013,661), reserves to pay debt service (\$4,355,598), impact fee revenues restricted for capital project funding (\$17,972,897), and other special revenues restricted for a specific purpose (\$3,212,422), 3) Committed funds

included commitments made by resolution by the governing body for insurance reserves (\$2,052,410), workforce housing programs (\$524,258) and the capital reserve fund (\$2,277,444), 4) Assigned funds include the TIRZ #1 balances for future periods (\$2,605,361) and capital project contribution assignments totaling (\$6,070,613).

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 \$29,484,739, while total fund balance reached \$32,598,464. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 36% of total general fund expenditures, while total fund balance represents 40% of that same amount. The fund balance of the City's general fund increased \$4,728,615 during the current fiscal year attributed mainly to increases in actual revenues collected for sales tax, property tax, permits and recreation fees, while expenditures for most functional areas were less than originally budgeted by approximately 4% as departments continued to spend less.

The TIRZ#1 fund has a total fund balance of \$2,605,361. This amount is assigned for future projects within the zone.

The capital projects fund has a total fund balance of \$56,392,531, \$308,257 non-spendable for prepaid expenses and inventories, and the remainder restricted or assigned for future construction commitments. The fund balance represents unspent bond proceeds and intergovernmental revenue for roads, facilities and parks that has been received but not yet spent on specific projects. The decrease in fund balance is due to capital outlay for the year. The only revenue recognized is for interest earnings on bond proceeds and intergovernmental/developer agreements for shared costs projects.

The debt service fund has a total fund balance of \$4,355,598 which is all restricted for retirement of City debt. During the year, the City refinanced a portion of the city debt, resulting in a savings over time for this fund.

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

Unrestricted net assets of the enterprise funds at September 30, 2012 totaled \$30,396,570. Other factors concerning the finances of these funds have already been addressed in the discussion of the business-type activities.

General Fund Budgetary Highlights

For FY 2012, the City Council approved a final appropriation in September 2012 with the total amount of the appropriation equaling \$85.9 million including transfers out to other city funds. Amendments were made to reallocate funds appropriated to more accurately account for estimated revenues and expenditures.

With the budget amendments made during FY 2012, the actual expenditures on a budgetary basis were \$81.4 million compared to the re-estimated budget amount of \$84.7 million. The \$3.3 million variance in total expenditures (excluding transfers out) is due to attrition and department stewardship which have created this savings in the general fund. For FY 2012, the actual (on a budgetary basis excluding transfers in) revenues were \$86.4 million as compared to

the re-estimated budget amount of \$85.7 million excluding transfers. The \$0.7 million variance in total revenues is attributed to increases over projections in sales tax, other tax, public safety fees, fine, permits fees and charges for services collections, with decreases over projections in franchise tax, and property taxes.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. At the end of the FY 2012, the City had \$1,748,785,227 invested in a broad range of capital assets, including land, buildings, park facilities, roads, bridges, water & sewer lines, police and fire equipment, and public works operating equipment and machinery. This amount represents a net increase (including additions and deductions) of \$32,390,914 over the prior fiscal year. Total accumulated depreciation for September 30, 2012, was \$435,718,787 for net capital assets of \$1,313,066,440.

Capital Assets at Year-end

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land	\$ 224,051,541	\$ 223,800,545	\$ 9,345,346	\$ 9,281,471	\$ 233,396,887	\$ 233,082,016
Buildings & improvements	346,827,033	334,174,856	10,102,640	10,102,640	356,929,673	344,277,496
Machinery & equipment	43,126,881	40,998,934	5,402,684	4,892,779	48,529,565	45,891,713
Construction in progress	35,197,492	53,278,276	5,869,874	6,913,395	41,067,366	60,191,671
Improvements other than buildings	<u>756,940,121</u>	<u>728,197,116</u>	<u>311,921,615</u>	<u>304,754,301</u>	<u>1,068,861,736</u>	<u>1,032,951,417</u>
Total capital assets	<u>1,406,143,068</u>	<u>1,380,449,727</u>	<u>342,642,159</u>	<u>335,944,586</u>	<u>1,748,785,227</u>	<u>1,716,394,313</u>
Less accumulated depreciation	<u>(339,048,395)</u>	<u>(296,799,291)</u>	<u>(96,670,392)</u>	<u>(85,993,621)</u>	<u>(435,718,787)</u>	<u>(382,792,912)</u>
Total	<u>\$1,067,094,673</u>	<u>\$1,083,650,436</u>	<u>\$ 245,971,767</u>	<u>\$ 249,950,965</u>	<u>\$1,313,066,440</u>	<u>\$1,333,601,401</u>

This year's major additions included:

Land purchased included park land along with various right-of-ways for roads and utilities. Improvements other than buildings include park construction projects and the developer contributions for road construction throughout the City, as well as traffic signals and lighting projects. Vehicles, machinery and some equipment were added during 2012 based on our equipment replacement schedules for all city departments.

The City's 2013 capital budget calls for a continuation of the Capital Project Plan. Estimated expenditures will complete the Railroad Museum relocation from Fair Park in Dallas, and fund Fire Station #8. Park development is scheduled to continue with Phillips Creek Ranch hike and bike trails, Grand Park design plans and several neighborhood parks. The City will also continue road infrastructure spending for several interlocal agreements with Denton County, Collin County and the State of Texas for street construction, street improvements and enhancements, including the installation of various traffic signals, arterial street lights and sidewalks. The 2006 Authorized Bond Election of \$198,000,000 has an unissued balance of \$72,500,000. Of this total, \$7,000,000 is for public safety, \$24,000,000 remains for streets and drainage projects, and \$41,500,000 is for cultural/recreational facilities and parks.

Additional information regarding capital assets can be found in Note 6 beginning on page 70 of the CAFR.

Debt administration. At year-end, the City had \$567,269,530 in debt outstanding as compared to \$603,720,782 at the end of the prior fiscal year, a decrease of 6.0 percent – as shown below.

Outstanding Debt, September 30, 2012

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$355,564,972	\$366,966,751	\$ 33,662,254	\$ 27,831,619	\$389,227,226	\$394,798,370
General obligation bonds - MUD	-	-	440,898	519,639	440,898	519,639
Certificates of obligation	<u>106,478,062</u>	<u>124,191,188</u>	<u>71,123,344</u>	<u>84,211,585</u>	<u>177,601,406</u>	<u>208,402,773</u>
Totals	<u>\$462,043,034</u>	<u>\$491,157,939</u>	<u>\$105,226,496</u>	<u>\$112,562,843</u>	<u>\$567,269,530</u>	<u>\$603,720,782</u>

In March 2012, the city issued general obligation refunding bonds, series 2012, in the amount of \$30,950,000 with a premium of \$3,611,331. Proceeds from the sale of the refunding bonds were used to advance refund a portion of the City's outstanding debt, including \$17,290,000 combination tax and revenue certificates of obligation, series 2004; and \$14,305,000 in general obligation refunding and improvement bonds, series 2004.

Additional information regarding the City's outstanding debt can be found in Note 8 beginning on page 72 of the CAFR.

The City's assigned ratings for general obligation bonds and certificates of obligation were as follows:

	Standard & Poor's Corporation	Moody's Investor Services
General Obligation Bonds	AA	Aa1
Certificates of Obligation	AA	Aa2

This rating has been assigned to the City's tax-supported debt. The City is permitted by state law and provisions 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 current ratio of tax-supported debt to assessed value of all taxable property is 2.30%.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2013 budget appropriation, tax rates, and fees that will be charged for the business-type activities. One of those factors was the economy. As discussed in the transmittal letter, the local economy continued to improve from the 2009 downturn during 2012. The population

growth experienced by the City has stimulated local business and development activity, and the community has placed additional demands on the City to maintain or enhance services provided to our citizens. Frisco's current population is approximately 128,281, and in fact has continued to increase over the past several years, in spite of the economic conditions.

Current economic indicators were taken into account when adopting the general fund budget. The FY 2012-13 combined budget appropriation totaled \$90.2 million. This represents an increase of \$4.6 million from the FY 2011-12 revised budget, attributed to operating expenses increasing.

The general fund's largest revenue source is property tax receipts. Ad valorem tax revenue is determined by two major factors: the total assessed value established by the Central Appraisal District of Collin County and Central Appraisal District of Denton County and the tax rate established by the Frisco City Council. For the new fiscal year, we saw an increase in valuations of 4.42%. We saw gains in new improvements of 3.25%, and a gain on existing property of 1.16%. According to final figures received from the CAD's, the total certified assessed property value for FY 2013 is \$14.7 billion. Council approved a tax rate of \$0.461910 per \$100 of valuation, the same tax rate as FY 2012.

As for the City's business-type activities, City projections indicate that the water and sewer fund unassigned net assets will be approximately \$28.8 million. A fee increase for water sales and sewer services was approved and effective in January 2013. Appropriations are to be used for capital projects in the utility construction projects fund, operating expenses, and bond interest and fiscal charges.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT STAFF

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department at 6101 Frisco Square Blvd., 4th Floor, Frisco, Texas 75034.

BASIC FINANCIAL STATEMENTS



PROGRESS IN MOTION

Statement of Net Assets
September 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 102,455,766	\$ 21,226,126	\$ 123,681,892	\$ 19,751,239
Cash held for land purchase	-	-	-	46,000,000
Investments	46,758,051	5,034,000	51,792,051	8,007,200
Receivables (net of allowance for uncollectibles)	15,860,406	9,601,320	25,461,726	4,400,449
Inventories	603,995	328,625	932,620	-
Prepays	426,719	43,097	469,816	214,459
Notes receivable	2,535,000	-	2,535,000	1,180,000
Restricted assets:				
Cash and cash equivalents	-	30,511,319	30,511,319	6,045,541
Investments	-	16,349,575	16,349,575	-
Notes receivable - noncurrent	39,171,103	-	39,171,103	1,715,748
Capital assets:				
Land	224,051,541	9,345,346	233,396,887	85,200,437
Buildings and improvements	346,827,033	10,102,640	356,929,673	18,304,349
Improvements other than buildings	756,940,121	311,921,615	1,068,861,736	18,584,658
Machinery and equipment	43,126,881	5,402,684	48,529,565	554,174
Construction in progress	35,197,492	5,869,874	41,067,366	4,500
Accumulated depreciation	(339,048,395)	(96,670,392)	(435,718,787)	(16,035,266)
Deferred costs and expenses, net of amortization	3,656,034	581,153	4,237,187	1,169,371
Total assets	1,278,561,747	329,646,982	1,608,208,729	195,096,859
LIABILITIES				
Accounts and retainage payable	12,239,849	2,971,949	15,211,798	280,093
Accrued liabilities	531,574	189,336	720,910	13,500
Accrued liabilities - pollution remediation	-	-	-	250,000
Accrued interest payable	2,768,832	610,413	3,379,245	593,179
Customer deposits	-	1,681,232	1,681,232	76,118
Unearned revenue	5,144,417	-	5,144,417	55,992
Monies held in escrow	24,592,656	-	24,592,656	-
Non-current liabilities:				
Due within one year:				
Compensated absences	4,094,655	642,524	4,737,179	54,546
Notes payable	-	-	-	2,823,309
Bonds payable	30,260,097	7,147,057	37,407,154	2,731,111
Due in more than one year:				
Compensated absences	2,873,248	328,707	3,201,955	43,828
Accrued liabilities - pollution remediation	-	-	-	750,000
Notes payable	-	-	-	65,605,318
Bonds payable	431,782,937	98,079,439	529,862,376	64,814,404
Total liabilities	514,288,265	111,650,657	625,938,922	138,091,398
NET ASSETS				
Invested in capital assets, net of related debt	696,300,300	174,745,396	871,045,696	16,792,505
Restricted for:				
Capital projects	-	12,854,359	12,854,359	-
Tax increment reinvestment zone	2,605,361	-	2,605,361	-
Debt service	1,586,766	-	1,586,766	5,452,362
Unrestricted	63,781,055	30,396,570	94,177,625	34,760,594
Total net assets	\$ 764,273,482	\$ 217,996,325	\$ 982,269,807	\$ 57,005,461

The notes to the basic financial statements are an integral part of this statement.

**Statement of Activities
For the year ended September 30, 2012**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 38,034,476	\$ 13,870,149	\$ 1,107,244	\$ 440,021
Public safety	44,347,310	2,077,752	1,194,971	463,784
Public works	29,228,885	63,312	28,441	7,459,188
Culture and recreation	26,640,104	4,455,925	1,284,661	3,244,195
Interest on long-term debt	<u>19,338,791</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>157,589,566</u>	<u>20,467,138</u>	<u>3,615,317</u>	<u>11,607,188</u>
Business-type activities:				
Water and sewer	53,369,324	51,752,962	1,000	4,897,053
Other enterprise funds	<u>10,490,996</u>	<u>11,899,879</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>63,860,320</u>	<u>63,652,841</u>	<u>1,000</u>	<u>4,897,053</u>
Total primary government	<u>\$ 221,449,886</u>	<u>\$ 84,119,979</u>	<u>\$ 3,616,317</u>	<u>\$ 16,504,241</u>
Component units:				
Community development	\$ 7,875,745	\$ 658,111	\$ -	\$ -
Economic development	8,936,083	-	33,345	-
Charitable foundation	<u>1,799</u>	<u>-</u>	<u>16,326</u>	<u>-</u>
Total component units	<u>\$ 16,813,627</u>	<u>\$ 658,111</u>	<u>\$ 49,671</u>	<u>\$ -</u>
General revenues:				
Ad valorem tax				
Sales tax				
Franchise tax				
Other taxes				
Ad valorem tax for TIRZ #1, intergovernmental revenues				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues				
Change in net assets				
Net assets, beginning				
Net assets, ending				

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (22,617,062)	\$ -	\$ (22,617,062)	
(40,610,803)	-	(40,610,803)	
(21,677,944)	-	(21,677,944)	
(17,655,323)	-	(17,655,323)	
(19,338,791)	-	(19,338,791)	
<u>(121,899,923)</u>	<u>-</u>	<u>(121,899,923)</u>	
-	3,281,691	3,281,691	
-	1,408,883	1,408,883	
-	4,690,574	4,690,574	
<u>\$ (121,899,923)</u>	<u>\$ 4,690,574</u>	<u>\$ (117,209,349)</u>	
			\$ (7,217,634)
			(8,902,738)
			<u>14,527</u>
			<u>\$ (16,105,845)</u>
67,161,904	-	67,161,904	-
24,489,084	-	24,489,084	24,489,084
7,796,833	-	7,796,833	-
3,450,258	-	3,450,258	-
21,709,424	97,000	21,806,424	-
501,365	191,049	692,414	108,211
-	-	-	44,030
571,537	(571,537)	-	-
<u>125,680,405</u>	<u>(283,488)</u>	<u>125,396,917</u>	<u>24,641,325</u>
3,780,482	4,407,086	8,187,568	8,535,480
<u>760,493,000</u>	<u>213,589,239</u>	<u>974,082,239</u>	<u>48,469,981</u>
<u>\$ 764,273,482</u>	<u>\$ 217,996,325</u>	<u>\$ 982,269,807</u>	<u>\$ 57,005,461</u>



PROGRESS IN MOTION

Balance Sheet
Governmental Funds
September 30, 2012

	General	TIRZ#1	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 17,665,182	\$ 4,266,992	\$ 59,403,284	\$ 4,151,959	\$ 16,968,349	\$ 102,455,766
Investments	15,526,855	-	23,698,945	-	7,532,251	46,758,051
Receivables (net of allowances for uncollectibles):						
Property tax	419,763	-	-	343,792	-	763,555
Sales tax	4,344,397	-	-	-	-	4,344,397
Franchise tax	3,360,975	-	-	-	80,205	3,441,180
Occupancy tax	-	-	-	-	262,702	262,702
Grants	-	-	-	-	873,325	873,325
Assessments	-	-	-	-	2,738,500	2,738,500
Other	513,900	202,083	1,450,203	-	1,042,941	3,209,127
Due from other funds	641,715	-	710,226	91,488	-	1,443,429
Inventories	320,389	-	283,606	-	-	603,995
Prepays	216,668	-	24,651	-	185,400	426,719
Notes receivable	98,103	-	373,000	41,235,000	-	41,706,103
Total assets	\$ 43,107,947	\$ 4,469,075	\$ 85,943,915	\$ 45,822,239	\$ 29,683,673	\$ 209,026,849
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 6,525,393	\$ -	\$ 4,374,680	\$ -	\$ 883,601	\$ 11,783,674
Retainage payable	-	-	456,175	-	-	456,175
Accrued liabilities	516,301	-	2,732	-	12,541	531,574
Deferred revenue	2,569,046	-	1,439,120	41,466,641	-	45,474,807
Unearned revenue	542,203	1,863,714	-	-	2,738,500	5,144,417
Monies held in escrow	356,540	-	23,278,677	-	957,439	24,592,656
Due to other funds	-	-	-	-	1,443,429	1,443,429
Total liabilities	10,509,483	1,863,714	29,551,384	41,466,641	6,035,510	89,426,732
Fund balances:						
Non spendable	537,057	-	308,257	-	185,400	1,030,714
Restricted for:						
Debt service	-	-	-	4,355,598	-	4,355,598
Capital projects for future construction	-	-	50,013,661	-	17,972,897	67,986,558
Other purposes	-	-	-	-	3,212,422	3,212,422
Committed to:						
Insurance	2,052,410	-	-	-	-	2,052,410
Workforce housing	524,258	-	-	-	-	524,258
Capital projects for future construction	-	-	-	-	2,277,444	2,277,444
Assigned to:						
Special revenue for future commitments	-	2,605,361	-	-	-	2,605,361
Capital projects for future construction	-	-	6,070,613	-	-	6,070,613
Unassigned	29,484,739	-	-	-	-	29,484,739
Total fund balances	32,598,464	2,605,361	56,392,531	4,355,598	23,648,163	119,600,117
Total liabilities and fund balances	\$ 43,107,947	\$ 4,469,075	\$ 85,943,915	\$ 45,822,239	\$ 29,683,673	\$ 209,026,849

The notes to the basic financial statements are an integral part of this statement.

**Reconciliation of the Balance Sheet of the
Governmental Funds to the Statement of Net Assets
September 30, 2012**

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

Total fund balances per balance sheet	\$ 119,600,117
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,067,094,673
Other long-term assets are not available to pay for current-period expenditures, and, therefore, are deferred in the funds.	45,474,807
Other long-term assets are not available to pay for current-period expenditures, and, therefore, are not included in the funds.	3,883,654
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(471,779,769)
Net assets of governmental activities	<u>\$ 764,273,482</u>

The notes to the basic financial statements are an integral part of this statement.

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

	<u>General</u>	<u>TIRZ#1</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:						
Taxes:						
Property	\$ 36,360,872	\$ 4,142,786	\$ -	\$ 26,762,159	\$ -	\$ 67,265,817
Sales	24,489,084	-	-	-	-	24,489,084
Franchise	7,590,666	-	-	-	316,579	7,907,245
Hotel/motel	-	-	-	-	3,027,021	3,027,021
Other	423,237	-	-	-	-	423,237
Licenses and permits	6,088,219	-	-	-	-	6,088,219
Public safety	1,511,187	-	-	-	-	1,511,187
Intergovernmental	944,210	15,611,252	984,528	-	769,488	18,309,478
Charges for services	4,935,572	-	-	-	4,215	4,939,787
Fines	2,386,708	-	-	-	504,484	2,891,192
Special assessments	-	-	-	-	5,339,917	5,339,917
Rents	1,127,714	3,587,266	-	-	-	4,714,980
Investment earnings	133,098	3,757	246,834	8,725	134,525	526,939
Contributions, donations and grants	194,263	-	3,003,853	-	2,862,379	6,060,495
Payments from component units	25,508	1,610,057	2,780,123	4,242,484	-	8,658,172
Miscellaneous	217,989	-	-	-	11,088	229,077
Total revenues	<u>86,428,327</u>	<u>24,955,118</u>	<u>7,015,338</u>	<u>31,013,368</u>	<u>12,969,696</u>	<u>162,381,847</u>
EXPENDITURES:						
Current:						
General government	21,229,301	9,974,322	-	-	706,881	31,910,504
Public safety	39,018,640	-	-	-	714,541	39,733,181
Public works	6,477,940	-	-	-	60,492	6,538,432
Culture and recreation	12,808,617	-	-	-	2,568,730	15,377,347
Capital outlay (includes \$880,041 not capitalized)	1,803,334	-	22,441,356	-	923,440	25,168,130
Debt service:						
Principal retirement	-	-	-	25,905,000	-	25,905,000
Interest and fiscal charges	-	-	9,710	22,343,864	-	22,353,574
Total expenditures	<u>81,337,832</u>	<u>9,974,322</u>	<u>22,451,066</u>	<u>48,248,864</u>	<u>4,974,084</u>	<u>166,986,168</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,090,495</u>	<u>14,980,796</u>	<u>(15,435,728)</u>	<u>(17,235,496)</u>	<u>7,995,612</u>	<u>(4,604,321)</u>
OTHER FINANCING SOURCES (USES):						
Refunding bonds issued	-	-	-	22,615,000	-	22,615,000
Premium on bonds issued	-	-	-	2,687,312	-	2,687,312
Discount on bonds issued	-	-	-	(39,859)	-	(39,859)
Payment to refunded debt escrow agent	-	-	-	(25,312,360)	-	(25,312,360)
Proceeds from sale of assets	98,334	-	24,200	-	-	122,534
Transfers in	722,080	1,496,007	1,684,304	18,188,602	1,146,204	23,237,197
Transfers out	(1,182,294)	(16,423,959)	(42,543)	-	(5,016,864)	(22,665,660)
Total other financing sources and uses	<u>(361,880)</u>	<u>(14,927,952)</u>	<u>1,665,961</u>	<u>18,138,695</u>	<u>(3,870,660)</u>	<u>644,164</u>
Net change in fund balances	4,728,615	52,844	(13,769,767)	903,199	4,124,952	(3,960,157)
Fund balances, beginning	<u>27,869,849</u>	<u>2,552,517</u>	<u>70,162,298</u>	<u>3,452,399</u>	<u>19,523,211</u>	<u>123,560,274</u>
Fund balances, ending	<u>\$ 32,598,464</u>	<u>\$ 2,605,361</u>	<u>\$ 56,392,531</u>	<u>\$ 4,355,598</u>	<u>\$ 23,648,163</u>	<u>\$ 119,600,117</u>

The notes to the basic financial statements are an integral part of this statement.

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

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

Net change in fund balance - total governmental funds	\$	(3,960,157)
-------------------------------------------------------	----	-------------

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 by which capital outlay and developer's contributions exceeded depreciation in the current period.

		(16,555,763)
--	--	--------------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

		(1,849,004)
--	--	-------------

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

		26,232,056
--	--	------------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

		(86,650)
--	--	----------

Change in net assets of governmental activities	<u>\$</u>	<u>3,780,482</u>
-------------------------------------------------	-----------	------------------

The notes to the basic financial statements are an integral part of this statement.

**General Fund Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2012**

	Budgeted Amounts		Actual on a	Adjustments-	Actual on a	Variance with
	Original	Final	GAAP Basis	Budgetary Basis	Budgetary Basis	Final Budget - Positive (Negative)
REVENUES:						
Taxes:						
Property	\$ 35,685,602	\$ 36,495,602	\$ 36,360,872	\$ -	\$ 36,360,872	\$ (134,730)
Sales	22,758,048	24,200,000	24,489,084	-	24,489,084	289,084
Franchise	7,557,032	7,885,000	7,590,666	-	7,590,666	(294,334)
Other	436,968	420,500	423,237	-	423,237	2,737
Licenses and permits	5,683,280	5,778,500	6,088,219	-	6,088,219	309,719
Public safety	1,623,064	1,477,000	1,511,187	-	1,511,187	34,187
Intergovernmental	785,444	785,444	944,210	-	944,210	158,766
Charges for services	4,376,550	4,822,106	4,935,572	-	4,935,572	113,466
Fines	2,480,382	2,167,000	2,386,708	-	2,386,708	219,708
Rents	1,025,786	1,162,037	1,127,714	-	1,127,714	(34,323)
Investment earnings	156,700	120,567	133,098	-	133,098	12,531
Contributions, donations and grants	79,500	126,999	194,263	-	194,263	67,264
Payments from component units	-	25,508	25,508	-	25,508	-
Miscellaneous	239,648	281,304	217,989	-	217,989	(63,315)
Total revenues	<u>82,888,004</u>	<u>85,747,567</u>	<u>86,428,327</u>	<u>-</u>	<u>86,428,327</u>	<u>680,760</u>
EXPENDITURES:						
Current:						
General government	21,218,448	23,073,506	21,229,301	(3,243)	21,226,058	1,847,448
Public safety	40,102,972	39,397,734	39,018,640	(75,041)	38,943,599	454,135
Public works	7,105,691	6,929,529	6,477,940	(61,525)	6,416,415	513,114
Culture and recreation	13,429,293	13,187,201	12,808,617	9,896	12,818,513	368,688
Capital outlay	<u>1,509,643</u>	<u>2,079,068</u>	<u>1,803,334</u>	<u>156,987</u>	<u>1,960,321</u>	<u>118,747</u>
Total expenditures	<u>83,366,047</u>	<u>84,667,038</u>	<u>81,337,832</u>	<u>27,074</u>	<u>81,364,906</u>	<u>3,302,132</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(478,043)</u>	<u>1,080,529</u>	<u>5,090,495</u>	<u>(27,074)</u>	<u>5,063,421</u>	<u>3,982,892</u>
OTHER FINANCING SOURCES (USES):						
Proceeds from sale of assets	-	73,112	98,334	-	98,334	25,222
Transfers in	788,840	722,080	722,080	-	722,080	-
Transfers out	<u>(290,765)</u>	<u>(1,256,290)</u>	<u>(1,182,294)</u>	<u>-</u>	<u>(1,182,294)</u>	<u>73,996</u>
Total other financing sources (uses)	<u>498,075</u>	<u>(461,098)</u>	<u>(361,880)</u>	<u>-</u>	<u>(361,880)</u>	<u>99,218</u>
Net change in fund balances	20,032	619,431	4,728,615	(27,074)	4,701,541	4,082,110
Fund balances, October 1	<u>24,896,498</u>	<u>27,869,849</u>	<u>27,869,849</u>	<u>(501,766)</u>	<u>27,368,083</u>	<u>(501,766)</u>
Fund balances, September 30	<u>\$ 24,916,530</u>	<u>\$ 28,489,280</u>	<u>\$ 32,598,464</u>	<u>\$ (528,840)</u>	<u>\$ 32,069,624</u>	<u>\$ 3,580,344</u>

**CITY OF FRISCO
Adjustments to Revenues, Expenditures and Other Financing Sources and Uses
from GAAP Basis to Budgetary Basis
For the Fiscal Year Ended September 30, 2012**

	Net Change in Fund Balances
GAAP basis	\$ 4,728,615
Expenditures:	
Increase due to encumbrances from prior year	474,692
Decrease due to encumbrances for current year	<u>(501,766)</u>
Budgetary basis	<u>\$ 4,701,541</u>

The notes to the basic financial statements are an integral part of this statement.

**TIRZ #1 Fund Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2012**

	Budgeted Amounts		Actual on a GAAP Basis	Adjustments- Budgetary Basis	Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>				
REVENUES:						
Taxes:						
Property	\$ 4,219,744	\$ 4,142,786	\$ 4,142,786	\$ -	\$ 4,142,786	\$ -
Intergovernmental	15,429,742	15,611,252	15,611,252	-	15,611,252	-
Rents	3,663,637	3,754,425	3,587,266	-	3,587,266	(167,159)
Investment earnings	2,000	2,000	3,757	-	3,757	1,757
Payments from component units	<u>1,345,352</u>	<u>1,610,057</u>	<u>1,610,057</u>	<u>-</u>	<u>1,610,057</u>	<u>-</u>
Total revenues	<u>24,660,475</u>	<u>25,120,520</u>	<u>24,955,118</u>	<u>-</u>	<u>24,955,118</u>	<u>(165,402)</u>
EXPENDITURES:						
Current:						
General government	<u>10,160,860</u>	<u>9,844,923</u>	<u>9,974,322</u>	<u>-</u>	<u>9,974,322</u>	<u>(129,399)</u>
Total expenditures	<u>10,160,860</u>	<u>9,844,923</u>	<u>9,974,322</u>	<u>-</u>	<u>9,974,322</u>	<u>(129,399)</u>
Excess of revenues over expenditures	<u>14,499,615</u>	<u>15,275,597</u>	<u>14,980,796</u>	<u>-</u>	<u>14,980,796</u>	<u>(294,801)</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	1,466,804	1,496,007	1,496,007	-	1,496,007	-
Transfers out	<u>(15,965,686)</u>	<u>(16,423,959)</u>	<u>(16,423,959)</u>	<u>-</u>	<u>(16,423,959)</u>	<u>-</u>
Total other financing sources (uses)	<u>(14,498,882)</u>	<u>(14,927,952)</u>	<u>(14,927,952)</u>	<u>-</u>	<u>(14,927,952)</u>	<u>-</u>
Net change in fund balances	733	347,645	52,844	-	52,844	(294,801)
Fund balances, October 1	<u>2,902,270</u>	<u>2,552,517</u>	<u>2,552,517</u>	<u>-</u>	<u>2,552,517</u>	<u>-</u>
Fund balances, September 30	<u>\$ 2,903,003</u>	<u>\$ 2,900,162</u>	<u>\$ 2,605,361</u>	<u>\$ -</u>	<u>\$ 2,605,361</u>	<u>\$ (294,801)</u>

The notes to the basic financial statements are an integral part of this statement.



PROGRESS IN MOTION

**Statement of Net Assets
Proprietary Funds
September 30, 2012**

	Business-type Activities Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 15,263,095	\$ 5,963,031	\$ 21,226,126
Investments	5,034,000	-	5,034,000
Receivables - (net of allowance for uncollectibles):			
Utility bills	9,318,932	-	9,318,932
Other	272,770	9,618	282,388
Inventories	328,625	-	328,625
Prepays	41,653	1,444	43,097
Restricted cash and cash equivalents	30,511,319	-	30,511,319
Restricted investments	16,349,575	-	16,349,575
Deferred costs and expenses, net of amortization	<u>50,025</u>	<u>-</u>	<u>50,025</u>
Total current assets	<u>77,169,994</u>	<u>5,974,093</u>	<u>83,144,087</u>
Noncurrent assets:			
Capital assets:			
Land	9,345,346	-	9,345,346
Buildings and improvements	9,986,356	116,284	10,102,640
Improvements other than buildings	311,829,425	92,190	311,921,615
Machinery and equipment	4,762,620	640,064	5,402,684
Construction in progress	5,869,874	-	5,869,874
Accumulated depreciation	<u>(96,424,155)</u>	<u>(246,237)</u>	<u>(96,670,392)</u>
Total capital assets (net of accumulated depreciation)	245,369,466	602,301	245,971,767
Deferred charges	<u>531,128</u>	<u>-</u>	<u>531,128</u>
Total noncurrent assets	<u>245,900,594</u>	<u>602,301</u>	<u>246,502,895</u>
Total assets	<u>\$ 323,070,588</u>	<u>\$ 6,576,394</u>	<u>\$ 329,646,982</u>

The notes to the basic financial statements are an integral part of this statement.

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 2,336,408	\$ 635,541	\$ 2,971,949
Accrued liabilities	165,244	24,092	189,336
Accrued interest payable	610,413	-	610,413
Customer deposits payable	1,681,232	-	1,681,232
Liability for compensated absences	557,248	85,276	642,524
Bonds payable	7,147,057	-	7,147,057
	<u>12,497,602</u>	<u>744,909</u>	<u>13,242,511</u>
Current liabilities			
Noncurrent liabilities:			
Liability for compensated absences	291,639	37,068	328,707
Bonds payable	98,079,439	-	98,079,439
	<u>98,371,078</u>	<u>37,068</u>	<u>98,408,146</u>
Total noncurrent liabilities			
Total liabilities	<u>110,868,680</u>	<u>781,977</u>	<u>111,650,657</u>
NET ASSETS			
Invested in capital assets, net of related debt	174,143,095	602,301	174,745,396
Restricted for:			
Capital projects	12,854,359	-	12,854,359
Unrestricted	25,204,454	5,192,116	30,396,570
Total	<u>212,201,908</u>	<u>5,794,417</u>	<u>217,996,325</u>
Total net assets	<u>\$ 212,201,908</u>	<u>\$ 5,794,417</u>	<u>\$ 217,996,325</u>

The notes to the basic financial statements are an integral part of this statement.



PROGRESS IN MOTION

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

	Business-type Activities Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Total
OPERATING REVENUES:			
Charges for sales and services:			
Water sales	\$ 31,874,675	\$ -	\$ 31,874,675
Sewer charges	17,049,461	-	17,049,461
Service charges	785,319	-	785,319
Sanitation charges	-	10,465,773	10,465,773
Water and sewer connections	614,495	-	614,495
Inspection fees	1,254,985	-	1,254,985
Stormwater drainage fees	-	1,394,497	1,394,497
Miscellaneous	151,383	39,609	190,992
Total operating revenues	<u>51,730,318</u>	<u>11,899,879</u>	<u>63,630,197</u>
OPERATING EXPENSES:			
Cost of sales and services	25,264,228	8,586,221	33,850,449
Administration	12,789,922	1,835,269	14,625,191
Depreciation	10,706,702	69,506	10,776,208
Amortization	261,910	-	261,910
Total operating expenses	<u>49,022,762</u>	<u>10,490,996</u>	<u>59,513,758</u>
Operating income	<u>2,707,556</u>	<u>1,408,883</u>	<u>4,116,439</u>
NONOPERATING REVENUES (EXPENSES):			
Interest revenue	189,246	1,803	191,049
Intergovernmental contribution	97,000	-	97,000
Contributions, grants	1,000	-	1,000
Gain on sale of equipment	22,644	-	22,644
Interest expense	(4,346,562)	-	(4,346,562)
Total nonoperating revenues (expenses)	<u>(4,036,672)</u>	<u>1,803</u>	<u>(4,034,869)</u>
Income (loss) before capital contributions	<u>(1,329,116)</u>	<u>1,410,686</u>	<u>81,570</u>
CAPITAL CONTRIBUTIONS:			
Capital contributions	4,897,053	-	4,897,053
Income before transfers	3,567,937	1,410,686	4,978,623
TRANSFERS:			
Transfers in	250,486	-	250,486
Transfers out	-	(822,023)	(822,023)
Total transfers	<u>250,486</u>	<u>(822,023)</u>	<u>(571,537)</u>
Change in net assets	3,818,423	588,663	4,407,086
Total net assets, beginning	208,383,485	5,205,754	213,589,239
Total net assets, ending	<u>\$ 212,201,908</u>	<u>\$ 5,794,417</u>	<u>\$ 217,996,325</u>

The notes to the basic financial statements are an integral part of this statement.

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

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 51,284,346	\$ 11,881,387	\$ 63,165,733
Cash payments to suppliers for goods and services	(29,788,962)	(9,652,594)	(39,441,556)
Cash payments to employees for services	(8,456,461)	(934,741)	(9,391,202)
Other receipts	151,383	39,609	190,992
Net cash provided by operating activities	<u>13,190,306</u>	<u>1,333,661</u>	<u>14,523,967</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers made to other funds	-	(822,023)	(822,023)
Transfers received from other funds	250,486	-	250,486
Contributions	98,000	-	98,000
Net cash provided/(used) by noncapital financing activities	<u>348,486</u>	<u>(822,023)</u>	<u>(473,537)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(2,923,523)	(379,064)	(3,302,587)
Proceeds/(loss) from sale or transfer of equipment	17,885	-	17,885
Principal paid on long-term debt	(6,850,000)	-	(6,850,000)
Interest and fees paid on long-term debt	(4,921,555)	-	(4,921,555)
Payments to paying agent for refunded bond issuance	(9,317,166)	-	(9,317,166)
Bond proceeds net of issuance costs	9,212,760	-	9,212,760
Intergovernmental receipts for capital construction	-	-	-
Developers contributions	3,078,410	-	3,078,410
Net cash (used) by capital and related financing activities	<u>(11,703,189)</u>	<u>(379,064)</u>	<u>(12,082,253)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	(29,829,000)	-	(29,829,000)
Proceeds from sale and maturities of investment securities	29,896,375	-	29,896,375
Interest on investments	183,724	1,803	185,527
Net cash provided by investing activities	<u>251,099</u>	<u>1,803</u>	<u>252,902</u>
Net increase in cash and cash equivalents	2,086,702	134,377	2,221,079
Cash and cash equivalents, October 1	<u>43,687,692</u>	<u>5,828,654</u>	<u>49,516,346</u>
Cash and cash equivalents, September 30	<u>\$ 45,774,394</u>	<u>\$ 5,963,031</u>	<u>\$ 51,737,425</u>
Classified as:			
Current assets	\$ 15,263,095	\$ 5,963,031	\$ 21,226,126
Restricted assets	<u>30,511,319</u>	-	<u>30,511,319</u>
Total	<u>\$ 45,774,414</u>	<u>\$ 5,963,031</u>	<u>\$ 51,737,445</u>

The notes to the basic financial statements are an integral part of this statement.

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 2,707,556	\$ 1,408,883	\$ 4,116,439
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	10,706,702	69,506	10,776,208
Amortization	261,910	-	261,910
Change in assets and liabilities:			
(Increase) decrease in-			
Receivables - utility bills	(710,818)	-	(710,818)
Receivables - other	399,011	21,117	420,128
Prepaid expenses and other assets	(3,642)	(1,094)	(4,736)
Inventories	(80,010)	-	(80,010)
Increase (decrease) in-			
Accounts payable	(116,226)	(190,941)	(307,167)
Accrued liabilities	7,222	4,064	11,286
Liability for compensated absences	1,383	22,126	23,509
Deposits	17,218	-	17,218
Total adjustments	<u>10,482,750</u>	<u>(75,222)</u>	<u>10,407,528</u>
Net cash provided by operating activities	<u>\$ 13,190,306</u>	<u>\$ 1,333,661</u>	<u>\$ 14,523,967</u>

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

During the year, various developers made non-cash contributions of water and sewer infrastructure to the City valued at \$1,818,643.

The notes to the basic financial statements are an integral part of this statement.



PROGRESS IN MOTION

**Combining Statement of Net Assets
Component Units
September 30, 2012**

	Community Development	Economic Development	Charitable Foundation	Total
ASSETS				
Current:				
Cash and cash equivalents	\$ 9,492,494	\$ 10,225,451	\$ 33,294	\$ 19,751,239
Cash escrow held for land purchase	18,500,000	27,500,000	-	46,000,000
Investments	2,001,800	6,005,400	-	8,007,200
Receivables -				
Sales tax	2,172,198	2,172,198	-	4,344,396
Other	18,880	37,173	-	56,053
Prepaid expenses	-	214,459	-	214,459
Notes receivable	-	1,180,000	-	1,180,000
Deferred cost	597,488	571,883	-	1,169,371
Total current assets	<u>32,782,860</u>	<u>47,906,564</u>	<u>33,294</u>	<u>80,722,718</u>
Non-current:				
Notes receivable	300,000	1,415,748	-	1,715,748
Capital assets, net of accumulated depreciation	77,247,551	29,365,301	-	106,612,852
Restricted assets:				
Cash and cash equivalents	2,392,598	3,652,943	-	6,045,541
Total non-current assets	<u>79,940,149</u>	<u>34,433,992</u>	<u>-</u>	<u>114,374,141</u>
Total assets	<u>112,723,009</u>	<u>82,340,556</u>	<u>33,294</u>	<u>195,096,859</u>
LIABILITIES				
Current:				
Accounts payable	15,573	264,520	-	280,093
Accrued liabilities	-	13,500	-	13,500
Accrued liabilities - pollution remediation	100,000	150,000	-	250,000
Liability for compensated absences	-	54,546	-	54,546
Accrued interest payable	306,918	286,261	-	593,179
Deposits	76,118	-	-	76,118
Unearned revenue	55,992	-	-	55,992
Notes payable	2,391,652	431,657	-	2,823,309
Bonds payable	1,170,118	1,560,993	-	2,731,111
Total current liabilities	<u>4,116,371</u>	<u>2,761,477</u>	<u>-</u>	<u>6,877,848</u>
Non-current:				
Liability for compensated absences	-	43,828	-	43,828
Accrued liabilities - pollution remediation	300,000	450,000	-	750,000
Notes payable	51,030,310	14,575,008	-	65,605,318
Bonds payable	26,691,151	38,123,253	-	64,814,404
Total non-current liabilities	<u>78,021,461</u>	<u>53,192,089</u>	<u>-</u>	<u>131,213,550</u>
Total liabilities	<u>82,137,832</u>	<u>55,953,566</u>	<u>-</u>	<u>138,091,398</u>
NET ASSETS				
Invested in capital assets, net of related debt	14,533,606	2,258,899	-	16,792,505
Restricted for debt service reserve	2,085,680	3,366,682	-	5,452,362
Unrestricted	13,965,891	20,761,409	33,294	34,760,594
Total net assets	<u>\$ 30,585,177</u>	<u>\$ 26,386,990</u>	<u>\$ 33,294</u>	<u>\$ 57,005,461</u>

The notes to the basic financial statements are an integral part of this statement.

**Combining Statement of Activities
Component Units
For the fiscal year ended September 30, 2012**

Functions/Programs:	<u>Expenses</u>	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Component units:				
Community Development	\$ 7,875,745	\$ 658,111	\$ -	\$ -
Economic Development	8,936,083	-	33,345	-
Charitable Foundation	1,799	-	16,326	-
Total component units	\$ 16,813,627	\$ 658,111	\$ 49,671	\$ -

General revenues:
 Sales taxes
 Miscellaneous
 Investment income
 Total general revenues

Change in net assets

Net assets, beginning
 Net assets, ending

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Component Units

Community Development	Economic Development	Charitable Foundation	Total
\$ (7,217,634)	\$ -	\$ -	\$ (7,217,634)
-	(8,902,738)	-	(8,902,738)
-	-	14,527	14,527
<u>\$ (7,217,634)</u>	<u>\$ (8,902,738)</u>	<u>\$ 14,527</u>	<u>\$ (16,105,845)</u>
12,244,542	12,244,542	-	24,489,084
880	43,150	-	44,030
19,462	88,749	-	108,211
<u>12,264,884</u>	<u>12,376,441</u>	<u>-</u>	<u>24,641,325</u>
5,047,250	3,473,703	14,527	8,535,480
25,537,927	22,913,287	18,767	48,469,981
<u>\$ 30,585,177</u>	<u>\$ 26,386,990</u>	<u>\$ 33,294</u>	<u>\$ 57,005,461</u>



PROGRESS IN MOTION

CITY OF FRISCO, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Frisco, Texas (“City”) was originally incorporated in 1908 and chartered on April 4, 1987, and is a municipal corporation incorporated under provisions of H.B. 901 of the Texas Legislature. The City operates under a Council-Manager form of government and provides such services as authorized by its charter to advance the welfare, health, comfort, safety, and convenience of the City and its inhabitants.

The financial statements of the City have been prepared to conform with 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 standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance. The more significant accounting and reporting policies and practices used by the City are described below.

A. Financial Statement Presentation

The basic financial statements are prepared in conformity with GASB Statement 34, which requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City’s governmental activities, business-type activities and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the City’s statement of net assets includes both non-current assets and non-current liabilities of the City. In addition, the government-wide statement of activities reflects depreciation expense on the City’s capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements. Governmental fund financial statements use the modified accrual basis of accounting and the current financial resources measurement focus. The proprietary fund type financial statements are prepared using the accrual basis of accounting. Statement No. 34 requires supplementary information in Management’s Discussion and Analysis, which includes an analytical overview of the City’s financial activities. In addition, a budgetary comparison statement is presented that compares the adopted and revised budgets for governmental funds with actual results.

B. Reporting Entity

The City is governed by an elected mayor and a six-member council. As required by GAAP, these financial statements present the City (the primary government) and the entities for which the City is considered to be financially accountable (component units). Discretely presented component units are reported in a separate column in the basic financial statements in order to emphasize that they are legally separate from the City.

The Frisco Economic Development Corporation (FEDC) serves all citizens of the City. Although legally separate from the City, the City Council appoints all of the members of its governing board. The FEDC provides marketing and economic development services to the City, and the City provides for custody and investment of FEDC assets, various administrative/personnel/legal services, and the majority of funding for the FEDC budget. The FEDC is presented as a discretely presented component unit.

The Frisco Community Development Corporation (FCDC) serves all citizens of the City. Although legally separate from the City, the City Council appoints all of the members of its governing board. The FCDC benefits the City and its citizens by developing resources to address recreational, cultural arts, senior citizen, and other related community development needs and the City provides for custody and investment of FCDC assets, various administrative services, and the majority of funding for the FCDC budget. The FCDC is presented as a discretely presented component unit.

The City of Frisco Charitable Foundation (CFCF) serves all citizens of the City. Although legally separate from the City, the City Council appoints all of the members of its governing board. The CFCF benefits the City and its citizens by developing resources to address recreational, cultural arts, senior citizen, and other related community development needs. The Foundation was established during fiscal year 2006 and is presented as a discretely presented component unit.

The FEDC, FCDC, and CFCF do not prepare separate financial statements. The financial statements of the City are formatted to allow the user to clearly distinguish between the primary government and its discretely presented component units.

C. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (General Government, Public Safety, Public Works, and Culture/Recreation) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment, and 3) grants and contributions that are restricted to meeting the 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 net cost (by function or business-type activity) is normally covered by general revenue (property taxes, sales taxes, franchise taxes, intergovernmental revenues, and interest income).

Separate funds-based financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of applicable fund category and for the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a separate column in the applicable fund financial statements.

D. Measurement Focus and Basis of Accounting

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

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

GASB Interpretation 6 clarifies the application of modified accrual recognition of

certain liabilities and expenditures in the governmental fund financial statements. Specifically, GASB Interpretation 6 indicates that liabilities for debt, compensated absences, claims and judgments, and special termination benefits are normally expected to be liquidated with expendable available financial resources and should be recognized as governmental fund liabilities and expenditures only to the extent that they mature each period. The most significant accounting and reporting policies of the City are described in the following notes to the financial statements.

Ad valorem, franchise, sales tax revenues and fines and forfeitures recorded in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund and Tax Increment Reinvestment Zone #1 are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measurable and available until cash is received. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met and amounts are considered measurable and available. Additionally, funds received in advance for which all eligibility requirements have not been met or for which amounts are not considered measurable and available are considered deferred revenue.

Proprietary fund statements of revenues, expenses, and changes in fund net assets present increases (e.g., revenues) and decreases (e.g., expenses) in net assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Water and Sewer, Environmental Services and Stormwater funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City of Frisco does not utilize internal service funds, which traditionally provide service primarily to other funds of the government. Nor does the City of Frisco have fiduciary funds.

The government-wide focus is 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 focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

The following funds are used by the City of Frisco:

1. Governmental Funds:

The focus of Governmental Fund measurement (in the Fund Financial Statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds of the City:

- a. General Fund accounts for several of the City's primary services (Public Safety, Public Works, Culture & Recreation, General Government) and is the primary operating unit of the City.
- b. Tax Increment Reinvestment Zone #1 Fund accounts for revenue sources that are legally held for special purposes within the zone.
- c. Capital Projects Fund accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.
- d. Debt Service Fund accounts for the accumulation of resources and payment of general obligation and certificate of obligation bond principal and interest from governmental resources.
- e. Other Governmental Funds is a summarization of all of the non-major governmental funds.

2. Proprietary Funds:

The focus of Proprietary Fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows, which is similar to private-sector businesses. The following is a description of the Proprietary Funds of the City:

- a. Water and Sewer Fund accounts for the operation of the City's water and sewer utility. Activities of the Fund include administration, operation and maintenance of the water and sewer system, and billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for contractual obligation bonds when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund.
- b. Other Proprietary Funds is a summarization of the non-major proprietary funds including the stormwater drainage program and the environmental services fund.

E. Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government. Cash in all funds, excluding the City's payroll account, lockbox operations, and police seizure accounts, is combined into one bank account in order to maximize investment opportunities. Although individual funds may experience temporary overdraft liabilities, a positive balance is maintained in combined cash.

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

F. Inventories and Prepaid Items

Inventories of supplies are maintained at the City. These inventories are valued at cost using the first in/first out (FIFO) inventory method. The cost of inventories is recorded as expenditures/expenses when consumed rather than when purchased. Prepaid items are payments made by the City in the current fiscal year to provide services occurring in the subsequent fiscal year. Inventories and prepaid items are recognized as non-spendable in the governmental funds in the fund level financial statements to signify that a portion of fund balance is not available for other subsequent expenditures.

G. Interfund Transactions and Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts. All legally authorized transfers are appropriately treated as transfers and are included in the changes in fund balance/net assets of both governmental and proprietary funds.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in proprietary fund financial statements.

All purchased capital assets are valued at cost where historical records are available or at an estimated cost where no historical records exist. In the case of the initial capitalization of infrastructure assets (i.e., those reported by governmental activities), the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical costs of these assets through back trending (i.e., estimating the current replacement costs of the infrastructure to be capitalized and using an appropriate price-level index to deflate the costs to the acquisition year or estimated acquisition year). Contributed assets are recorded at estimated fair value at the time received. The City considers the asset as received when all requirements have been met by the developer including providing the City with affidavits of value. Public domain (infrastructure) assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems have been recorded at estimated historical cost. The government defines capital assets as assets with an initial individual cost of \$5,000 or more and an estimated useful life greater than one year. Outlays for capital assets and improvements are capitalized as the projects are constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20-25 years
Improvements other than Buildings	20-30 years
Vehicles	3-15 years
Machinery & Equipment	3-20 years

The costs of normal maintenance and repairs that do not materially add to the value

of the asset or significantly extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related assets, as applicable.

I. Compensated Absences

The City allows employees to accumulate earned but unused vacation benefits to a maximum of 240 hours. Fire Department personnel have a maximum of 360 hours. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights. Upon termination, the City pays to employees with over one year of service, up to a maximum of 240 hours of vacation, and up to 240 hours of sick leave. Fire Department personnel are paid up to a maximum of 360 hours for vacation and 360 hours for sick leave. Vacation and sick leave in excess of the 240 (360 for Fire Department personnel) hour maximum is not paid upon termination. All compensated absences are 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 and typically, in prior years the general fund has liquidated the liability.

J. Federal and State Grants

Grants and shared revenues are generally accounted for within the Grants Fund if funding is for a governmental fund type. Federal grants include several police grants, Energy Efficiency & Conservation Block Grants, and American Recovery and Reinvestment Act Grant, and Community Development Block Grants, which are accounted for within the Grants Fund. Various state grants are also included in the Grants Fund. Proprietary fund grants are accounted for within the applicable fund.

K. Long-term Debt

General Obligation Bonds and Certificate of Obligation Bonds issued for general government capital projects that are to be repaid from tax revenues of the City are recorded in the government-wide statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method in the proprietary fund and the government-wide financial statements. Bonds payable are reported net of the applicable bond premium or discount. In the governmental fund financial statements, issuance costs, as well as bond premiums and discounts, are recognized when incurred.

Certificate of Obligation Bonds have been issued to fund capital projects of the Proprietary Funds. Such bonds are to be repaid from the net revenues of the applicable Proprietary Fund. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

L. Retirement Plans

The City has one retirement plan covering substantially all employees. It is the City's policy to record the costs for such plans on the accrual basis.

M. Fund Equity

In order to comply with the Governmental Accounting Standards Board's (GASB) Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*, the fund balance section of the balance sheets of the governmental funds include the following items:

- Nonspendable fund balance include the:
 - Portion of net resources that cannot be spent because of their form, and
 - Portion of net resources that cannot be spent because they must be maintained intact.
- Restricted fund balance (externally enforceable limitations on use) include amounts subject to:
 - Limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments
 - Limitations imposed by law through constitutional provision or enabling legislation.
- Committed fund balance (self imposed limitations set in place prior to the end of the period):
 - Limitation imposed at the highest level of decision making (an approved resolution) that requires formal action at the same level to remove. For the City, the City Council is the highest level of decision making and approves any commitments by resolution of the Council, which is considered the most binding constraint for fund balance classification purposes.
- Assigned fund balance consists of amounts where the:
 - Intended use is established by the body designated for that purpose (City Council),
 - Intended use is established by official designated for that purpose. For the City, the City Manager, Assistant City Manager and Director of Financial Services are the designated officials.
- Unassigned fund balance (residual net resources) is the total fund balance in the general fund in excess of nonspendable, restricted, committed and assigned.

For the classification of governmental fund balances, the City considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net assets restricted for impact fee collections in the Water and Sewer fund is a reserve required by the fee ordinance.

N. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those statements.

O. Restricted Resources

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

P. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting—under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation—is utilized in the governmental fund types. Encumbrances outstanding at year-end are reported as assignments of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Q. New Accounting Pronouncements

GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements improves financial reporting by addressing issues related to service concession arrangements, which are arrangements between a transferor (government) and an operator (governmental or non-governmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This statement is effective for financial statements for periods beginning after December 31, 2011. The impact of this statement on the City's financial statements has not yet been determined.

GASB Statement No. 61, The Financial Reporting Entity Omnibus modifies certain requirements for inclusion of component units in the financial reporting entity. This statement is effective for financial statements for periods beginning after June 15, 2012. The impact of this statement on the City's financial statements has not yet been determined.

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance included in various pronouncements issued on or before November 30, 1989. The purpose of this statement is to codify all sources of GAAP for state and local governments so that they derive from a single source. This statement is effective for financial statements for periods beginning after December 15, 2011. The impact of this statement on the City's financial statements has not yet been determined.

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position standardizes the presentation of deferred outflows and deferred inflows of resources and their effects on a government's net position. This statement is effective for financial statements beginning after December 15, 2011. The impact of this statement on the City's financial statements has not yet been determined.

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* clarifies the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider is replaced. This statement is effective for financial statements for periods beginning after June 15, 2011. Currently, this statement will have no impact on the City.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*: This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This standard becomes effective for financial statements for periods beginning after December 15, 2012. The impact on the City's financial statements has not yet been determined.

GASB Statement No. 66, *an amendment of GASB Statements No.10 and No 62*: The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement*. This standard becomes effective for financial statements for periods beginning after December 15, 2012. . The impact on the City's financial statements has not yet been determined.

GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. This standard becomes effective for financial statements for periods beginning after June 15, 2013. The impact on the City's financial statements has not yet been determined.

GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans—an amendment of GASB Statement No. 27*. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This standard becomes effective for financial statements for periods beginning after June 15, 2014. The impact on the City's financial statements has not yet been determined.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains the “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$471,779,769 difference are as follows:

Bonds and certificates of obligation payable	\$453,835,000
Deferred loss on advanced refunding of bonds	(9,177,718)
Bond discount (to be amortized as interest expense)	(154,229)
Bond premiums (to be amortized over the life of the bonds)	17,539,981
Accrued interest payable	2,768,832
Compensated absences	<u>6,967,903</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$471,779,769</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “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.” The details of the \$16,555,763 difference are as follows:

Capital outlay	\$ 24,288,089
Developers’ contributions	2,732,971
Book value of capital assets disposed/transferred	(29,837)
Depreciation expense	<u>(43,546,986)</u>
Net adjustment to increase <i>net changes in fund balance – total governmental funds</i> to arrive at <i>changes in Net assets of governmental activities</i>	<u>\$ 16,555,763</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while

the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$26,232,056 difference are as follows:

Debt issued or incurred:	
Premium amortization	\$ 3,526,142
Discount amortization	(11,022)
Bond issuance cost amortization	(27,548)
Amortization on loss of refunding of debt	(650,423)
Component unit note repayments	(2,560,000)
Bonds issued and refunded	2,697,360
Bond premium issued	(2,687,312)
Bond discount issued	39,859
Principal repayments:	
Bonds	<u>25,905,000</u>
Net adjustment to increase <i>net changes in fund balances</i>	<u>\$ 26,232,056</u>
– <i>total governmental funds to arrive at changes in net assets of governmental activities</i>	

Another element of that reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$86,650 difference are as follows:

Decrease in accrued interest on bonds	\$ 177,634
Increase in compensated absences	<u>(264,284)</u>
Net adjustment to increase <i>net changes in fund balances</i>	<u>\$ 86,650</u>
– <i>total governmental funds to arrive at changes in net assets of governmental activities</i>	

NOTE 3. LEGAL COMPLIANCE – BUDGETS

Budgetary Information

Annual appropriated budgets are legally adopted for the General Fund, Debt Service Fund, Capital Projects Funds, and Special Revenue Funds. The legal level of authority is at the fund level. The annual budget is adopted using the budgetary basis of accounting. The budgetary basis of accounting differs from accounting principals generally accepted in the United States in that encumbrances are recorded as expenditures in the period encumbered and not when incurred. All annual appropriations lapse at fiscal year end. Project length financial plans are adopted for certain Capital Projects Funds. The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to August 15, 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. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 30, the budget is legally enacted through the passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
5. Formal budgetary review is employed as a management control device during the year for the General Fund, Debt Service Fund, and Capital Projects Funds. Supplemental appropriations were made during the fiscal year, during the revised budget process.
6. The budget approved for the discretely presented component units follow similar approval procedures.
7. The budget approved for the Utility Fund follows similar approval procedures, but departs from generally accepted accounting principles by not including depreciation or compensated absence expenses in the approved budget.

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by U.S. government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were insured up to \$250,000 or collateralized as required by State statutes at September 30, 2012. Also, as our depository bank participates in the Federal Deposit Insurance Corporation's (FDIC) Temporary Liquidity Guarantee Program (TLGP), all non-interest-bearing accounts are fully guaranteed by the FDIC through December 31, 2012. At year-end, the carrying amount of the City's demand deposits was a balance of \$986,878 - bank balance, \$2,816,345. The cash on hand carrying amount totaled \$10,064. The carrying amount of the component unit's demand deposits was \$(142,532) - bank balance, \$33,294. Additionally, cash held in escrow for land purchase was \$46,000,000 and is being held by an independent title company. The bank balance for the primary government and the component unit's deposits and certificates of deposits was covered by collateral with a fair value of \$13,633,434. The collateral is held in the City's name by the Federal Reserve Bank of New York and the Texas Independent Banker, agents of the City's financial institution.

Investments – State statutes, city policies, and city resolutions authorize the City's investments. The Director of Financial Services and the Assistant Director of Financial Services are authorized by the City Council to invest all available funds consistent with the investment policy. The City is authorized to invest in United States obligations or its agencies and instrumentalities, direct obligations of the State of Texas or its agencies and instrumentalities, other obligations backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, obligations of states, agencies,

counties, cities, and other political subdivisions of any State having an investment rating of not less than “A” or its equivalent, fully collateralized repurchase agreements, certificates of deposit issued by a depository institution that has its main office or branch office in the State of Texas, money market mutual funds regulated by the Securities and Exchange Commission with a dollar weighted average portfolio maturity of 90 days or less, and local government investment pools organized and operating in compliance with the Inter-local Cooperation Act. As of September 30, 2012, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity Days
Primary Government		
General Fund		
Federal Agency Notes	\$ 15,526,855	322
TexPool	12,194,674	41
TexStar	3,205,794	44
Wells Fargo Choice IV	9,853,330	41
CIP Funds		
Federal Agency Notes	37,039,521	524
TexPool	19,191,146	41
TexStar	62,564,810	44
Other Funds		
Federal Agency Notes	15,575,250	360
TexPool	38,038,970	41
TexStar	<u>8,147,545</u>	<u>44</u>
Total Primary Government	<u>\$221,337,895</u>	<u>165</u>
Component Units		
Community Development		
Federal Agency Notes	\$ 2,001,800	515
TexPool	11,332,015	41
TexStar	673,011	44
Economic Development		
Federal Agency Notes	6,005,400	515
Certificates of Deposit	1,000,000	498
TexPool	9,974,047	41
TexStar	<u>2,960,240</u>	<u>44</u>
Total Component Units	<u>\$ 33,946,513</u>	<u>152</u>
Total Government	<u>\$255,284,408</u>	<u>163</u>

Interest Rate Risk – In order to minimize risk of loss due to interest rate fluctuations, the City’s Investment Policy states investment maturities will not exceed the anticipated cash flow requirement of the funds as follows:

- Operating Funds – The dollar weighted average maturity of 365 days or less will be calculated using the stated final maturity dates of each security and the maximum allowable maturity shall be two years.
- Bond Proceeds – The maximum maturity for all bond proceeds shall be three years.

- Bond Reserve Funds – Maturity limitation shall generally not exceed the call provision of the Bond Ordinance and shall not exceed the final maturity of the bond issue.
- Other Funds – Maximum maturity shall not exceed five years and each fund’s weighted average life shall not exceed three years.

Credit Risk – In compliance with the City’s Investment Policy, and in conjunction with state law, as of September 30, 2012, the City minimized credit risk losses by limiting investment to the safest types of securities, pre-qualifying investments through our asset management company, and diversifying the investment portfolio so that potential losses on individual securities were minimized. The City also invested in certificates of deposits at local banks as applicable. The City’s investments in U.S. Agency securities (FHLB, FNMA, FHLMC, and FFCB) are rated AAA by Standard & Poor’s and Aaa by Moody’s Investors Services. The City’s investments in local government investment pools (TexPool and TexStar) are in compliance with the Public Funds Investment Act and rated AAAM by Standard & Poors.

Concentration of Credit Risk – The City’s formal investment policy does not address limitations to one particular issuer.

NOTE 5. RECEIVABLES

Receivables at September 30, 2012, for the government’s individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following:

	Governmental	General	TIRZ #1	Capital Projects	Debt Service Fund	Other Governmental Funds	Total
Property tax		\$ 441,856	\$ -	\$ -	\$361,886	\$ -	\$ 803,742
Sales tax		4,344,397	-	-	-	-	4,344,397
Franchise tax		3,360,975	-	-	-	80,205	3,441,180
Occupancy tax		-	-	-	-	289,211	289,211
Mixed beverage tax		103,953	-	-	-	-	103,953
Accrued interest		19,326	-	15,757	-	11,686	46,769
Grants		-	-	-	-	873,325	873,325
Assessments		-	-	-	-	2,738,500	2,738,500
Other		390,621	202,083	1,434,446	227,620	1,031,255	3,286,025
Gross receivables		8,661,128	202,083	1,450,203	589,506	5,024,182	15,927,102
Less: allowance		(22,093)	-	-	(18,094)	(26,509)	(66,696)
Net receivables		<u>\$8,639,035</u>	<u>\$202,083</u>	<u>\$1,450,203</u>	<u>\$571,412</u>	<u>\$4,997,673</u>	<u>\$15,860,406</u>

	Business-type Activities	Water and Sewer	Other Business-type Activities	Total
Utility Bills		\$ 10,354,369	\$ -	\$ 10,354,369
Accrued interest		26,273	-	26,273
Other		254,820	9,618	264,438
Gross receivables		10,635,462	9,618	10,645,080
Less: allowance		(1,043,760)	-	(1,043,760)
Net receivables		<u>\$ 9,591,702</u>	<u>\$ 9,618</u>	<u>\$ 9,601,320</u>

Component Units	Community Development Corporation	Economic Development Corporation	Total
Sales taxes	\$2,172,198	\$2,172,198	\$4,344,396
Accrued interest	756	2,764	3,520
Other	18,124	34,409	52,533
Net receivables	<u>\$2,191,078</u>	<u>\$2,209,371</u>	<u>\$4,440,449</u>

The Proprietary Fund accounts receivable includes unbilled charges for services rendered at September 30, 2012.

Property taxes are levied on October 1 and are payable until February 1 without penalty. Property taxes attach as an enforceable lien on property as of February 1. No discounts are allowed for early payment. Penalty and interest are calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased by 1% per month up to a total of 12%. Under state law, property taxes on real property constitute a lien on the property and cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of 20 years. Taxes applicable to personal property may be deemed uncollectible by the government. The government's current policy is to write off uncollectible personal property taxes after four years.

Notes Receivable City

The City periodically issues bonds on behalf of the Frisco Community Development Corporation and Frisco Economic Development Corporation to fund various projects of these entities. These entities are component units of the City. Each component unit has an agreement with the City to fund the principal and interest payments of the bonds; therefore, a note receivable is reported in the fund financial statements of the City from each component unit equal to the face amount of the bonds outstanding. At September 30, 2012, the balance of the note receivable from the Frisco Community Development Corporation was \$38,250,000, and the balance of the note receivable from the Frisco Economic Development Corporation was \$2,985,000 for a total of \$41,235,000.

Notes Receivable Component Units

In March 2006, the Frisco Community Development Corporation entered into an agreement to loan a developer \$300,000 to purchase land. The interest rate on the note is 5.00%. Annual payments of \$1 are due for a period of ten years, and an eleventh and final installment of all accrued and unpaid interest, together with principal is due on the tenth anniversary date. If the developer completes certain performance requirements, the entire balance of principal plus accrued interest will be forgiven on the due date of the eleventh installment or March 28, 2016 and it will only be recognized at the government-wide level. As of September 30, 2012, the note had a balance of \$300,000 and accrued interest of \$112,272.

In March, 2007, the Frisco Economic Development Corporation entered into a promissory note agreement with a developer in order to provide a construction loan in the amount of \$243,000 for improvements. Upon satisfactory completion of certain performance requirements, annual credits will be provided in the form of loan forgiveness for a maximum of \$243,000 over a period of approximately five years. A revised agreement in 2011 extended the loan forgiven period to 2015. During FY2012, the performance documentation was received and annual credits were awarded to forgive the loan. The balance of the loan at September 30, 2012 was \$187,000.

In December 2008 the Frisco Economic Development Corporation entered into a Performance Agreement and Promissory Note for \$300,000 in property improvements. On December 29, 2011, the Note was extended to mature on January 31, 2013, with a 5% per annum interest rate. The balance at September 30, 2012, was \$300,000.

On July 31, 2009, the Frisco Economic Development Corporation entered into a Performance Agreement and Promissory Note for up to a maximum of \$525,000 for a sanitary sewer infrastructure improvement. Performance credits are to be applied as loan forgiveness, when proper documentation is provided to the City. As of September 30, 2012, \$435,000 had been provided.

In December 2009, the Frisco Economic Development Corporation entered into a Performance Agreement and Promissory Note for \$570,803 with 5% interest due annually. The loan was paid as an advance with quarterly payment beginning March 31, 2011 and ending December 2014. In September 2011, the Agreement and Note were modified for quarterly payments to begin March 31, 2012 ending in December 2016. The balance of the loan at September 30, 2012 was \$493,748.

On April 26, 2010, the Frisco Economic Development Corporation entered into a Performance Agreement and Promissory Note for \$380,000, with loan forgiveness credits to be applied upon documentation of construction of infrastructure. The balance of the loan was \$380,000 at September 30, 2012.

In April 2010, the Frisco Economic Development Corporation entered into an Agreement and Promissory Note for \$500,000 with 5% interest due by April 26, 2011. The note was extended and modified in April 2011, for an additional year. In April 2012, the Note was amended and the due date was extended to April 2013. The balance of the loan at September 30, 2012 was \$500,000.

In March 2011, the Frisco Economic Development Corporation entered into an Agreement and Promissory Note for \$300,000 with 4% interest due semi-annually through October 1, 2015. The Performance Agreement was amended in March 2012 for semi-annual payments to begin October 1, 2012 through April 1, 2016. The balance of the loan at September 30, 2012 was \$300,000.

NOTE 6. CAPITAL ASSETS

The following is a summary of changes in the capital assets during the fiscal year:

Governmental	Balance 9/30/2011	Additions	Retirements/ Transfers Other Deductions	Balance 9/30/2012
Capital assets, not being depreciated:				
Land	\$ 223,800,545	\$ 250,996	\$ -	\$ 224,051,541
Construction-in-progress	<u>53,278,276</u>	<u>16,758,049</u>	<u>(34,838,833)</u>	<u>35,197,492</u>
Total capital assets, not being depreciated	<u>277,078,821</u>	<u>17,009,045</u>	<u>(34,838,833)</u>	<u>259,249,033</u>
Capital assets, being depreciated:				
Machinery and equipment	40,998,934	3,455,666	(1,327,719)	43,126,881
Buildings and improvements	334,174,856	12,821,675	(169,498)	346,827,033
Improvements other than buildings	<u>728,197,116</u>	<u>28,839,896</u>	<u>(96,891)</u>	<u>756,940,121</u>
Total capital assets being depreciated	1,103,370,906	45,117,237	(1,594,108)	1,146,894,035
Less accumulated depreciated:				
Machinery and equipment	(24,290,977)	(3,621,254)	1,297,882	(26,614,349)
Buildings and improvements	(74,561,050)	(13,546,469)	-	(88,107,519)
Improvements other than Buildings	<u>(197,947,264)</u>	<u>(26,379,263)</u>	<u>-</u>	<u>(224,326,527)</u>
Total accumulated depreciation	<u>(296,799,291)</u>	<u>(43,546,986)</u>	<u>1,297,882</u>	<u>(339,048,395)</u>
Total capital assets, being depreciated, net	<u>806,571,615</u>	<u>1,570,251</u>	<u>(296,226)</u>	<u>807,845,640</u>
Governmental activities capital assets, net	<u>\$1,083,650,436</u>	<u>\$ 18,579,296</u>	<u>\$ (35,135,059)</u>	<u>\$1,067,094,673</u>
Business-type Activities	Balance 9/30/2011	Additions	Retirements/ Transfers Other Deductions	Balance 9/30/2012
Capital assets, not being depreciated:				
Land	\$ 9,281,471	\$ 63,875	\$ -	\$ 9,345,346
Construction-in-progress	<u>6,913,395</u>	<u>4,255,975</u>	<u>(5,299,496)</u>	<u>5,869,874</u>
Total capital assets, not being depreciated	<u>16,194,866</u>	<u>4,319,850</u>	<u>(5,299,496)</u>	<u>15,215,220</u>
Capital assets, being depreciated:				
Machinery and equipment	4,892,779	604,605	(94,700)	5,402,684
Buildings and improvements	10,102,640	-	-	10,102,640
Improvements other than buildings	<u>304,754,301</u>	<u>7,168,088</u>	<u>(774)</u>	<u>311,921,615</u>
Total capital assets being depreciated	319,749,720	7,772,693	(95,474)	327,426,939
Less accumulated depreciated:				
Machinery and equipment	(3,553,609)	(393,987)	99,437	(3,848,159)
Buildings and improvements	(3,411,243)	(454,118)	-	(3,865,361)
Improvements other than Buildings	<u>(79,028,769)</u>	<u>(9,928,103)</u>	<u>-</u>	<u>(88,956,872)</u>
Total accumulated depreciation	<u>(85,993,621)</u>	<u>(10,776,208)</u>	<u>99,437</u>	<u>(96,670,392)</u>
Total capital assets, being depreciated, net	<u>233,756,099</u>	<u>(3,003,515)</u>	<u>3,963</u>	<u>230,756,547</u>
Business-type activities capital assets, net	<u>\$ 249,950,965</u>	<u>\$ 1,316,335</u>	<u>\$ (5,295,533)</u>	<u>\$ 245,971,767</u>

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

Governmental activities

General government	\$ 5,988,832
Public safety	4,420,344
Public works	22,662,124
Culture and recreation	<u>10,475,686</u>
Total depreciation expense governmental activities	<u>\$43,546,986</u>

Business-type activities

Water & sewer	\$10,706,702
Stormwater Drainage	29,098
Environmental services	<u>40,408</u>
Total depreciation expense business-type activities	<u>\$10,776,208</u>

Frisco Economic Development Corporation	Balance 9/30/2011	Additions	Retirements/ Transfers Other Deductions	Balance 9/30/2012
Capital assets, not being depreciated:				
Land	\$19,922,109	\$ -	\$ -	\$19,922,109
Construction-in-progress	<u>451,093</u>	<u>-</u>	<u>(451,093)</u>	<u>-</u>
Total capital assets not being depreciated	<u>20,373,202</u>	<u>-</u>	<u>(451,093)</u>	<u>19,922,109</u>
Capital assets being depreciated:				
Machinery and equipment	512,838	14,871	-	527,709
Buildings and improvements	<u>9,153,008</u>	<u>828,398</u>	<u>-</u>	<u>9,981,406</u>
Total capital assets being depreciated	9,665,846	843,269	-	10,509,115
Less: accumulated depreciation	<u>(589,834)</u>	<u>(476,089)</u>	<u>-</u>	<u>(1,065,923)</u>
Total capital assets, being depreciated, net	<u>9,076,012</u>	<u>367,180</u>	<u>-</u>	<u>9,443,192</u>
FEDC capital assets, net	<u>\$29,449,214</u>	<u>\$ 367,180</u>	<u>\$ (451,093)</u>	<u>\$29,365,301</u>

Frisco Community Development Corporation	Balance 9/30/2011	Additions	Retirements/ Transfers Other Deductions	Balance 9/30/2012
Capital assets, not being depreciated:				
Land	\$57,773,191	\$7,505,137	\$ -	\$65,278,328
Construction-in-progress	<u>284,056</u>	<u>4,500</u>	<u>284,056</u>	<u>4,500</u>
Total capital assets not being depreciated	<u>58,057,247</u>	<u>7,509,637</u>	<u>284,056</u>	<u>65,282,828</u>
Capital assets, being depreciated:				
Machinery and equipment	26,465	-	-	26,465
Buildings and improvements	8,038,887	284,056	-	8,322,943
Improvements other than buildings	<u>18,584,658</u>	<u>-</u>	<u>-</u>	<u>18,584,658</u>
Total capital assets being depreciated	26,650,010	284,056	-	26,934,066
Less: accumulated depreciation	<u>(12,919,692)</u>	<u>(2,049,651)</u>	<u>-</u>	<u>(14,969,343)</u>
Total capital assets being depreciated, net	<u>13,730,318</u>	<u>(1,765,595)</u>	<u>-</u>	<u>11,964,723</u>
FCDC capital assets, net	<u>\$71,787,565</u>	<u>\$5,744,042</u>	<u>\$ 284,056</u>	<u>\$77,247,551</u>

In addition to construction in progress, the City had active construction projects with commitments or binding contracts as of September 30, 2012. The construction

commitments or binding contracts totaled \$16,912,439 for the governmental capital assets; and \$12,961,288 for the business-type activities;

NOTE 7. NOTES PAYABLE

The following schedule summarizes notes payable as of September 30, 2012:

Frisco Community Development Corporation	Balance 9/30/2011	Additions	Deletions	Balance 9/30/2012
Note payable to City	\$40,822,754	\$ 8,142,923	\$10,543,715	\$38,421,962
Note payable to bank	<u>15,000,000</u>	<u>15,000,000</u>	<u>15,000,000</u>	<u>15,000,000</u>
Total	<u>\$55,822,754</u>	<u>\$23,142,923</u>	<u>\$25,543,715</u>	<u>\$53,421,962</u>

Frisco Economic Development Corporation	Balance 9/30/2011	Additions	Deletions	Balance 9/30/2012
Note payable to City	\$ 3,175,319	\$ -	\$ 245,695	\$ 2,929,624
Note payable to bank	<u>11,560,787</u>	<u>11,745,519</u>	<u>11,229,262</u>	<u>12,077,041</u>
Total	<u>\$14,736,106</u>	<u>\$11,745,519</u>	<u>\$11,474,957</u>	<u>\$15,006,665</u>

The City periodically issues bonds on behalf of the Community Development Corporation and Economic Development Corporation to fund various projects of these entities. These entities are component units of the City. Each component unit has an agreement with the City to fund the principal and interest payments of the bonds; therefore, a note payable is reported in the government wide financial statements of the component units to the City equal to the face amount of the bonds outstanding plus any bond premiums, discounts, and deferred loss from advance refunding of debt. The City is in compliance with related bond covenants.

At September 30, 2012, the balance of the note payable to the City from the Community Development Corporation was \$38,421,962. This includes \$38,250,000 in the note balance, \$1,148,197 of net premium, and \$976,235 of deferred loss from advanced refunding of debt. The balance of the note payable to the City from the Economic Development Corporation was \$2,929,624. This includes \$2,985,000 in the note balance, \$55,419 of premiums and \$110,795 of deferred loss from advanced refunding of debt. At September 30, 2012, the total notes payable to the City from the component units was \$41,351,586.

NOTE 8. LONG-TERM DEBT

General obligation bonds and certificates of obligation mature annually in varying amounts through 2033. The interest for these bonds are payable semi-annually with interest rates ranging from 2% to 7.375%. The City is in compliance with related bond covenants.

In March 2012, the city issued general obligation refunding bonds, series 2012, in the amount of \$30,950,000 with a premium of \$3,611,331. Proceeds from the sale of the refunding bonds were used to advance refund a portion of the City's outstanding debt, including \$17,290,000 in combination tax and revenue certificates of obligation, series 2004 and \$14,305,000 in general obligation refunding and improvement bonds, series 2004.

The net proceeds from the issuance of the bonds were used to purchase U.S. government securities which were deposited in an irrevocable trust with an escrow agent to provide debt service until the term bonds are called in February 2015 through February 2024. The advance refunding was undertaken to reduce total debt service payments by \$3,556,263, and resulted in an economic gain of \$3,060,085. An accounting loss of \$3,231,071 which will be deferred and amortized was recognized on this advanced refunding. The refunded bonds are considered to be legally defeased and the liability for the refunded bonds has been removed from long-term debt. At September 30, 2012, the amount of the defeased debt outstanding, but removed from long-term debt was \$31,595,000.

In August 2012, the Frisco Community Development Corporation issued sales tax revenue bonds, taxable series 2012, in the amount of \$27,675,000 with a premium of \$192,675. Proceeds from the sale of the bonds will be used to acquire approximately 145 acres in two tracts of land for public parks and park facilities, open space improvements including amphitheaters and entertainment facilities, sports and athletic facilities, police, fire and other public safety facilities that promote or develop new or expanded business enterprises, the promotion of development of new or expanded business enterprises, parking facilities and related infrastructure, site preparation and environmental remediation and other purposes permitted by law.

In August, 2012, the Frisco Economic Development Corporation issued sales tax revenue bonds, taxable series 2012, in the amount of \$29,300,000 with a premium of \$203,940. Proceeds from the sale of the bonds will be used to acquire approximately 86 acres of land for economic development purposes, including manufacturing warehouse operations, research and development facilities and office space.

During the year ended September 30, 2012, the following changes occurred in the long-term liabilities:

Governmental Activities	Balance 9/30/2011	Increases	Decreases	Balance 9/30/2012	Amounts due within one year
Compensated absences	\$ 6,703,619	\$ 4,357,437	\$ 4,093,153	\$ 6,967,903	\$ 4,094,655
General obligation bonds	171,340,000	-	24,888,653	146,451,347	12,305,000
General obligation – refunding bonds	185,475,000	22,615,000	6,741,347	201,348,653	6,955,000
Certificates of obligation	123,405,000	-	17,370,000	106,035,000	8,425,000
Deferred amounts: for issuance (discounts) premiums/charge on refunding	10,937,939	538,345	3,268,250	8,208,034	2,575,097
Total governmental activities	\$ 497,861,558	\$ 27,510,782	\$ 56,361,403	\$469,010,937	\$34,354,752

Business-type Activities	Balance 9/30/2011	Increases	Decreases	Balance 9/30/2012	Amounts due within one year
Compensated absences	\$ 947,722	\$ 589,080	\$ 565,571	\$ 971,231	\$ 642,524
General obligation – refunding bonds	26,950,000	8,335,000	2,415,000	32,870,000	1,560,000
Certificates of obligation	83,790,000	-	12,860,000	70,930,000	5,155,000
General obligation refunding bonds Frisco MUD#1	510,000	-	75,000	435,000	80,000
Deferred amounts: for issuance (discounts) premiums/charge on refunding	<u>1,312,843</u>	<u>158,299</u>	<u>479,646</u>	<u>991,496</u>	<u>352,057</u>
Total business-type activities	<u>113,510,565</u>	<u>9,082,379</u>	<u>16,395,217</u>	<u>106,197,727</u>	<u>7,789,581</u>
Total primary government	<u>\$611,372,123</u>	<u>\$ 36,593,161</u>	<u>\$72,756,620</u>	<u>\$575,208,664</u>	<u>\$42,144,333</u>

Component Units	Balance 9/30/2011	Increases	Decreases	Balance 9/30/2012	Amounts due within one year
Compensated absences	\$ 94,755	\$ 46,124	\$ 42,505	\$ 98,374	\$ 54,546
Sales tax revenue bonds	10,510,000	56,975,000	305,000	67,180,000	2,630,000
Notes payable – bank	26,567,740	26,745,517	26,232,740	27,080,517	165,000
Notes payable – City	43,795,000	7,955,000	10,515,000	41,235,000	2,535,000
Deferred amounts: for issuance (discounts) premiums/charge on refunding	<u>176,181</u>	<u>584,538</u>	<u>282,094</u>	<u>478,625</u>	<u>224,420</u>
Total component units	<u>\$ 81,143,676</u>	<u>\$ 92,306,179</u>	<u>\$ 37,377,339</u>	<u>\$136,072,516</u>	<u>\$ 5,608,966</u>

Debt service requirements of the general obligation bonds and certificates of obligation for the governmental activities for the years subsequent to September 30, 2012, are as follows:

Fiscal Year Ending September 30	Principal Requirements	Interest Requirements	Total Requirements
2013	\$ 27,685,000	\$ 21,009,463	\$ 48,694,463
2014	28,490,000	19,722,242	48,212,242
2015	29,690,000	18,423,166	48,113,166
2016	31,025,000	16,978,435	48,003,435
2017	32,110,000	15,455,210	47,565,210
2018-2022	172,625,000	53,792,223	226,417,223
2023-2027	105,525,000	17,146,278	122,671,278
2028-2032	22,505,000	4,057,261	26,562,261
2033	<u>4,180,000</u>	<u>117,028</u>	<u>4,297,028</u>
Total	453,835,000	166,701,306	620,536,306
Plus: Unamortized bond premium	17,539,981	-	17,539,981
Less: Unamortized (loss) on bond refunding	(9,177,718)	-	(9,177,718)
Unamortized bond discount	<u>(154,229)</u>	<u>-</u>	<u>(154,229)</u>
Net debt service requirements	<u>\$462,043,034</u>	<u>\$166,701,306</u>	<u>\$628,744,340</u>

Debt service requirements of the general obligation bonds and certificates of obligation for the business-type activities for the years subsequent to September 30, 2012, are as follows:

Fiscal Year Ending September 30	Principal Requirements	Interest Requirements	Total Requirements
2013	\$ 6,795,000	\$ 4,624,522	\$ 11,419,522
2014	6,960,000	4,322,293	11,282,293
2015	7,265,000	4,010,899	11,275,899
2016	7,575,000	3,668,331	11,243,331
2017	7,220,000	3,325,086	10,545,086
2018-2022	39,520,000	11,495,148	51,015,148
2023-2027	<u>28,900,000</u>	<u>2,972,336</u>	<u>31,872,336</u>
Total	104,235,000	34,418,615	138,653,615
Plus: Unamortized bond premium	2,714,054	-	2,714,054
Less: Unamortized bond discount	(23,984)	-	(23,984)
Unamortized (loss) on bond refunding	<u>(1,698,574)</u>	<u>-</u>	<u>(1,698,574)</u>
Net debt service requirements	<u>\$105,226,496</u>	<u>\$ 34,418,615</u>	<u>\$139,645,111</u>

Debt service requirements of the revenue bonds and notes payable for the Economic Development Corporation component unit for the years subsequent to September 30, 2012, are as follows:

Fiscal Year Ending September 30	Principal Requirements	Interest Requirements	Total Requirements
2013	\$ 1,945,000	\$ 2,108,651	\$ 4,053,651
2014	1,945,000	2,133,476	4,078,476
2015	13,570,517	2,074,048	15,644,565
2016	1,880,000	1,441,849	3,321,849
2017	1,940,000	1,379,753	3,319,753
2018-2022	10,440,000	5,833,206	16,273,206
2023-2027	10,945,000	3,816,738	14,761,738
2028-2032	<u>11,905,000</u>	<u>1,198,804</u>	<u>13,103,804</u>
Total	54,570,517	19,986,525	74,557,042
Plus: Unamortized bond premium	252,584	-	252,584
Less: Unamortized (loss) on bond refunding	(114,272)	-	(114,272)
Unamortized bond discount	<u>(17,918)</u>	<u>-</u>	<u>(17,918)</u>
Net debt service requirements	<u>\$ 54,690,911</u>	<u>\$ 19,986,525</u>	<u>\$ 74,677,436</u>

Debt service requirements of the revenue bonds and notes payable for the Community Development Corporation component unit for the years subsequent to September 30, 2012, are as follows:

Fiscal Year Ending September 30	Principal Requirements	Interest Requirements	Total Requirements
2013	\$ 3,385,000	\$ 2,742,382	\$ 6,127,382
2014	3,875,000	2,692,526	6,567,526
2015	3,995,000	2,551,520	6,546,520
2016	4,115,000	2,397,426	6,512,426
2017	19,160,000	1,934,795	21,094,795
2018-2022	21,665,000	6,891,023	28,556,023
2023-2027	15,925,000	2,882,898	18,807,898
2028-2032	<u>8,805,000</u>	<u>895,280</u>	<u>9,700,280</u>
Total	80,925,000	22,987,850	103,912,850
Plus: Unamortized bond premium	1,352,740	-	1,352,740
Less: Unamortized (loss) on bond refunding	(976,235)	-	(976,235)
Unamortized bond discount	<u>(18,274)</u>	<u>-</u>	<u>(18,274)</u>
Net debt service requirements	<u>\$ 81,283,231</u>	<u>\$ 22,987,850</u>	<u>\$104,271,081</u>

NOTE 9. GRANTS PAYABLERetail Development Agreements

In order to promote economic development and diversity, increase employment, reduce unemployment and underemployment, expand commerce, and stimulate business and commercial activity in the State of Texas, Collin County, and the City of Frisco, Texas, the City, agreed to pay sales tax grants to certain developers. These grants require the construction of a minimum square feet of retail space and obtaining certificates of occupancy for certain major retailers within a specified time period, all of which have been met during the 2012 fiscal year.

Each sales tax grant is available for a period of ten years, beginning on the dates the certificates of occupancy were received. The City will pay one-half of one percent (0.5%) of retail sales taxes collected by the City on retail sales generated by the Anchor stores or major retailers to the developers on a quarterly basis. Therefore, the installment payments are dependent on sales tax collections and there are no fixed repayment amounts with these grants. The City paid \$22,535 during the current year for this sales tax grant.

Another sales tax grant agreement with a retail developer is for a period of ten years which began on August 3, 2005. The City pays one-half of one percent (0.5%) of the retail sales taxes collected by the City on retail sales generated by the store on a quarterly basis. Therefore, the installment payments are dependent on sales tax collections, and there is no fixed repayment amount with this grant. The City paid \$538,519 during the current year for this sales tax grant.

A new retail development agreement was executed in December, 2005 for approximately 200,000 square feet of retail space, which opened for business during April, 2007. The developer was awarded an economic development grant in accordance with the agreement in the amount of one-half of one percent (0.5%) of retail sales generated for a period of ten years. The City paid \$223,725 during the current year for this grant.

A new retail agreement was executed in January, 2011 for approximately 140,000 square feet of retail space which opened October, 2011. The City pays one half of one percent of retail sales generated for a period of ten years. The City paid \$181,967 during the current year of this grant.

Medical Complex Agreements

The City has an agreement with a medical complex to rebate to the owner 100% of incremental City property taxes on the medical complex for ten years, subject to a \$1,650,000 rebate cap. The City rebated \$204,877 in property tax for the year ended September 30, 2012. The cumulative amount rebated through September 30, 2012 was \$1,650,000.

Planned Development Mixed Use Agreement

The City has an agreement for the development of thirty-six (36) acres into an urban mixed use community consisting of residential units, a 4-star hotel and a Class A

high rise office. The developer will receive rebates of incremental City property taxes paid on the improvements. The maximum grant amount of rebates for the improvements has a principal balance of \$3,000,000 bearing an interest rate of 4.75%, being repayable in three (3) annual installments of interest only and twenty-two (22) successive amortized annual installments of principal and interest. During the year ended September 30, 2012, the City rebated a total of \$110,000 for the property tax increment payment for 2011. The cumulative amount rebated through September 30, 2012 was \$409,844.

NOTE 10. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by the International City Management Association Retirement Corporation (ICMARC). All assets and income are held in trust for the exclusive benefit of participants and their beneficiaries, and the City has no fiduciary responsibilities over the plan; therefore, it is not reported in the financial statements of the City.

The plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTE 11. RETIREMENT SYSTEM**Plan Description**

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

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

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. 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, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 100 percent of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit, which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary

credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date.

At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest 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 plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2011	Plan Year 2012
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions:

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

Annual Pension Cost

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

For the year ended September 30, 2012, the City's actual fiscal year pension cost of \$6,548,469 (or 11.62% October – December 2011 and 12.95% January – September 2012) of the covered payroll of \$51,767,432 for TMRS was equal to the

City's required and actual contributions. The required contribution for fiscal year 2012 was determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

<i>Valuation Date</i>	<i>12/31/2009</i>	<i>12/31/2010</i>	<i>12/31/2011</i>
<i>Actuarial Cost Method</i>	<i>Projected Unit Credit</i>	<i>Projected Unit Credit</i>	<i>Projected Unit Credit</i>
<i>Amortization Method</i>	<i>Level Percent of Payroll</i>	<i>Level Percent of Payroll</i>	<i>Level Percent of Payroll</i>
<i>GASB 25 Equivalent Single Amortization Period</i>	<i>28.1 years; closed period</i>	<i>27.3 years; closed period</i>	<i>26.3 years; closed period</i>
<i>Amortization Period for New Gains/Loses</i>	<i>30 years</i>	<i>30 years</i>	<i>30 years</i>
<i>Asset Valuation Method</i>	<i>10 year Smoothed market</i>	<i>10-year Smoothed market</i>	<i>10-year Smoothed market</i>
<i>Actuarial Assumptions:</i>			
<i>Investment Rate of Return*</i>	<i>7.5%</i>	<i>7.0%</i>	<i>7.0%</i>
<i>Projected Salary Increases*</i>	<i>Varies by age and service</i>	<i>Varies by age and service</i>	<i>Varies by age and service</i>
<i>*Includes Inflation at</i>	<i>3.00%</i>	<i>3.00%</i>	<i>3.00%</i>
<i>Cost-of-Living Adjustments</i>	<i>2.1%</i>	<i>2.1%</i>	<i>2.1%</i>

The annual pension cost and net pension obligation are as follows:

Annual Pension Costs

Annual Required Contribution (ARC)	\$ 6,548,469
Annual Pension Cost (APC)	6,548,469
Contributions Made	<u>(6,548,469)</u>
Increase (decrease) in net pension obligation	-
Net Pension Obligation, beginning of year	-
Net Pension Obligation, end of year	<u>\$ -</u>

Three-Year Trend Information for TMRS

Fiscal Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/10	\$ 5,084,436	100%	\$0
9/30/11	\$ 5,924,665	100%	\$0
9/30/12	\$ 6,548,469	100%	\$0

Funding Status and Funding Progress:

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

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Funded Ratio</i>	<i>Unfunded AAL (UAAL)</i>	<i>Covered Payroll</i>	<i>UAAL as a Percentage of Covered Payroll</i>
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2011	\$82,772,110	\$113,677,859	72.8 %	\$30,905,749	\$50,514,366	61.2 %

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

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

NOTE 12. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City is a participant in the Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of individual governmental units located within Texas. The government pays an annual premium to the Funds for its workers' compensation and property and liability insurance coverage. The WC Fund and Property-Liability Fund are considered self-sustaining risk pools that provide coverage for its members for up to \$1,000,000 per event, and \$2,000,000 in aggregate. There were no significant reductions in insurance coverage from the previous year. Settled claims for risks have not exceeded insurance coverage for the past three years.

During FY 2012, the City participated in a modified self-insurance program for Employee Benefits. Group medical benefits were administered by a third party insurance provider. The City offers two PPO plans with payroll deductions set aside to cover the monthly claims. The annually negotiated stop loss provision for 2012 was \$150,000 per occurrence.

The liabilities for insurance claims reported are based on GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an estimate for incurred but not reported claims. The estimated claims incurred but not reported as of September 30, 2012 totaled \$2,317,719. Changes in the liability amount were:

Claim Year	Liability Beginning of Year	Current Year Claims and Changes In Estimates	Claim Payments	Liability End of Year
2005 – Health Insurance	\$ -	\$ 960,342	\$ 673,462	\$ 286,880
2006 – Health Insurance	286,880	1,206,931	1,174,391	319,420
2007 – Health Insurance	319,420	2,074,276	1,793,010	600,686
2008 – Health Insurance	600,686	2,551,929	2,689,872	462,743
2009 – Health Insurance	462,743	2,056,175	2,062,869	456,049
2010 – Health Insurance	456,049	7,141,067	5,735,799	1,861,317
2011 – Health Insurance	1,861,317	7,847,795	7,929,126	1,779,986
2012 – Health Insurance	1,779,986	8,240,646	7,702,913	2,317,719

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

All interfund receivables and payables are considered short-term and, at September 30, 2012, consisted of the following:

Due To	Due From Non-major Governmental	Total
General Fund	\$ 641,715	\$ 641,715
Capital Projects	710,226	710,226
Debt Service	91,488	91,488
Total	<u>\$ 1,443,429</u>	<u>\$ 1,443,429</u>

All balances resulted from the time lag between the dates that transactions are recorded in the accounting system and that payments between funds are made. The City reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements.

Transfer to	<u>Transfer from</u>					
	General Fund	TIRZ #1	Capital Projects	Non-major Governmental	Non-major Proprietary	Total
General Fund	\$ -	\$ -	\$ 42,543	\$ 108,000	\$571,537	\$ 722,080
TIRZ #1	-	-	-	1,496,007	-	1,496,007
Capital projects	153,290	-	-	1,531,014	-	1,684,304
Debt service	-	16,323,959	-	1,864,643	-	18,188,602
Non-major governmental	1,029,004	100,000	-	17,200	-	1,146,204
Water and sewer	-	-	-	-	250,486	250,486
Total	<u>\$1,182,294</u>	<u>\$16,423,959</u>	<u>\$ 42,543</u>	<u>\$5,016,864</u>	<u>\$822,023</u>	<u>\$23,487,683</u>

<u>Transfer from fund</u>	<u>Transfer to fund</u>	<u>Amount</u>
General Fund:		
Grants matching funds	Non-Major Governmental Funds – Grants	\$ 214,004
Capital outlay	Capital Projects	153,290
Capital reserves	Non-Major Governmental Funds – Capital Reserves	815,000
TIRZ #1 Fund:		
Debt service funding requirements	Debt Service	16,323,959
Superdrome capital outlay	Non-major Governmental Funds – Superdrome	100,000
Non-major governmental funds:		
Debt service funding requirements	TIRZ #1	1,496,007
Debt service funding requirements	Debt Service	1,864,643
Court warrant officer funding	General Fund	108,000
Capital Outlay	Capital Projects	1,531,014
Grant Matching Funds	Non-Major Governmental Funds – Courts	17,200
Capital Projects Fund:		
Operating capital for SAFER	General Fund	42,543
Proprietary funds:		
G&A for Environmental Services Fund	General Fund	471,537
Reimbursement for study	Water and Sewer Fund	250,486
G&A for Stormwater Drainage Fund	General Fund	100,000
Total		<u>\$ 23,487,683</u>

NOTE 14. OPERATING LEASE COMMITMENTS

The City entered into rental agreements in excess of one year during prior fiscal years. During fiscal year 2012, the City entered into additional agreements in excess of one year. The following commitments remain:

<u>FY</u>	<u>At September 30</u>
2013	\$111,884
2014	\$ 52,248
2015	\$ 9,558

Rent paid under operating leases was approximately \$114,695 for the year ended September 30, 2012.

NOTE 15. CONTINGENT LIABILITIES

The City has participated in a number of state and federally assisted grant programs. These programs are subject to program compliance audits and adjustments by the grantor agencies or their representatives. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

In June 2006, the North Texas Municipal Water District issued \$35,235,000 in revenue bonds, series 2006. This bond issue is for the purpose of constructing the

Panther Creek Wastewater System benefiting the City of Frisco. In March 2009, an additional \$20,210,000 in revenue bonds, series 2009 was issued for expansion of the system. The outstanding principal of the revenue bonds at September 30, 2012 is \$46,050,000. The City of Frisco has guaranteed the payment of the bond principal and interest, and certain related administrative cost. The City of Frisco is in compliance with this agreement at September 30, 2012.

NOTE 16. LITIGATION

The City is party to several legal actions arising in the ordinary course of business. In the opinion of the City's management, the City has adequate legal defense and/or insurance coverage regarding each of these actions and does not believe that they will materially affect the City's operations or financial position.

NOTE 17. OTHER POSTEMPLOYMENT BENEFITS

The City does not provide postretirement health or dental care benefits to retirees. We do provide a plan that retirees can purchase, but they are responsible for 100% of the premium costs and this plan is not part of the City's active employee plan. The City incurs no cost for providing these benefits, as retirees are included in a separate risk pool, there is no direct or implicit rate subsidy and the City has no measurable OPEB liability.

NOTE 18. COMPONENT UNIT REMEDIATION OBLIGATIONS

During FY 2012, the FEDC and FCDC entered into agreements with a local manufacturing company to purchase land surrounding a plant that is being closed. Revenue bonds were sold and have been placed in escrow with a third party. Remediation funds up to \$1,000,000 have also been placed in escrow with the third party to cover the costs of clean up for the land surrounding the plant that the City component units are planning to purchase. Consultants were hired to estimate the remediation costs, which have been accrued based on cash flow estimates.



PROGRESS IN MOTION

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FRISCO
Schedule of Funding Progress
Texas Municipal Retirement System
Required Supplementary Information
(In Thousands of Dollars)
(Unaudited)

<u>Fiscal Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (c)</u> <u>(b) - (a)</u>	<u>Funded Ratio (a)/(b)</u>
2003	12/31/2002	\$ 10,453	\$ 14,335	\$ 3,882	72.9%
2004	12/31/2003	14,135	20,559	6,424	68.8%
2005	12/31/2004	18,599	24,508	5,909	75.9%
2006	12/31/2005	23,723	30,823	7,100	77.0%
2007	12/31/2006	29,466	38,253	8,787	77.0%
2008	12/31/2007	36,863	58,136	21,273	63.4%
2009	12/31/2008	45,052	69,433	24,381	64.9%
2010	12/31/2009	54,167	80,539	26,372	67.3%
(1) 2011	12/31/2010	69,547	100,524	30,977	69.2%
(2) 2012	12/31/2011	82,772	113,678	30,906	72.8%

(1) Actuarial valuation performed under the new fund structure.

(2) Information is as of actuarial valuation date.

Covered Payroll (d)	UAAL as a Percentage of Covered Payroll (c/d)	Annual Required Contributions	Actual Contributions	Percent Contributed
\$ 16,876	23.0%	\$ 1,688	\$ 1,688	100%
20,805	30.9%	2,024	2,024	100%
26,760	22.1%	2,578	2,578	100%
29,079	24.4%	3,083	3,083	100%
33,553	26.2%	3,536	3,536	100%
44,156	48.2%	4,300	4,300	100%
47,557	51.3%	4,718	4,718	100%
47,732	55.3%	5,084	5,084	100%
48,753	63.5%	5,925	5,925	100%
50,514	61.2%	6,548	6,548	100%



PROGRESS IN MOTION

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES



PROGRESS IN MOTION

BUDGET TO ACTUAL COMPARISONS
MAJOR FUNDS

**Capital Projects Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2012**

	Budgeted Amounts		Actual on a	Adjustments-	Actual on a	Variance with
	Original	Final	GAAP	Budgetary	Budgetary	Final Budget -
			Basis	Basis	Basis	Positive
						(Negative)
REVENUES:						
Intergovernmental	\$ -	\$ 289,992	\$ 984,528	\$ -	\$ 984,528	\$ 694,536
Investment earnings	-	250,000	246,834	-	246,834	(3,166)
Contributions, donations & grants	-	52,215,365	3,003,853	-	3,003,853	(49,211,512)
Payments from component units	-	3,720,000	2,780,123	-	2,780,123	(939,877)
Total revenues	-	56,475,357	7,015,338	-	7,015,338	(49,460,019)
EXPENDITURES:						
Capital outlay	-	112,356,784	22,441,356	3,906,157	26,347,513	86,009,271
Debt service	-	9,710	9,710	-	9,710	-
Total expenditures	-	112,366,494	22,451,066	3,906,157	26,357,223	86,009,271
Deficiency of revenues under expenditures	-	(55,891,137)	(15,435,728)	3,906,157	(19,341,885)	36,549,252
OTHER FINANCING SOURCES (USES):						
Proceeds from sale of assets	-	-	24,200	-	24,200	24,200
Transfers in	23,290	2,245,833	1,684,304	-	1,684,304	(561,529)
Transfers out	(40,000)	(42,543)	(42,543)	-	(42,543)	-
Total other financing sources (uses)	(16,710)	2,203,290	1,665,961	-	1,665,961	(537,329)
Net change in fund balances	(16,710)	(53,687,847)	(13,769,767)	(3,906,157)	(17,675,924)	36,011,923
Fund balances, October 1	2,821,761	70,162,298	70,162,298	(13,006,282)	57,156,016	(13,006,282)
Fund balances, September 30	\$ 2,805,051	\$ 16,474,451	\$ 56,392,531	\$ (16,912,439)	\$ 39,480,092	\$ 23,005,641

**CITY OF FRISCO
Adjustments to Revenues, Expenditures and Other Financing Sources and Uses
From GAAP Basis to Budgetary Basis
For the Fiscal Year Ended September 30, 2012**

GAAP basis	Net Change in Fund Balances \$ (13,769,767)
Expenditures:	
Increase due to encumbrances from prior year	13,006,282
Decrease due to encumbrances from current year	(16,912,439)
Budgetary basis	\$ (17,675,924)

**Debt Service Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual on a</u>	<u>Adjustments-</u>	<u>Actual on a</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP</u>	<u>Budgetary</u>	<u>Budgetary</u>	<u>Final Budget -</u>
			<u>Basis</u>	<u>Basis</u>	<u>Basis</u>	<u>Positive</u>
						<u>(Negative)</u>
REVENUES:						
Taxes:						
Property	\$ 26,197,949	\$ 26,727,212	\$ 26,762,159	\$ -	\$ 26,762,159	\$ 34,947
Investment earnings	20,000	8,565	8,725	-	8,725	160
Payment from component units	4,401,917	4,570,461	4,242,484	-	4,242,484	(327,977)
Total revenues	<u>30,619,866</u>	<u>31,306,238</u>	<u>31,013,368</u>	<u>-</u>	<u>31,013,368</u>	<u>(292,870)</u>
EXPENDITURES:						
Debt service	<u>48,419,930</u>	<u>48,682,010</u>	<u>48,248,864</u>	<u>-</u>	<u>48,248,864</u>	<u>433,146</u>
Total expenditures	<u>48,419,930</u>	<u>48,682,010</u>	<u>48,248,864</u>	<u>-</u>	<u>48,248,864</u>	<u>433,146</u>
Deficiency of revenues under expenditures	<u>(17,800,064)</u>	<u>(17,375,772)</u>	<u>(17,235,496)</u>	<u>-</u>	<u>(17,235,496)</u>	<u>140,276</u>
OTHER FINANCING SOURCES (USES):						
Refunding bonds issued	-	22,615,000	22,615,000	-	22,615,000	-
Premium on bonds issued	-	2,687,312	2,687,312	-	2,687,312	-
Discount on bonds issued	-	(39,859)	(39,859)	-	(39,859)	-
Payment to refunded debt escrow agent	-	(25,312,360)	(25,312,360)	-	(25,312,360)	-
Transfers in	<u>17,891,769</u>	<u>18,188,602</u>	<u>18,188,602</u>	<u>-</u>	<u>18,188,602</u>	<u>-</u>
Total other financing sources (uses)	<u>17,891,769</u>	<u>18,138,695</u>	<u>18,138,695</u>	<u>-</u>	<u>18,138,695</u>	<u>-</u>
Net change in fund balances	91,705	762,923	903,199	-	903,199	140,276
Fund balances, October 1	<u>4,007,210</u>	<u>3,452,399</u>	<u>3,452,399</u>	<u>-</u>	<u>3,452,399</u>	<u>-</u>
Fund balances, September 30	<u>\$ 4,098,915</u>	<u>\$ 4,215,322</u>	<u>\$ 4,355,598</u>	<u>\$ -</u>	<u>\$ 4,355,598</u>	<u>\$ 140,276</u>



PROGRESS IN MOTION

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Hotel/Motel Tax Fund - This fund is used to account for revenues specifically restricted to encourage tourism, historical preservation and promote the City of Frisco.

Panther Creek Public Improvement District (PID) - This fund was established to account for assessments charged to property owners of the Panther Creek Estates.

Superdrome Fund - This fund is used to account for activities of the facilities used for hosting local bicycling races.

Grants Fund - This fund is established to account for grants awarded to the City of Frisco in the governmental funds.

CDBG Fund - This fund was created to account for the Community Development Block Grant program revenues and expenditures.

Traffic Safety Fund - This fund was established to account for the automated red light enforcement system implemented by the City during FY 2006.

Frisco Square Municipal Management District (MMD) - This fund was established to account for assessments and transactions related to the Frisco Square District.

Court Fees Fund - This fund was established to account for special fees collected in the Municipal Court including the technology fees, building security fees and court improvement fees.

PEG Cable Fund - This fund was established to account for franchise fees collected for the Public Educational & Governmental Television production.

Capital Projects Funds

Capital Reserve Fund - This fund accounts for the reserve set-aside for future infrastructure needs.

Impact Fees Fund - This fund accounts for the collection of impact fees and park dedication fees, which are transferred to the Capital Projects Fund as needed to fund infrastructure.

**Combining Balance Sheet
Non-Major Governmental Funds
September 30, 2012**

	<u>Special Revenue</u>				
	<u>Hotel/Motel Tax</u>	<u>Panther Creek PID</u>	<u>Superdrome</u>	<u>Grants</u>	<u>CDBG</u>
ASSETS					
Cash and cash equivalents	\$ 245,872	\$ 20,212	\$ 195,804	\$ -	\$ -
Investments	-	-	1,518,451	-	-
Receivables (net of allowance for uncollectibles):					
Franchise tax	-	-	-	-	-
Occupancy tax	262,702	-	-	-	-
Assessments	-	2,738,500	-	-	-
Grants	-	-	-	833,394	39,931
Other	951,057	-	1,708	-	-
Prepays	<u>172,495</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,632,126</u>	<u>\$ 2,758,712</u>	<u>\$ 1,715,963</u>	<u>\$ 833,394</u>	<u>\$ 39,931</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 684,460	\$ -	\$ -	\$ 5,043	\$ 16,341
Accrued liabilities	12,541	-	-	-	-
Unearned revenue	-	2,738,500	-	-	-
Monies held in escrow	-	-	-	-	-
Due to other funds	<u>500,000</u>	<u>13,971</u>	<u>-</u>	<u>828,351</u>	<u>23,590</u>
Total liabilities	<u>1,197,001</u>	<u>2,752,471</u>	<u>-</u>	<u>833,394</u>	<u>39,931</u>
Fund balances:					
Unspendable	172,495	-	-	-	-
Restricted	262,630	6,241	1,715,963	-	-
Committed	-	-	-	-	-
Total fund balances	<u>435,125</u>	<u>6,241</u>	<u>1,715,963</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,632,126</u>	<u>\$ 2,758,712</u>	<u>\$ 1,715,963</u>	<u>\$ 833,394</u>	<u>\$ 39,931</u>

				Capital Projects		Total Non-major Governmental Funds
Traffic Safety	Frisco Square MMD	Court Fees	PEG Cable	Capital Reserve	Impact Fees	
\$ 187,881	\$ -	\$ 458,268	\$ 672,237	\$ 1,342,908	\$ 13,845,167	\$ 16,968,349
-	-	-	-	1,003,000	5,010,800	7,532,251
-	-	-	80,205	-	-	80,205
-	-	-	-	-	-	262,702
-	-	-	-	-	-	2,738,500
-	-	-	-	-	-	873,325
2,681	77,517	-	-	2,306	7,672	1,042,941
-	-	12,905	-	-	-	185,400
<u>\$ 190,562</u>	<u>\$ 77,517</u>	<u>\$ 471,173</u>	<u>\$ 752,442</u>	<u>\$ 2,348,214</u>	<u>\$ 18,863,639</u>	<u>\$ 29,683,673</u>
\$ 111,793	\$ -	\$ 16,914	\$ 44,977	\$ 4,073	\$ -	\$ 883,601
-	-	-	-	-	-	12,541
-	-	-	-	-	-	2,738,500
-	-	-	-	66,697	890,742	957,439
-	77,517	-	-	-	-	1,443,429
<u>111,793</u>	<u>77,517</u>	<u>16,914</u>	<u>44,977</u>	<u>70,770</u>	<u>890,742</u>	<u>6,035,510</u>
-	-	12,905	-	-	-	185,400
78,769	-	441,354	707,465	-	17,972,897	21,185,319
-	-	-	-	2,277,444	-	2,277,444
<u>78,769</u>	<u>-</u>	<u>454,259</u>	<u>707,465</u>	<u>2,277,444</u>	<u>17,972,897</u>	<u>23,648,163</u>
<u>\$ 190,562</u>	<u>\$ 77,517</u>	<u>\$ 471,173</u>	<u>\$ 752,442</u>	<u>\$ 2,348,214</u>	<u>\$ 18,863,639</u>	<u>\$ 29,683,673</u>

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the year ended September 30, 2012**

	<u>Special Revenue</u>				
	<u>Hotel/Motel Tax</u>	<u>Panther Creek PID</u>	<u>Superdrome</u>	<u>Grants</u>	<u>CDBG</u>
REVENUES:					
Franchise tax	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel/motel tax	3,027,021	-	-	-	-
Special assessments	-	170,499	-	-	-
Fines	-	-	-	-	-
Intergovernmental	745,798	-	-	23,690	-
Charges for services	4,215	-	-	-	-
Contributions, donations & grants	326,201	-	-	1,719,748	326,258
Investment earnings	132	83,312	8,304	-	-
Miscellaneous	6,132	-	-	-	4,956
Total revenues	<u>4,109,499</u>	<u>253,811</u>	<u>8,304</u>	<u>1,743,438</u>	<u>331,214</u>
EXPENDITURES:					
Current:					
General government	-	-	-	263,572	331,214
Public safety	-	-	-	518,066	-
Public works	-	-	-	19,661	-
Culture and recreation	2,488,726	-	80,004	-	-
Capital outlay	-	-	-	463,117	-
Total expenditures	<u>2,488,726</u>	<u>-</u>	<u>80,004</u>	<u>1,264,416</u>	<u>331,214</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,620,773</u>	<u>253,811</u>	<u>(71,700)</u>	<u>479,022</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	100,000	231,204	-
Transfers out	(1,496,007)	(374,471)	-	(710,226)	-
Total other financing sources (uses)	<u>(1,496,007)</u>	<u>(374,471)</u>	<u>100,000</u>	<u>(479,022)</u>	<u>-</u>
Net change in fund balances	124,766	(120,660)	28,300	-	-
Fund balances, beginning	<u>310,359</u>	<u>126,901</u>	<u>1,687,663</u>	<u>-</u>	<u>-</u>
Fund balances, ending	<u>\$ 435,125</u>	<u>\$ 6,241</u>	<u>\$ 1,715,963</u>	<u>\$ -</u>	<u>\$ -</u>

Traffic Control	Frisco Square MMD	Court Fees	PEG Cable	Capital Projects		Total Non-major Governmental Funds
				Capital Reserve	Impact Fees	
\$ -	\$ -	\$ -	\$ 316,579	\$ -	\$ -	\$ 316,579
-	-	-	-	-	-	3,027,021
-	-	-	-	-	5,169,418	5,339,917
262,031	-	242,453	-	-	-	504,484
-	-	-	-	-	-	769,488
-	-	-	-	-	-	4,215
-	490,172	-	-	-	-	2,862,379
145	-	586	515	5,261	36,270	134,525
-	-	-	-	-	-	11,088
<u>262,176</u>	<u>490,172</u>	<u>243,039</u>	<u>317,094</u>	<u>5,261</u>	<u>5,205,688</u>	<u>12,969,696</u>
-	-	82,471	29,624	-	-	706,881
196,475	-	-	-	-	-	714,541
40,831	-	-	-	-	-	60,492
-	-	-	-	-	-	2,568,730
-	-	<u>58,300</u>	<u>44,555</u>	<u>357,468</u>	-	<u>923,440</u>
<u>237,306</u>	-	<u>140,771</u>	<u>74,179</u>	<u>357,468</u>	-	<u>4,974,084</u>
<u>24,870</u>	<u>490,172</u>	<u>102,268</u>	<u>242,915</u>	<u>(352,207)</u>	<u>5,205,688</u>	<u>7,995,612</u>
-	-	-	-	815,000	-	1,146,204
-	(490,172)	(125,200)	-	-	(1,820,788)	(5,016,864)
-	(490,172)	(125,200)	-	815,000	(1,820,788)	(3,870,660)
24,870	-	(22,932)	242,915	462,793	3,384,900	4,124,952
53,899	-	477,191	464,550	1,814,651	14,587,997	19,523,211
<u>\$ 78,769</u>	<u>\$ -</u>	<u>\$ 454,259</u>	<u>\$ 707,465</u>	<u>\$ 2,277,444</u>	<u>\$ 17,972,897</u>	<u>\$ 23,648,163</u>

**Hotel/Motel Tax Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2012**

	Budgeted Amounts		Actual on a	Adjustments-	Actual on a	Variance with
	Original	Final	GAAP	Budgetary	Budgetary	Final Budget -
			Basis	Basis	Basis	Positive (Negative)
REVENUES:						
Taxes:						
Hotel/motel tax	\$ 3,092,351	\$ 3,017,851	\$ 3,027,021	\$ -	\$ 3,027,021	\$ 9,170
Intergovernmental	400,000	300,000	745,798	-	745,798	445,798
Charges for service	1,000	1,000	4,215	-	4,215	3,215
Grant income/contributions	20,000	20,000	326,201	-	326,201	306,201
Investment earnings	1,000	1,000	132	-	132	(868)
Miscellaneous	-	-	6,132	-	6,132	6,132
Total revenues	<u>3,514,351</u>	<u>3,339,851</u>	<u>4,109,499</u>	<u>-</u>	<u>4,109,499</u>	<u>769,648</u>
EXPENDITURES:						
Current:						
Culture and recreation	<u>1,857,785</u>	<u>1,879,270</u>	<u>2,488,726</u>	<u>-</u>	<u>2,488,726</u>	<u>(609,456)</u>
Total expenditures	<u>1,857,785</u>	<u>1,879,270</u>	<u>2,488,726</u>	<u>-</u>	<u>2,488,726</u>	<u>(609,456)</u>
Excess of revenues over expenditures	<u>1,656,566</u>	<u>1,460,581</u>	<u>1,620,773</u>	<u>-</u>	<u>1,620,773</u>	<u>160,192</u>
OTHER FINANCING USES:						
Transfers out	<u>(1,521,304)</u>	<u>(1,496,007)</u>	<u>(1,496,007)</u>	<u>-</u>	<u>(1,496,007)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,521,304)</u>	<u>(1,496,007)</u>	<u>(1,496,007)</u>	<u>-</u>	<u>(1,496,007)</u>	<u>-</u>
Net change in fund balances	135,262	(35,426)	124,766	-	124,766	160,192
Fund balances, October 1	<u>146,051</u>	<u>310,359</u>	<u>310,359</u>	<u>-</u>	<u>310,359</u>	<u>-</u>
Fund balances, September 30	<u>\$ 281,313</u>	<u>\$ 274,933</u>	<u>\$ 435,125</u>	<u>\$ -</u>	<u>\$ 435,125</u>	<u>\$ 160,192</u>

Panther Creek PID Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2012

	Budgeted Amounts		Actual on a	Adjustments-	Actual on a	Variance with
	Original	Final	GAAP	Budgetary	Budgetary	Final Budget -
			Basis	Basis	Basis	Positive
						(Negative)
REVENUES:						
Special assessments	\$ 335,661	\$ 274,221	\$ 170,499	\$ -	\$ 170,499	\$ (103,722)
Investment earnings	100,250	100,250	83,312	-	83,312	(16,938)
Total revenues	<u>435,911</u>	<u>374,471</u>	<u>253,811</u>	<u>-</u>	<u>253,811</u>	<u>(120,660)</u>
OTHER FINANCING USES:						
Transfers out	<u>(435,911)</u>	<u>(374,471)</u>	<u>(374,471)</u>	<u>-</u>	<u>(374,471)</u>	<u>-</u>
Net change in fund balances	-	-	(120,660)	-	(120,660)	(120,660)
Fund balances, October 1	<u>40,640</u>	<u>126,900</u>	<u>126,901</u>	<u>-</u>	<u>126,901</u>	<u>(1)</u>
Fund balances, September 30	<u>\$ 40,640</u>	<u>\$ 126,900</u>	<u>\$ 6,241</u>	<u>\$ -</u>	<u>\$ 6,241</u>	<u>\$ (120,659)</u>

**Superdrome Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2012**

	Budgeted Amounts		Actual on a	Adjustments-	Actual on a	Variance with
	Original	Final	GAAP	Budgetary	Budgetary	Final Budget -
			Basis	Basis	Basis	Positive
						(Negative)
REVENUES:						
Investment earnings	\$ 9,000	\$ 6,907	\$ 8,304	\$ -	\$ 8,304	\$ 1,397
Total revenues	<u>9,000</u>	<u>6,907</u>	<u>8,304</u>	<u>-</u>	<u>8,304</u>	<u>1,397</u>
EXPENDITURES:						
Current:						
Culture and recreation	80,004	80,004	80,004	-	80,004	-
Total expenditures	<u>80,004</u>	<u>80,004</u>	<u>80,004</u>	<u>-</u>	<u>80,004</u>	<u>-</u>
Deficiency of revenues under expenditures	<u>(71,004)</u>	<u>(73,097)</u>	<u>(71,700)</u>	<u>-</u>	<u>(71,700)</u>	<u>1,397</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	100,000	100,000	100,000	-	100,000	-
Total other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Net change in fund balances	28,996	26,903	28,300	-	28,300	1,397
Fund balances, October 1	<u>1,690,302</u>	<u>1,687,664</u>	<u>1,687,663</u>	<u>-</u>	<u>1,687,663</u>	<u>1</u>
Fund balances, September 30	<u>\$ 1,719,298</u>	<u>\$ 1,714,567</u>	<u>\$ 1,715,963</u>	<u>\$ -</u>	<u>\$ 1,715,963</u>	<u>\$ 1,396</u>

**Grants Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2012**

	Budgeted Amounts		Actual on a	Adjustments-	Actual on a	Variance with
	Original	Final	GAAP	Budgetary	Budgetary	Final Budget -
			Basis	Basis	Basis	Positive
						(Negative)
REVENUES:						
Intergovernmental	\$ -	\$ -	\$ 23,690	\$ -	\$ 23,690	\$ 23,690
Grant income	3,947,525	1,753,964	1,719,748	-	1,719,748	(34,216)
Total revenues	<u>3,947,525</u>	<u>1,753,964</u>	<u>1,743,438</u>	<u>-</u>	<u>1,743,438</u>	<u>(10,526)</u>
EXPENDITURES:						
Current:						
General government	2,201,063	265,000	263,572	-	263,572	1,428
Public safety	-	520,000	518,066	-	518,066	1,934
Public works	-	20,000	19,661	-	19,661	339
Capital Outlay	1,798,937	464,000	463,117	-	463,117	883
Total expenditures	<u>4,000,000</u>	<u>1,269,000</u>	<u>1,264,416</u>	<u>-</u>	<u>1,264,416</u>	<u>4,584</u>
Deficiency of revenues under expenditures	<u>(52,475)</u>	<u>484,964</u>	<u>479,022</u>	<u>-</u>	<u>479,022</u>	<u>(5,942)</u>
OTHER FINANCING SOURCES:						
Transfers in	52,475	302,280	231,204	-	231,204	71,076
Transfers out	-	(787,244)	(710,226)	-	(710,226)	(77,018)
Total other financing sources (uses)	<u>52,475</u>	<u>(484,964)</u>	<u>(479,022)</u>	<u>-</u>	<u>(479,022)</u>	<u>(5,942)</u>
Net change in fund balances	-	-	-	-	-	-
Fund balances, October 1	-	-	-	-	-	-
Fund balances, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CDBG Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2012**

	Budgeted Amounts		Actual on a	Adjustments-	Actual on a	Variance with
	Original	Final	GAAP	Budgetary	Budgetary	Final Budget -
			Basis	Basis	Basis	Positive -
						(Negative)
REVENUES:						
Grant income contributions	\$ 393,972	\$ 344,472	\$ 326,258	\$ -	\$ 326,258	\$ (18,214)
Miscellaneous	<u>2,500</u>	<u>2,000</u>	<u>4,956</u>	<u>-</u>	<u>4,956</u>	<u>2,956</u>
Total revenues	<u>396,472</u>	<u>346,472</u>	<u>331,214</u>	<u>-</u>	<u>331,214</u>	<u>(15,258)</u>
EXPENDITURES:						
Current:						
General government	<u>396,472</u>	<u>346,472</u>	<u>331,214</u>	<u>-</u>	<u>331,214</u>	<u>15,258</u>
Total expenditures	<u>396,472</u>	<u>346,472</u>	<u>331,214</u>	<u>-</u>	<u>331,214</u>	<u>15,258</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, October 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Traffic Safety Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2012

	Budgeted Amounts		Actual on a	Adjustments-	Actual on a	Variance with
	Original	Final	GAAP	Budgetary	Budgetary	Final Budget -
			Basis	Basis	Basis	Positive
						(Negative)
REVENUES:						
Fines	\$ 200,000	\$ 259,007	\$ 262,031	\$ -	\$ 262,031	\$ 3,024
Interest	500	132	145	-	145	13
Total revenues	<u>200,500</u>	<u>259,139</u>	<u>262,176</u>	<u>-</u>	<u>262,176</u>	<u>3,037</u>
EXPENDITURES:						
Current:						
Public safety	114,000	185,639	196,475	-	196,475	(10,836)
Public works	-	31,440	40,831	-	40,831	(9,391)
Total expenditures	<u>114,000</u>	<u>217,079</u>	<u>237,306</u>	<u>-</u>	<u>237,306</u>	<u>(20,227)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>86,500</u>	<u>42,060</u>	<u>24,870</u>	<u>-</u>	<u>24,870</u>	<u>(17,190)</u>
Net change in fund balances	86,500	42,060	24,870	-	24,870	(17,190)
Fund balances, October 1	<u>64,500</u>	<u>53,899</u>	<u>53,899</u>	<u>-</u>	<u>53,899</u>	<u>-</u>
Fund balances, September 30	<u>\$ 151,000</u>	<u>\$ 95,959</u>	<u>\$ 78,769</u>	<u>\$ -</u>	<u>\$ 78,769</u>	<u>\$ (17,190)</u>

**Frisco Square MMD Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2012**

	Budgeted Amounts		Actual on a	Adjustments-	Actual on a	Variance with
	Original	Final	GAAP	Budgetary	Budgetary	Final Budget -
			Basis	Basis	Basis	Positive
						(Negative)
REVENUES:						
Contributions, donations & grants	\$ 490,172	\$ 490,172	\$ 490,172	\$ -	\$ 490,172	\$ -
Total revenues	<u>490,172</u>	<u>490,172</u>	<u>490,172</u>	<u>-</u>	<u>490,172</u>	<u>-</u>
Excess of revenues over expenditures	<u>490,172</u>	<u>490,172</u>	<u>490,172</u>	<u>-</u>	<u>490,172</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):						
Transfers out	(490,172)	(490,172)	(490,172)	-	(490,172)	-
Total other financing sources (uses)	<u>(490,172)</u>	<u>(490,172)</u>	<u>(490,172)</u>	<u>-</u>	<u>(490,172)</u>	<u>-</u>
Net change in fund balances	-	-	-	-	-	-
Fund balances, October 1	-	-	-	-	-	-
Fund balances, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Court Fees Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2012**

	Budgeted Amounts		Actual on a	Adjustments-	Actual on a	Variance with
	Original	Final	GAAP Basis	Budgetary Basis	Budgetary Basis	Final Budget - Positive (Negative)
REVENUES:						
Fines	\$ 196,500	\$ 228,120	\$ 242,453	\$ -	\$ 242,453	\$ 14,333
Investment earnings	1,000	500	586	-	586	86
Total revenues	<u>197,500</u>	<u>228,620</u>	<u>243,039</u>	<u>-</u>	<u>243,039</u>	<u>14,419</u>
EXPENDITURES:						
Current:						
General government	71,984	123,219	82,471	-	82,471	40,748
Capital Outlay	<u>95,450</u>	<u>58,300</u>	<u>58,300</u>	<u>-</u>	<u>58,300</u>	<u>-</u>
Total expenditures	<u>167,434</u>	<u>181,519</u>	<u>140,771</u>	<u>-</u>	<u>140,771</u>	<u>40,748</u>
Excess of revenues over expenditures	<u>30,066</u>	<u>47,101</u>	<u>102,268</u>	<u>-</u>	<u>102,268</u>	<u>55,167</u>
OTHER FINANCING USES:						
Transfers out	<u>(108,000)</u>	<u>(122,340)</u>	<u>(125,200)</u>	<u>-</u>	<u>(125,200)</u>	<u>(2,860)</u>
Total other financing sources (uses)	<u>(108,000)</u>	<u>(122,340)</u>	<u>(125,200)</u>	<u>-</u>	<u>(125,200)</u>	<u>(2,860)</u>
Net change in fund balances	(77,934)	(75,239)	(22,932)	-	(22,932)	52,307
Fund balances, October 1	<u>451,328</u>	<u>477,191</u>	<u>477,191</u>	<u>-</u>	<u>477,191</u>	<u>-</u>
Fund balances, September 30	<u>\$ 373,394</u>	<u>\$ 401,952</u>	<u>\$ 454,259</u>	<u>\$ -</u>	<u>\$ 454,259</u>	<u>\$ 52,307</u>

**PEG Cable Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2012**

	Budgeted Amounts		Actual on a GAAP Basis	Adjustments- Budgetary Basis	Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final				
REVENUES:						
Taxes:						
Franchise	\$ 346,369	\$ 308,705	\$ 316,579	\$ -	\$ 316,579	\$ 7,874
Investment earnings	5,500	465	515	-	515	50
Total revenues	<u>351,869</u>	<u>309,170</u>	<u>317,094</u>	<u>-</u>	<u>317,094</u>	<u>7,924</u>
EXPENDITURES:						
Current:						
General government	-	-	29,624	-	29,624	(29,624)
Capital Outlay	199,000	139,000	44,555	-	44,555	94,445
Total expenditures	<u>199,000</u>	<u>139,000</u>	<u>74,179</u>	<u>-</u>	<u>74,179</u>	<u>64,821</u>
Excess of revenues over expenditures	<u>152,869</u>	<u>170,170</u>	<u>242,915</u>	<u>-</u>	<u>242,915</u>	<u>72,745</u>
Net change in fund balances	152,869	170,170	242,915	-	242,915	72,745
Fund balances, October 1	<u>480,867</u>	<u>464,550</u>	<u>464,550</u>	<u>-</u>	<u>464,550</u>	<u>-</u>
Fund balances, September 30	<u>\$ 633,736</u>	<u>\$ 634,720</u>	<u>\$ 707,465</u>	<u>\$ -</u>	<u>\$ 707,465</u>	<u>\$ 72,745</u>

Capital Reserve Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2012

	Budgeted Amounts		Actual on a	Adjustments-	Actual on a	Variance with
	Original	Final	GAAP	Budgetary	Budgetary	Final Budget -
			Basis	Basis	Basis	Positive
						(Negative)
REVENUES:						
Investment earnings	\$ 2,000	\$ 3,834	\$ 5,261	\$ -	\$ 5,261	\$ 1,427
Total revenues	<u>2,000</u>	<u>3,834</u>	<u>5,261</u>	<u>-</u>	<u>5,261</u>	<u>1,427</u>
EXPENDITURES:						
Capital outlay	<u>183,064</u>	<u>419,698</u>	<u>357,468</u>	<u>-</u>	<u>357,468</u>	<u>62,230</u>
Total expenditures	<u>183,064</u>	<u>419,698</u>	<u>357,468</u>	<u>-</u>	<u>357,468</u>	<u>62,230</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(181,064)</u>	<u>(415,864)</u>	<u>(352,207)</u>	<u>-</u>	<u>(352,207)</u>	<u>63,657</u>
OTHER FINANCING USES:						
Transfers in	<u>215,000</u>	<u>815,000</u>	<u>815,000</u>	<u>-</u>	<u>815,000</u>	<u>-</u>
Total other financing sources (uses)	<u>215,000</u>	<u>815,000</u>	<u>815,000</u>	<u>-</u>	<u>815,000</u>	<u>-</u>
Net change in fund balances	33,936	399,136	462,793	-	462,793	63,657
Fund balances, October 1	<u>1,668,519</u>	<u>1,814,651</u>	<u>1,814,651</u>	<u>-</u>	<u>1,814,651</u>	<u>-</u>
Fund balances, September 30	<u>\$ 1,702,455</u>	<u>\$ 2,213,787</u>	<u>\$ 2,277,444</u>	<u>\$ -</u>	<u>\$ 2,277,444</u>	<u>\$ 63,657</u>

**Impact Fees Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2012**

	Budgeted Amounts		Actual on a GAAP Basis	Adjustments- Budgetary Basis	Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final				
REVENUES:						
Special assessments	\$ -	\$ 2,479,000	\$ 5,169,418	\$ -	\$ 5,169,418	\$ 2,690,418
Investment earnings	-	24,000	36,270	-	36,270	12,270
Total revenues	-	2,503,000	5,205,688	-	5,205,688	2,702,688
OTHER FINANCING USES:						
Transfers out	(1,000,000)	(2,066,440)	(1,820,788)	-	(1,820,788)	245,652
Total other financing sources (uses)	(1,000,000)	(2,066,440)	(1,820,788)	-	(1,820,788)	245,652
Net change in fund balances	(1,000,000)	436,560	3,384,900	-	3,384,900	2,948,340
Fund balances, October 1	13,738,380	14,587,997	14,587,997	-	14,587,997	-
Fund balances, September 30	\$ 12,738,380	\$ 15,024,557	\$ 17,972,897	\$ -	\$ 17,972,897	\$ 2,948,340

NON-MAJOR PROPRIETARY FUNDS

Proprietary funds charge customers directly for certain services it provides.

Stormwater Drainage Fund - This fund is used to account for revenues specifically collected to accomplish the goals set by the Municipal Separate Stormwater System Plan.

Environmental Services Fund - This fund accounts for the collection and disposal fees of solid waste and recycling services.

**Statement of Net Assets
Non-major Proprietary Funds
September 30, 2012**

	Business-type Activities Enterprise Funds		
	Stormwater Drainage	Environmental Services	Non-major Proprietary Fund Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 956,746	\$ 5,006,285	\$ 5,963,031
Receivables - (net of allowance for uncollectibles):			
Other	-	9,618	9,618
Prepays	725	719	1,444
Total current assets	<u>957,471</u>	<u>5,016,622</u>	<u>5,974,093</u>
Noncurrent assets:			
Capital assets:			
Buildings and improvements	-	116,284	116,284
Improvements other than buildings	-	92,190	92,190
Machinery and equipment	395,693	244,371	640,064
Accumulated depreciation	<u>(31,035)</u>	<u>(215,202)</u>	<u>(246,237)</u>
Total capital assets (net of accumulated depreciation)	<u>364,658</u>	<u>237,643</u>	<u>602,301</u>
Total noncurrent assets	<u>364,658</u>	<u>237,643</u>	<u>602,301</u>
Total assets	<u>\$ 1,322,129</u>	<u>\$ 5,254,265</u>	<u>\$ 6,576,394</u>

	Business-type Activities		
	Enterprise Funds		
	Stormwater Drainage	Environmental Services	Non-major Proprietary Fund Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 27,593	\$ 607,948	\$ 635,541
Accrued liabilities	12,233	11,859	24,092
Liability for compensated absences	35,835	49,441	85,276
	<u>75,661</u>	<u>669,248</u>	<u>744,909</u>
Noncurrent liabilities:			
Liability for compensated absences	9,924	27,144	37,068
	<u>9,924</u>	<u>27,144</u>	<u>37,068</u>
Total noncurrent liabilities	<u>9,924</u>	<u>27,144</u>	<u>37,068</u>
Total liabilities	<u>85,585</u>	<u>696,392</u>	<u>781,977</u>
NET ASSETS			
Invested in capital assets, net of related debt	364,658	237,643	602,301
Unrestricted	871,886	4,320,230	5,192,116
Total	<u>1,236,544</u>	<u>4,557,873</u>	<u>5,794,417</u>
Total net assets	<u>\$ 1,236,544</u>	<u>\$ 4,557,873</u>	<u>\$ 5,794,417</u>



PROGRESS IN MOTION

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

	Business-type Activities Enterprise Funds		Non-major
	Stormwater Drainage	Environmental Services	Proprietary Fund Total
OPERATING REVENUES:			
Charges for sales and services:			
Sanitation charges	\$ -	\$ 10,465,773	\$ 10,465,773
Stormwater drainage fees	1,394,497	-	1,394,497
Miscellaneous	3,157	36,452	39,609
Total operating revenues	<u>1,397,654</u>	<u>10,502,225</u>	<u>11,899,879</u>
OPERATING EXPENSES:			
Cost of sales and services	-	8,586,221	8,586,221
Administration	914,779	920,490	1,835,269
Depreciation	29,098	40,408	69,506
Total operating expenses	<u>943,877</u>	<u>9,547,119</u>	<u>10,490,996</u>
Operating income	<u>453,777</u>	<u>955,106</u>	<u>1,408,883</u>
NONOPERATING REVENUES:			
Interest revenue	1,140	663	1,803
Total nonoperating revenues	<u>1,140</u>	<u>663</u>	<u>1,803</u>
Income before transfers	454,917	955,769	1,410,686
TRANSFERS:			
Transfers out	(121,776)	(700,247)	(822,023)
Total transfers	<u>(121,776)</u>	<u>(700,247)</u>	<u>(822,023)</u>
Change in net assets	333,141	255,522	588,663
Total net assets, beginning	903,403	4,302,351	5,205,754
Total net assets, ending	<u>\$ 1,236,544</u>	<u>\$ 4,557,873</u>	<u>\$ 5,794,417</u>

**Statement of Cash Flows
Non-major Proprietary Funds
For the Fiscal Year Ended September 30, 2012**

	Business-type Activities Enterprise Funds		
	Stormwater Drainage	Environmental Services	Non-major Proprietary Fund Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,394,497	\$ 10,486,890	\$ 11,881,387
Cash payments to suppliers for goods and services	(654,931)	(8,997,663)	(9,652,594)
Cash payments to employees for services	(299,615)	(635,126)	(934,741)
Other receipts	3,157	36,452	39,609
Net cash provided by operating activities	<u>443,108</u>	<u>890,553</u>	<u>1,333,661</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers made to other funds	(121,776)	(700,247)	(822,023)
Net cash provided/(used) by noncapital financing activities	<u>(121,776)</u>	<u>(700,247)</u>	<u>(822,023)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(350,862)	(28,202)	(379,064)
Net cash (used) by capital and related financing activities	<u>(350,862)</u>	<u>(28,202)</u>	<u>(379,064)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	1,140	663	1,803
Net cash provided by investing activities	<u>1,140</u>	<u>663</u>	<u>1,803</u>
Net increase in cash and cash equivalents	(28,390)	162,767	134,377
Cash and cash equivalents, October 1	<u>985,136</u>	<u>4,843,518</u>	<u>5,828,654</u>
Cash and cash equivalents, September 30	<u>\$ 956,746</u>	<u>\$ 5,006,285</u>	<u>\$ 5,963,031</u>
Classified as:			
Current assets	<u>\$ 956,746</u>	<u>\$ 5,006,285</u>	<u>\$ 5,963,031</u>
Total	<u>\$ 956,746</u>	<u>\$ 5,006,285</u>	<u>\$ 5,963,031</u>

	Business-type Activities		
	Enterprise Funds		
	Stormwater Drainage	Environmental Services	Non-major Proprietary Fund Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 453,777	\$ 955,106	\$ 1,408,883
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	29,098	40,408	69,506
Change in assets and liabilities:			
(Increase) decrease in-			
Receivables - other	-	21,117	21,117
Prepaid expenses and other assets	(725)	(369)	(1,094)
Increase (decrease) in-			
Accounts payable	(54,397)	(136,544)	(190,941)
Accrued liabilities	3,778	286	4,064
Liability for compensated absences	11,577	10,549	22,126
Total adjustments	<u>(10,669)</u>	<u>(64,553)</u>	<u>(75,222)</u>
Net cash provided by operating activities	<u>\$ 443,108</u>	<u>\$ 890,553</u>	<u>\$ 1,333,661</u>



PROGRESS IN MOTION

COMPONENT UNITS

Following are the Component Units for the City of Frisco:

Community Development Fund - The CDC benefits the City and its citizens by developing recreational resources. It operates primarily within the geographic boundaries of the City and funding is derived from a half cent sales tax.

Economic Development Fund - EDC benefits the City and its citizens by developing economic resources. Funding for this organization is derived from a half cent sales tax.

Charitable Foundation Fund - The Charitable Foundation benefits the City and its citizens through developing resources for recreational, cultural arts, senior citizen and other related community development needs. Funding is derived from contributions.

**Balance Sheet
Component Units
September 30, 2012**

	<u>Community Development Corporation</u>	<u>Economic Development Corporation</u>	<u>Charitable Foundation</u>	<u>Total Component Units</u>
ASSETS				
Cash and cash equivalents	\$ 9,492,494	\$ 10,225,451	\$ 33,294	\$ 19,751,239
Cash escrow for land purchase	18,500,000	27,500,000		46,000,000
Investments	2,001,800	6,005,400	-	8,007,200
Receivables (net of allowances for uncollectibles):				
Sales tax	2,172,198	2,172,198	-	4,344,396
Other	18,880	37,173	-	56,053
Prepays	-	214,459	-	214,459
Notes receivable	-	2,595,748	-	2,595,748
Restricted assets:				
Cash and cash equivalents	<u>2,392,598</u>	<u>3,652,943</u>	<u>-</u>	<u>6,045,541</u>
Total assets	<u><u>\$ 34,577,970</u></u>	<u><u>\$ 52,403,372</u></u>	<u><u>\$ 33,294</u></u>	<u><u>\$ 87,014,636</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 15,573	\$ 264,520	\$ -	\$ 280,093
Accounts liabilities	-	13,500	-	13,500
Accrued liabilities - pollution remediation	100,000	150,000	-	250,000
Deposits	76,118	-	-	76,118
Unearned revenue	<u>55,992</u>	<u>-</u>	<u>-</u>	<u>55,992</u>
Total liabilities	<u>247,683</u>	<u>428,020</u>	<u>-</u>	<u>675,703</u>
Fund balances:				
Non spendable	-	214,459	-	214,459
Restricted for land purchase	18,500,000	27,500,000	-	46,000,000
Restricted for debt service	2,392,598	3,652,943	-	6,045,541
Unassigned	<u>13,437,689</u>	<u>20,607,950</u>	<u>33,294</u>	<u>34,078,933</u>
Total fund balances	<u>34,330,287</u>	<u>51,975,352</u>	<u>33,294</u>	<u>86,338,933</u>
Total liabilities and fund balances	<u><u>\$ 34,577,970</u></u>	<u><u>\$ 52,403,372</u></u>	<u><u>\$ 33,294</u></u>	<u><u>\$ 87,014,636</u></u>

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Component Units
For the Fiscal Year Ended September 30, 2012**

	<u>Community Development Corporation</u>	<u>Economic Development Corporation</u>	<u>Charitable Foundation</u>	<u>Total Component Units</u>
REVENUES:				
Taxes:				
Sales	\$ 12,244,541	\$ 12,244,541	\$ -	\$ 24,489,082
Investment earnings	19,462	88,751	-	108,213
Contributions and donations	-	33,345	16,326	49,671
Rents	658,111	-	-	658,111
Miscellaneous	880	43,150	-	44,030
Total revenues	<u>12,922,994</u>	<u>12,409,787</u>	<u>16,326</u>	<u>25,349,107</u>
EXPENDITURES:				
Current:				
General government	100,000	5,958,869	-	6,058,869
Culture and recreation	3,203,985	-	1,799	3,205,784
Capital outlay	7,509,637	392,176	-	7,901,813
Debt service:				
Principal retirement	2,165,000	705,000	-	2,870,000
Interest and fiscal charges	2,673,978	1,744,271	-	4,418,249
Total expenditures	<u>15,652,600</u>	<u>8,800,316</u>	<u>1,799</u>	<u>24,454,715</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,729,606)</u>	<u>3,609,471</u>	<u>14,527</u>	<u>894,392</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from loans	15,000,000	11,745,518	-	26,745,518
Proceeds from issuance of debt	36,734,681	29,503,940	-	66,238,621
Payment to refunded note escrow agent	(8,883,003)	-	-	(8,883,003)
Payment to refinance loan	(15,000,000)	(11,745,518)	-	(26,745,518)
Total other financing sources	<u>27,851,678</u>	<u>29,503,940</u>	<u>-</u>	<u>57,355,618</u>
Net change in fund balances	25,122,072	33,113,411	14,527	58,250,010
Fund balances, beginning	<u>9,208,215</u>	<u>18,861,941</u>	<u>18,767</u>	<u>28,088,923</u>
Fund balances, ending	<u>\$ 34,330,287</u>	<u>\$ 51,975,352</u>	<u>\$ 33,294</u>	<u>\$ 86,338,933</u>

**Reconciliation of the Balance Sheet of Component Units
to the Statement of Net Assets
September 30, 2012**

Amounts reported for component unit activities in the statement of net assets are different because:

Total fund balances per balance sheet	\$ 86,338,933
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	106,612,852
Other assets are not available to pay for current-period expenditures	1,469,371

Some long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Bonds payable	67,180,000	
Notes payable	68,794,142	
Accrued interest payable	593,179	
Accrued liabilities - pollution remediation	750,000	
Compensated absences	<u>98,374</u>	
Total long-term liabilities	<u>137,415,695</u>	<u>(137,415,695)</u>

Total net assets - component units	\$ <u>57,005,461</u>
------------------------------------	----------------------

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Component Units
to the Statement of Activities
For the Year Ended September 30, 2012**

Amounts reported for component units in the statement of activities are different because:

Net change in fund balances - total component units	\$ 58,250,010
-----------------------------------------------------	---------------

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 by which capital outlay exceeded depreciation in the current period.	5,376,074
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(54,389,965)
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(700,639)
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------

Change in net assets of component units	\$ <u>8,535,480</u>
-----------------------------------------	---------------------

Statistical Section

Central Park





PROGRESS IN MOTION

STATISTICAL SECTION

This part of the City of Frisco'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 government's overall financial health.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	124
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	129
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	142
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	148
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	150

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

**Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 396,578,552	\$ 405,138,674	\$ 525,709,269	\$ 615,420,114
Restricted	38,704,635	46,752,615	7,872,559	9,555,354
Unrestricted	<u>15,933,149</u>	<u>15,588,638</u>	<u>13,209,066</u>	<u>17,126,933</u>
Total governmental activities net assets	<u>451,216,336</u>	<u>467,479,927</u>	<u>546,790,894</u>	<u>642,102,401</u>
Business-type activities				
Invested in capital assets, net of related debt	85,864,409	104,533,144	128,191,080	144,054,388
Restricted	27,083,449	2,311,119	2,516,905	4,180,849
Unrestricted	<u>19,266,574</u>	<u>21,925,108</u>	<u>15,516,848</u>	<u>19,876,778</u>
Total business-type activities net assets	<u>132,214,432</u>	<u>128,769,371</u>	<u>146,224,833</u>	<u>168,112,015</u>
Primary government				
Invested in capital assets, net of related debt	482,442,961	509,671,818	653,900,349	759,474,502
Restricted	65,788,084	49,063,734	10,389,464	13,736,203
Unrestricted	<u>35,199,723</u>	<u>37,513,746</u>	<u>28,725,914</u>	<u>37,003,711</u>
Total primary government net assets	<u>\$ 583,430,768</u>	<u>\$ 596,249,298</u>	<u>\$ 693,015,727</u>	<u>\$ 810,214,416</u>

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 643,480,213	\$ 671,496,754	\$ 692,866,635	\$ 695,681,506	\$ 703,694,806	\$ 696,300,300
110,245	1,853,404	2,212,955	3,639,371	3,058,450	4,192,127
<u>33,040,763</u>	<u>37,781,532</u>	<u>50,009,668</u>	<u>51,210,647</u>	<u>53,739,744</u>	<u>63,781,055</u>
<u>676,631,221</u>	<u>711,131,690</u>	<u>745,089,258</u>	<u>750,531,524</u>	<u>760,493,000</u>	<u>764,273,482</u>
149,242,962	149,162,147	166,215,616	172,641,414	173,946,035	174,745,396
7,484,394	9,609,318	9,649,359	10,271,078	11,751,675	12,854,359
<u>17,654,124</u>	<u>23,909,576</u>	<u>17,281,722</u>	<u>16,064,340</u>	<u>27,891,529</u>	<u>30,396,570</u>
<u>174,381,480</u>	<u>182,681,041</u>	<u>193,146,697</u>	<u>198,976,832</u>	<u>213,589,239</u>	<u>217,996,325</u>
792,723,175	820,658,901	859,082,251	868,322,920	877,640,841	871,045,696
7,594,639	11,462,722	11,862,314	13,910,449	14,810,125	17,046,486
<u>50,694,887</u>	<u>61,691,108</u>	<u>67,291,390</u>	<u>67,274,987</u>	<u>81,631,273</u>	<u>94,177,625</u>
<u>\$ 851,012,701</u>	<u>\$ 893,812,731</u>	<u>\$ 938,235,955</u>	<u>\$ 949,508,356</u>	<u>\$ 974,082,239</u>	<u>\$ 982,269,807</u>

Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses				
Governmental activities:				
General government	\$ 15,869,771	\$ 17,334,040	\$ 22,003,930	\$ 27,883,738
Public safety	14,633,178	17,046,089	19,633,959	23,673,124
Public works	14,322,278	14,710,914	15,378,322	18,952,206
Culture & recreation	4,332,668	5,357,440	6,184,831	7,626,826
Interest on long-term debt	8,684,666	14,886,862	17,654,400	18,890,042
Total governmental activities expenses	<u>57,842,561</u>	<u>69,335,345</u>	<u>80,855,442</u>	<u>97,025,936</u>
Business-type activities:				
Water & sewer	20,578,940	27,261,254	27,790,790	31,993,520
Environmental services	4,131,295	4,966,869	5,082,498	5,729,990
Superdome	168,045	203,717	-	-
Total business-type activities expenses	<u>24,878,280</u>	<u>32,431,840</u>	<u>32,873,288</u>	<u>37,723,510</u>
Total primary government expenses	<u>\$ 82,720,841</u>	<u>\$ 101,767,185</u>	<u>\$ 113,728,730</u>	<u>\$ 134,749,446</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 8,902,073	\$ 11,669,717	\$ 13,165,316	\$ 14,976,310
Public safety	948,289	1,142,711	1,502,237	1,726,062
Public works	-	-	-	-
Culture & recreation	1,349,437	501,014	564,942	619,565
Operating grants and contributions	180,891	132,064	274,663	5,723,992
Capital grants and contributions	11,841,290	6,166,371	66,514,346	71,320,207
Total governmental activities program revenues	<u>23,221,980</u>	<u>19,611,877</u>	<u>82,021,504</u>	<u>94,366,136</u>
Business-type activities:				
Charges for services:				
Water & sewer	20,634,628	23,509,895	26,343,996	34,447,084
Other enterprise funds	3,956,029	4,716,718	5,457,408	6,168,257
Superdome	62,039	-	-	-
Operating grants and contributions	50,373	-	-	-
Capital grants and contributions	422,204	1,072,849	21,499,228	16,773,060
Total business-type activities program revenues	<u>25,125,273</u>	<u>29,299,462</u>	<u>53,300,632</u>	<u>57,388,401</u>
Total primary government program revenues	<u>\$ 48,347,253</u>	<u>\$ 48,911,339</u>	<u>\$ 135,322,136</u>	<u>\$ 151,754,537</u>
Net (expense)/revenue				
Governmental activities	\$ (34,620,581)	\$ (49,723,468)	\$ 1,166,062	\$ (2,659,800)
Business-type activities	246,993	(3,132,378)	20,427,344	19,664,891
Total primary government net expense	<u>\$ (34,373,588)</u>	<u>\$ (52,855,846)</u>	<u>\$ 21,593,406</u>	<u>\$ 17,005,091</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Ad valorem taxes	\$ 18,556,306	\$ 28,687,502	\$ 32,465,034	\$ 40,058,643
Sales taxes	12,037,581	13,137,975	14,847,090	17,992,638
Franchise taxes	3,775,702	3,973,444	4,316,321	5,515,545
Other taxes	1,147,830	1,366,659	1,623,892	2,397,341
Ad valorem taxes, Intergovernmental	9,231,170	13,004,341	12,773,145	19,013,078
Investment earnings	1,526,677	2,649,441	5,570,513	9,065,301
Miscellaneous	869,309	2,366,545	2,330,160	-
Transfers	35,980	801,152	4,218,750	-
Total governmental activities	<u>47,180,555</u>	<u>65,987,059</u>	<u>78,144,905</u>	<u>94,042,546</u>
Business-type activities:				
Intergovernmental	-	-	-	-
Investment earnings	351,660	488,469	1,246,868	2,222,291
Miscellaneous	-	-	-	-
Transfers	(35,980)	(801,152)	(4,218,750)	-
Total business-type activities	<u>315,680</u>	<u>(312,683)</u>	<u>(2,971,882)</u>	<u>2,222,291</u>
Total primary government	<u>47,496,235</u>	<u>65,674,376</u>	<u>75,173,023</u>	<u>96,264,837</u>
Change in Net Assets				
Governmental activities	12,559,974	16,263,591	79,310,967	91,382,746
Business-type activities	562,673	(3,445,061)	17,455,462	21,887,182
Total primary government net expense	<u>\$ 13,122,647</u>	<u>\$ 12,818,530</u>	<u>\$ 96,766,429</u>	<u>\$ 113,269,928</u>

	2007	2008	2009	2010	2011	2012
\$	29,994,595	\$ 32,031,040	\$ 33,435,845	\$ 39,103,949	\$ 39,620,057	\$ 38,034,476
	28,864,662	36,029,122	37,753,602	39,622,158	40,962,287	44,347,310
	20,105,809	24,949,230	25,695,126	26,125,366	27,636,526	29,228,885
	9,208,157	18,364,488	21,064,820	22,620,217	25,458,162	26,640,104
	21,350,184	21,952,776	24,946,889	23,020,033	22,215,090	19,338,791
	<u>109,523,407</u>	<u>133,326,656</u>	<u>142,896,282</u>	<u>150,491,723</u>	<u>155,892,122</u>	<u>157,589,566</u>
	36,848,896	43,797,287	45,525,827	48,130,980	47,539,765	53,369,324
	6,482,619	7,298,630	7,922,296	8,662,866	9,766,785	10,490,996
	-	-	-	-	-	-
	43,331,515	51,095,917	53,448,123	56,793,846	57,306,550	63,860,320
\$	<u>152,854,922</u>	<u>\$ 184,422,573</u>	<u>\$ 196,344,405</u>	<u>\$ 207,285,569</u>	<u>\$ 213,198,672</u>	<u>\$ 221,449,886</u>
\$	11,708,064	\$ 15,355,136	\$ 13,222,484	\$ 15,049,663	\$ 13,195,345	\$ 13,870,149
	1,998,036	2,576,479	1,573,803	1,498,179	2,245,461	2,077,752
	-	37,598	-	-	20,938	63,312
	1,291,128	3,651,915	4,083,430	4,009,097	4,320,363	4,455,925
	2,302,584	563,840	1,906,180	3,135,919	3,297,331	3,615,317
	21,907,728	31,671,071	40,895,760	15,462,749	22,940,561	11,607,188
	39,207,540	53,856,039	61,681,657	39,155,607	46,019,999	35,689,643
	30,224,108	34,290,262	37,939,611	44,165,615	52,679,778	51,752,962
	7,865,780	8,579,038	9,109,124	10,474,914	11,022,236	11,899,879
	-	-	-	-	-	-
	71,500	-	10,700	84,020	111,317	1,000
	8,580,354	12,681,427	15,667,028	7,857,024	8,420,269	4,897,053
	46,741,742	55,550,727	62,726,463	62,581,573	72,233,600	68,550,894
\$	<u>85,949,282</u>	<u>\$ 109,406,766</u>	<u>\$ 124,408,120</u>	<u>\$ 101,737,180</u>	<u>\$ 118,253,599</u>	<u>\$ 104,240,537</u>
\$	(70,315,867)	\$ (79,470,617)	\$ (81,214,625)	\$ (111,336,116)	\$ (109,872,123)	\$ (121,899,923)
	3,410,227	4,454,810	9,278,340	5,787,727	14,927,050	4,690,574
\$	<u>(66,905,640)</u>	<u>\$ (75,015,807)</u>	<u>\$ (71,936,285)</u>	<u>\$ (105,548,389)</u>	<u>\$ (94,945,073)</u>	<u>\$ (117,209,349)</u>
\$	49,160,038	\$ 58,304,707	\$ 61,909,279	\$ 65,648,801	\$ 64,673,844	\$ 67,161,904
	18,988,310	19,794,826	18,753,757	20,068,824	21,852,287	24,489,084
	6,018,858	6,892,396	6,707,813	7,198,697	8,367,733	7,796,833
	2,624,159	3,030,953	2,759,301	3,063,544	3,519,660	3,450,258
	16,661,958	19,083,975	19,119,575	19,604,935	20,389,441	21,709,424
	10,041,364	7,099,229	3,251,634	629,661	512,756	501,365
	-	-	-	-	-	-
	1,350,000	(235,000)	385,309	563,920	517,878	571,537
	104,844,687	113,971,086	112,886,668	116,778,382	119,833,599	125,680,405
	-	-	110,000	242,151	97,000	97,000
	4,154,026	3,604,751	1,462,625	324,377	106,235	191,049
	55,212	5,000	-	39,800	-	-
	(1,350,000)	235,000	(385,309)	(563,920)	(517,878)	(571,537)
	2,859,238	3,844,751	1,187,316	42,408	(314,643)	(283,488)
	107,703,925	117,815,837	114,073,984	116,820,790	119,518,956	125,396,917
	34,528,820	34,500,469	31,672,043	5,442,266	9,961,476	3,780,482
	6,269,465	8,299,561	10,465,656	5,830,135	14,612,407	4,407,086
\$	<u>40,798,285</u>	<u>\$ 42,800,030</u>	<u>\$ 42,137,699</u>	<u>\$ 11,272,401</u>	<u>\$ 24,573,883</u>	<u>\$ 8,187,568</u>



PROGRESS IN MOTION

Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

<u>Fiscal Year</u>		<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Other Tax</u>	<u>Total</u>
2003	(1)	\$ 18,556,306	\$ 12,037,581	\$ 3,775,702	\$ 1,147,830	\$ 35,517,419
2004	(2)	28,687,502	13,137,975	3,973,444	1,366,659	47,165,580
2005	(3)	32,465,034	14,847,090	4,316,321	1,623,892	53,252,337
2006	(4)	40,058,643	17,992,638	5,515,545	2,397,341	65,964,167
2007	(5)	49,160,038	18,988,310	6,018,858	2,624,159	76,791,365
2008	(6)	58,304,707	19,794,826	6,892,396	3,030,953	88,022,882
2009	(7)	61,909,279	18,753,757	6,707,813	2,759,301	90,130,150
2010	(8)	65,648,801	20,068,824	7,198,697	3,063,544	95,979,866
2011	(9)	64,673,844	21,852,287	8,367,733	3,519,660	98,413,524
2012	(10)	67,161,904	24,489,084	7,796,833	3,450,258	102,898,079

- (1) Includes tax increment reinvestment zone tax collections of \$1,629,296
- (2) Includes tax increment reinvestment zone tax collections of \$2,255,533
- (3) Includes tax increment reinvestment zone tax collections of \$2,454,487
- (4) Includes tax increment reinvestment zone tax collections of \$2,752,756
- (5) Includes tax increment reinvestment zone tax collections of \$3,186,903
- (6) Includes tax increment reinvestment zone tax collections of \$3,666,330
- (7) Includes tax increment reinvestment zone tax collections of \$4,100,482
- (8) Includes tax increment reinvestment zone tax collections of \$4,488,116
- (9) Includes tax increment reinvestment zone tax collections of \$4,250,097
- (10) Includes tax increment reinvestment zone tax collections of \$4,142,786

**Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General fund				
Non spendable	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-
Reserved	329,336	364,469	467,494	708,600
Unreserved/Unassigned	<u>17,810,069</u>	<u>18,141,517</u>	<u>22,155,131</u>	<u>21,685,496</u>
Total general fund	<u>18,139,405</u>	<u>18,505,986</u>	<u>22,622,625</u>	<u>22,394,096</u>
All other governmental funds				
Reserved	15,732,945	119,401,949	66,056,426	38,022,656
Unreserved, reported in:				
Special revenue funds	4,140,786	1,708,168	2,865,902	2,031,763
Capital project funds	181,877,071	67,610,681	87,722,925	110,481,371
Non spendable	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Capital projects for future construction	-	-	-	-
Other purposes	-	-	-	-
Committed to:				
Capital projects for future construction	-	-	-	-
Assigned to:				
Special revenue for future construction	-	-	-	-
Capital projects for future construction	-	-	-	-
Total all other governmental funds	<u>\$ 201,750,802</u>	<u>\$ 188,720,798</u>	<u>\$ 156,645,253</u>	<u>\$ 150,535,790</u>

* 9/30/2011 GASB 54 implementation - FY 2010 balance reclassified

** 9/30/2011 GASB 54 implementation - prior years not calculated

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010*</u>	<u>2011**</u>	<u>2012</u>
\$	-	\$ -	\$ -	\$ -	\$ 469,884	\$ 537,057
	-	-	-	2,553,709	2,013,924	2,576,668
	1,271,021	725,711	579,841	713,228	-	-
	<u>21,301,441</u>	<u>23,356,833</u>	<u>24,526,272</u>	<u>22,489,654</u>	<u>25,386,041</u>	<u>29,484,739</u>
	<u>22,572,462</u>	<u>24,082,544</u>	<u>25,106,113</u>	<u>25,756,591</u>	<u>27,869,849</u>	<u>32,598,464</u>
	36,281,543	59,450,155	22,839,763	25,867,177	-	-
	3,151,419	3,986,611	4,760,856	7,508,535	-	-
	111,387,226	101,301,111	91,421,584	68,304,669	-	-
	-	-	-	-	343,449	493,657
	-	-	-	-	3,452,399	4,355,598
	-	-	-	-	79,585,306	67,986,558
	-	-	-	-	3,013,592	3,212,422
	-	-	-	-	1,814,651	2,277,444
	-	-	-	-	2,552,517	2,605,361
	-	-	-	-	4,928,511	6,070,613
	<u>\$ 150,820,188</u>	<u>\$ 164,737,877</u>	<u>\$ 119,022,203</u>	<u>\$ 101,680,381</u>	<u>\$ 95,690,425</u>	<u>\$ 87,001,653</u>

**Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)**

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Revenues						
Taxes						
Property	\$ 18,618,168	\$ 28,654,717	\$ 32,464,771	\$ 40,106,497	\$ 48,919,082	\$ 57,670,279
Sales	12,037,581	13,137,975	14,847,090	17,992,638	18,988,310	19,794,826
Franchise	3,775,702	3,973,444	4,316,321	5,515,545	6,018,858	6,892,396
Hotel/motel	887,061	1,050,188	1,343,131	2,026,326	2,257,756	2,601,775
Other	260,769	316,471	280,761	371,015	366,403	429,178
Licenses and permits	8,069,308	9,247,051	10,257,085	10,873,516	7,147,717	6,074,099
Public safety	1,129,180	1,443,744	1,502,237	1,650,490	1,998,036	2,576,479
Intergovernmental	12,993,910	10,593,779	10,214,773	12,128,338	12,904,324	13,620,779
Charges for services	1,349,437	2,181,420	2,538,854	3,406,470	4,043,473	6,899,517
Fines	819,951	797,130	934,317	1,391,461	1,808,002	2,130,759
Special assessments	1,704,027	4,033,411	2,458,738	6,716,984	4,407,098	5,754,513
Rents	-	-	-	-	-	-
Investment earnings	1,526,677	2,649,441	5,570,513	8,961,266	10,109,906	7,112,564
Contributions and donations	5,993,891	494,825	25,160,535	16,533,635	2,370,703	5,544,704
Payments from component units	-	3,790,224	2,633,326	6,916,727	3,767,180	5,463,196
Miscellaneous	869,309	3,923,241	4,205,644	5,273,987	5,958,013	5,661,793
Total revenues	<u>70,034,971</u>	<u>86,287,061</u>	<u>118,728,096</u>	<u>139,864,895</u>	<u>131,064,861</u>	<u>148,226,857</u>
Expenditures						
Current:						
General government	15,533,716	16,153,108	19,800,354	24,763,382	26,899,968	28,699,100
Public safety	13,240,048	15,228,290	17,547,756	22,208,711	26,476,558	31,932,293
Public works	2,722,869	3,114,277	3,541,999	4,900,857	5,633,499	6,651,888
Culture & recreation	3,065,134	3,683,294	4,236,467	5,278,501	6,674,557	10,587,558
Payments to component units	-	-	-	10,103,418	7,460,043	-
Capital outlay	81,383,430	62,944,186	130,924,773	102,551,930	71,214,884	83,384,202
Debt Service:						
Principal retirement	3,492,320	10,034,417	11,230,123	15,513,701	19,273,917	21,074,352
Interest and fiscal charges	9,136,489	17,192,597	18,512,899	21,361,575	22,617,004	25,783,542
Total expenditures	<u>128,574,006</u>	<u>128,350,169</u>	<u>205,794,371</u>	<u>206,682,075</u>	<u>186,250,430</u>	<u>208,112,935</u>
Excess (deficiency) of revenues over (under) expenditures	(58,539,035)	(42,063,108)	(87,066,275)	(66,817,180)	(55,185,569)	(59,886,078)
Other financing sources (uses)						
Bonds issued	188,555,331	27,142,511	73,019,497	60,436,784	46,117,957	74,470,000
Refunding bonds issued	-	4,741,767	7,850,000	-	46,530,000	-
Premium on bonds issued	-	-	-	-	-	1,316,019
Discount on bonds issued	-	-	-	-	-	(320,615)
Payment to refunded debt escrow	-	(3,881,604)	(8,485,187)	-	(47,765,554)	-
Notes issued	-	-	-	-	7,550,834	-
Proceeds from sale of assets	-	595,859	-	42,404	1,865,096	83,445
Transfers in	15,157,840	26,345,290	25,560,975	39,521,069	25,504,304	20,361,365
Transfers out	(15,121,860)	(25,544,138)	(23,837,916)	(39,521,069)	(24,154,304)	(20,596,365)
Total other financing sources (uses)	<u>188,591,311</u>	<u>29,399,685</u>	<u>74,107,369</u>	<u>60,479,188</u>	<u>55,648,333</u>	<u>75,313,849</u>
Net change in fund balances	\$ 130,052,276	\$ (12,663,423)	\$ (12,958,906)	\$ (6,337,992)	\$ 462,764	\$ 15,427,771
Debt service as a percentage of noncapital expenditures	27%	42%	40%	35%	36%	38%

**CITY OF FRISCO
General Governmental Tax Revenues By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)**

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Hotel/motel	Other	Total
2003	\$ 18,618,168	\$ 12,037,581	\$ 3,775,702	\$ 887,061	\$ 260,769	\$ 35,579,281
2004	28,654,717	13,137,975	3,973,444	1,050,188	316,471	47,132,795
2005	32,464,771	14,847,090	4,316,321	1,343,131	280,761	53,252,074
2006	40,106,497	17,992,638	5,515,545	2,026,326	371,015	66,012,021
2007	48,919,082	18,988,310	6,018,858	2,257,756	366,403	76,550,409
2008	57,670,279	19,794,826	6,892,396	2,601,775	429,178	87,388,454
2009	62,431,502	18,753,757	6,984,008	2,345,312	413,989	90,928,568
2010	65,260,020	20,068,824	7,198,697	2,607,869	455,675	95,591,085
2011	65,225,685	21,852,287	8,040,529	2,998,817	520,843	98,638,161
2012	67,265,817	24,489,084	7,907,245	3,027,021	423,237	103,112,404

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$	62,431,502	\$ 65,260,020	\$ 65,225,685	\$ 67,265,817
	18,753,757	20,068,824	21,852,287	24,489,084
	6,984,008	7,198,697	8,040,529	7,907,245
	2,345,312	2,607,869	2,998,817	3,027,021
	413,989	455,675	520,843	423,237
	3,906,925	5,015,450	5,639,747	6,088,219
	1,547,934	1,467,233	1,776,904	1,511,187
	23,414,535	17,838,372	30,553,540	18,309,478
	7,468,145	9,262,788	4,589,867	4,939,787
	3,160,308	2,322,987	2,409,391	2,891,192
	4,179,588	2,992,455	3,826,456	5,339,917
	-	-	5,125,754	4,714,980
	3,265,769	651,464	526,553	526,939
	1,185,489	4,710,837	3,134,166	6,060,495
	3,710,160	3,447,798	8,044,723	8,658,172
	<u>5,761,700</u>	<u>4,527,655</u>	<u>208,477</u>	<u>229,077</u>
	<u>148,529,121</u>	<u>147,828,124</u>	<u>164,473,739</u>	<u>162,381,847</u>
	30,584,122	32,993,441	31,330,645	31,910,504
	32,886,018	34,967,535	36,820,094	39,733,181
	6,456,242	6,176,062	6,283,161	6,538,432
	12,234,850	12,382,180	14,616,069	15,377,347
	-	4,612,589	-	-
	61,701,918	32,685,414	38,217,173	25,168,130
	22,828,537	23,641,668	25,528,456	25,905,000
	<u>27,005,575</u>	<u>25,350,941</u>	<u>24,934,400</u>	<u>22,353,574</u>
	<u>193,697,262</u>	<u>172,809,830</u>	<u>177,729,998</u>	<u>166,986,168</u>
	(45,168,141)	(24,981,706)	(13,256,259)	(4,604,321)
	-	3,950,000	7,690,000	-
	-	24,680,000	101,855,000	22,615,000
	-	1,424,113	13,138,248	2,687,312
	-	(6,777)	(50,185)	(39,859)
	-	(27,586,336)	(113,810,055)	(25,312,360)
	-	5,187,549	-	-
	90,727	77,893	38,675	122,534
	20,729,438	22,618,138	22,813,526	23,237,197
	<u>(20,344,129)</u>	<u>(22,054,218)</u>	<u>(22,295,648)</u>	<u>(22,665,660)</u>
	<u>476,036</u>	<u>8,290,362</u>	<u>9,379,561</u>	<u>644,164</u>
\$	<u>(44,692,105)</u>	<u>(16,691,344)</u>	<u>(3,876,698)</u>	<u>(3,960,157)</u>
	38%	35%	36%	34%

**Property Values
Last Ten Fiscal Years
(Amounts Expressed in Thousands)
(Unaudited)**

<u>Fiscal Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Agricultural</u>	<u>Other</u>	<u>Total</u>
2003	\$ 3,425,195	\$ 1,683,849	\$ 27,567	\$ 360,294	\$ 5,496,905
2004	4,264,348	1,891,481	3,718	416,511	6,576,058
2005	5,060,546	2,268,377	3,347	448,381	7,780,651
2006	6,097,876	2,569,023	5,819	539,767	9,212,485
2007	7,457,781	3,009,908	7,147	621,632	11,096,468
2008	8,809,276	3,442,164	9,174	719,491	12,980,105
2009	9,455,918	4,162,002	9,877	788,019	14,415,816
2010	9,604,450	4,401,646	6,973	835,611	14,848,680
2011	9,854,038	4,235,693	6,780	731,659	14,828,170
2012	10,293,741	3,825,852	1,415,292	925,440	16,460,325

Prior to the 2012, for agricultural property-productivity loss was subtracted from the appraised value. In 2012, the gross agricultural property assessed value is shown, with the productivity loss on agricultural land being included in property value exemptions.

<u>Less:</u> <u>Exemptions</u>	<u>Net</u> <u>Taxable</u>	<u>Total Direct</u> <u>Tax Rate</u>	<u>Estimated</u> <u>Actual Taxable</u> <u>Value</u>	<u>Assessed</u> <u>Value as a</u> <u>Percentage of</u> <u>Actual Value</u>
\$ 159,199	\$ 5,337,706	\$ 0.33705	\$ 5,337,706	100%
206,114	6,369,944	0.43200	6,369,944	100%
302,774	7,477,877	0.42296	7,477,877	100%
413,075	8,799,410	0.44489	8,799,410	100%
496,520	10,599,948	0.45000	10,599,948	100%
549,478	12,430,627	0.45000	12,430,627	100%
792,275	13,623,541	0.45000	13,623,541	100%
954,862	13,893,818	0.46500	13,893,818	100%
1,036,907	13,791,263	0.46500	13,791,263	100%
2,368,464	14,091,861	0.46191	14,091,861	100%

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

<u>Collin County</u>									
Fiscal Year	City of Frisco			Collin County, Texas			Frisco Independent School District		
	Operating Millage	Debt		Operating Millage	Debt		Operating Millage	Debt	
		Service Millage	Total		Service Millage	Total		Service Millage	Total
2003	0.241559	0.095491	0.33705	0.196100	0.053900	0.2500	1.2375	0.2600	1.4975
2004	0.225954	0.206046	0.43200	0.199630	0.050370	0.2500	1.2775	0.2400	1.5175
2005	0.221720	0.201240	0.42296	0.196050	0.053950	0.2500	1.2775	0.2800	1.5575
2006	0.221721	0.223172	0.44489	0.199680	0.050320	0.2500	1.3200	0.3100	1.6300
2007	0.226370	0.223630	0.45000	0.194690	0.050310	0.2450	1.2100	0.3700	1.5800
2008	0.233152	0.216848	0.45000	0.191640	0.053369	0.2450	0.9600	0.3900	1.3500
2009	0.240721	0.209279	0.45000	0.184260	0.058240	0.2425	1.0000	0.3700	1.3700
2010	0.261882	0.203118	0.46500	0.187080	0.055420	0.2425	1.0000	0.3900	1.3900
2011	0.261732	0.203268	0.46500	0.184580	0.055420	0.2400	1.0000	0.4200	1.4200
2012	0.263446	0.198464	0.46191	0.176050	0.063950	0.2400	1.0000	0.4200	1.4200

Information obtained from the Collin County Central Appraisal District.

<u>Denton County</u>									
Fiscal Year	City of Frisco			Denton County, Texas			Frisco Independent School District		
	Operating Millage	Debt		Operating Millage	Debt		Operating Millage	Debt	
		Service Millage	Total		Service Millage	Total		Service Millage	Total
2003	0.241559	0.095491	0.33705	0.210540	0.038430	0.24897	1.2375	0.2600	1.4975
2004	0.225954	0.206046	0.43200	0.213430	0.033740	0.24717	1.2775	0.2400	1.5175
2005	0.221720	0.201240	0.42296	0.219080	0.035750	0.25483	1.2775	0.2800	1.5575
2006	0.221721	0.223172	0.44489	0.210730	0.035750	0.24648	1.3200	0.3100	1.6300
2007	0.226370	0.223630	0.45000	0.192790	0.039130	0.23192	1.2100	0.3700	1.5800
2008	0.233152	0.216848	0.45000	0.183830	0.052060	0.23589	0.9600	0.3900	1.3500
2009	0.240721	0.209279	0.45000	0.184430	0.051340	0.23577	1.0000	0.3700	1.3700
2010	0.261882	0.203118	0.46500	0.187730	0.062070	0.24980	1.0000	0.3900	1.3900
2011	0.261732	0.203268	0.46500	0.199900	0.074000	0.27390	1.0000	0.4200	1.4200
2012	0.263446	0.198464	0.46191	0.205657	0.071700	0.27736	1.0000	0.4200	1.4200

Information obtained from the Denton County Central Appraisal District.

<u>Collin County Community College</u>			<u>Prosper Independent School District</u>			<u>Total</u>	<u>Total</u>
<u>Operating</u>	<u>Debt</u>		<u>Operating</u>	<u>Debt</u>		<u>Direct and</u>	<u>Direct and</u>
	<u>Service</u>	<u>Total</u>		<u>Service</u>	<u>Total</u>		
<u>Millage</u>	<u>Millage</u>		<u>Millage</u>	<u>Millage</u>		<u>Rates FISD</u>	<u>Rates PISD</u>
0.0800	0.0119	0.0919	1.4530	0.3080	1.7610	2.17645	2.43991
0.0800	0.0119	0.0919	1.5000	0.3199	1.8199	2.29143	2.59383
0.0800	0.0106	0.0906	1.5000	0.4515	1.9515	2.32111	2.71511
0.0800	0.0094	0.0894	1.5000	0.4753	1.9753	2.41432	2.75962
0.0800	0.0077	0.0877	1.3700	0.4300	1.8000	2.36268	2.58268
0.0800	0.0070	0.0870	1.1700	0.5000	1.6700	2.13199	2.45199
0.0800	0.0065	0.0865	1.1700	0.5000	1.6700	2.14899	2.44899
0.0800	0.0063	0.0863	1.1500	0.4900	1.6400	2.18380	2.43380
0.0800	0.0063	0.0863	1.1300	0.5000	1.6300	2.21130	2.42130
0.0800	0.0063	0.0863	1.1700	0.5000	1.6700	2.20821	2.45821

<u>Lewisville Independent School District</u>			<u>Little Elm Independent School District</u>			<u>Total</u>	<u>Total</u>	<u>Total</u>
<u>Operating</u>	<u>Debt</u>		<u>Operating</u>	<u>Debt</u>		<u>Direct and</u>	<u>Direct and</u>	<u>Direct and</u>
	<u>Service</u>	<u>Total</u>		<u>Service</u>	<u>Total</u>			
<u>Millage</u>	<u>Millage</u>		<u>Millage</u>	<u>Millage</u>		<u>Rates FISD</u>	<u>Rates LISD</u>	<u>Rates LEISD</u>
1.500000	0.270000	1.77000	1.274800	0.463400	1.73820	2.08352	2.35602	2.32422
1.500000	0.270000	1.77000	1.349000	0.381000	1.73000	2.19667	2.44917	2.40917
1.500000	0.270000	1.77000	1.470000	0.350000	1.82000	2.23529	2.44779	2.49779
1.500000	0.270000	1.77000	1.490000	0.350000	1.84000	2.32137	2.46137	2.53137
1.640000	0.330000	1.97000	1.390000	0.350000	1.74000	2.26192	2.65192	2.42192
1.040000	0.340000	1.38000	1.030000	0.430000	1.46000	2.03589	2.06589	2.14589
1.040000	0.368700	1.40870	1.040000	0.490000	1.53000	2.05577	2.09447	2.21577
1.040000	0.386700	1.42670	1.040000	0.500000	1.54000	2.10480	2.14150	2.25480
1.040000	0.386000	1.42600	1.040000	0.500000	1.54000	2.15890	2.16490	2.27890
1.040000	0.436400	1.47640	1.040000	0.500000	1.54000	2.15927	2.21567	2.27927



PROGRESS IN MOTION

**Principal Taxpayers
Current Year and Nine Years Ago
September 30, 2012
(Unaudited)**

<u>Taxpayer</u>	<u>2012</u>			<u>2003</u>		
	<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Assessed Valuation</u>	<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Assessed Valuation</u>
Stonebriar Mall Ltd Partnership	\$ 226,514,276	1	1.38%	\$ 188,747,579	1	3.54%
BPR Shopping Center LP	116,000,000	2	0.70%	110,000,000	2	2.06%
Tenet Frisco Ltd	82,472,724	3	0.50%	-		
HRT Properties of Texas LTD	78,149,637	4	0.47%	-		
Hall Office Portfolio DB LLC	52,000,000	5	0.32%	12,797,855	8	0.24%
Specified Properties	51,051,750	6	0.31%	-		
HR Acquisition of San Antonio LTD	49,008,267	7	0.30%	-		
Wells Core Reit - 7624/7668 Warren LLC	43,900,000	8	0.27%	-		
IKEA Property Inc.	40,680,000	9	0.25%	-		
CRP Cypress Lake LP	38,444,846	10	0.23%	-		
Alta Frisco LP	35,002,733	11	0.21%			
Kimco Frisco LP	33,121,646	12	0.20%			
Oncor Electric Delivery Company	32,884,530	13	0.20%			
The Stonebriar Hotel LLC				40,039,080	3	0.75%
SPC NEC121, LTD				23,711,487	4	0.44%
Dayton Hudson Corporation				13,366,122	6	0.25%
Macy's Texas Inc.				13,220,743	7	0.25%
Caterpillar Financial Services Corp				12,342,632	9	0.23%

**Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collected in Subsequent Years
		Amount (1)	Percentage of Levy	
2003	\$ 18,301,462	\$ 18,054,281	98.6%	\$ 241,889
2004	28,218,654	28,011,225	99.3%	197,569
2005	32,012,029	31,741,805	99.2%	248,826
2006	39,779,023	39,304,506	98.8%	445,649
2007	48,536,512	47,643,803	98.2%	834,522
2008	57,086,399	55,805,155	97.8%	1,180,897
2009	62,013,959	61,279,520	98.8%	625,507
2010	65,218,703	64,473,212	99.4%	606,182
2011	64,129,371	63,720,218	99.4%	303,016
2012	65,091,715	64,899,099	99.7%	-

(1) Includes Rollback Tax Collections each year:

2003	320,355
2004	734,533
2005	405,206
2006	622,976
2007	778,465
2008	1,081,586
2009	693,764
2010	233,345
2011	970,168
2012	1,034,439

<u>Total Collections to Date</u>	
<u>Amount</u>	<u>Percentage to Levy</u>
\$ 18,296,170	100.0%
28,208,794	100.0%
31,990,631	99.9%
39,750,155	99.9%
48,478,325	99.9%
56,986,052	99.8%
61,905,027	99.8%
65,079,394	99.4%
63,720,218	99.4%
64,899,099	99.7%

**Ratio of Outstanding Debt by Type
Last Ten Fiscal Years
(Unaudited)**

<u>Fiscal Year</u>	<u>Governmental Activities</u>	
	<u>General Obligation Bonds</u>	<u>Certificates of Obligation</u>
2003	\$ 140,878,846	\$ 176,423,754
2004	161,724,038	209,260,491
2005	216,819,890	214,898,149
2006	258,584,999	217,849,234
2007	324,335,000	164,020,000
2008	337,795,000	205,410,000
2009	324,775,000	196,975,000
2010	317,930,000	184,265,000
2011	356,815,000	123,405,000
2012	(1) 347,800,000	106,035,000

(1) Includes component unit debt which is not supported by ad valorem tax.

<u>Business-Type Activities</u>					
<u>General</u> <u>Obligation</u> <u>Bonds</u>	<u>Unlimited</u> <u>Tax</u> <u>Bonds</u>	<u>Certificates</u> <u>of</u> <u>Obligation</u>	<u>Total</u> <u>Primary</u> <u>Government</u>	<u>Percentage</u> <u>of Personal</u> <u>Income</u>	<u>Per</u> <u>Capita</u>
\$ 122,400	\$ -	\$ 44,795,060	\$ 362,220,060	15%	5,921
4,834,663	4,505,000	53,446,787	433,770,979	15%	6,029
5,255,753	3,275,000	67,730,573	507,979,365	17%	6,309
4,734,189	3,015,000	87,842,202	572,025,624	16%	6,314
14,850,000	280,000	119,699,999	623,184,999	15%	6,406
14,305,000	-	115,310,000	672,820,000	17%	6,627
13,775,000	-	110,385,000	645,910,000	15%	6,091
14,415,000	-	103,735,000	620,345,000	10%	5,303
27,460,000	-	83,790,000	591,470,000	10%	4,816
33,305,000	-	70,930,000	558,070,000	11%	4,350

**Ratio of Net General Obligation Bonded Debt
to Assessed Value and
Net General Obligation Bonded Debt Per Capita
Last Ten Fiscal Years
(Unaudited)**

<u>Fiscal Year</u>	<u>Population</u> (1)	<u>Assessed Value</u> (2)	<u>General Obligation Bonded Debt</u> (3)	<u>Less Debt Service Funds</u>
2003	61,175	5,337,706,413	134,602,600	278,714
2004	71,952	6,369,944,302	161,719,038	1,188,845
2005	80,520	7,477,576,864	216,819,890	1,137,861
2006	90,598	8,799,410,369	258,584,999	1,447,884
2007	97,280	10,557,426,103	316,545,000	2,408,479
2008	101,524	12,448,613,236	330,070,000	3,897,639
2009	106,036	13,591,826,586	317,120,000	3,582,382
2010	116,989	13,958,027,112	305,430,000	3,156,010
2011	122,822	13,660,904,974	344,165,000	3,452,399
2012	128,281	14,091,861,332	328,150,000	4,355,598

(1) Population estimate as of September 30

(2) Original Certified Taxable Value

(3) Includes only bonded debt that is being repaid through property taxes.

<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt per Capita</u>
134,323,886	2.52	2,196
160,530,193	2.52	2,231
215,682,029	2.88	2,679
257,137,115	2.92	2,838
314,136,521	2.98	3,229
326,172,361	2.62	3,213
313,537,618	2.31	2,957
302,273,990	2.17	2,584
340,712,602	2.49	2,774
323,794,402	2.30	2,524

**Computation of Direct and Overlapping Bonded Debt
General Obligation Bonds
September 30, 2012
(Unaudited)**

<u>Jurisdiction</u>	<u>General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to Government</u>	<u>Amount Applicable to Government</u>
Direct debt:			
City of Frisco, Texas	\$ 328,150,000	100.00%	\$ 328,150,000
Total direct debt	<u>328,150,000</u>		<u>328,150,000</u>
Overlapping debt: (1)			
Collin County	361,530,000	12.07%	43,636,671
Collin County College District	39,724,842	12.07%	4,794,788
Denton County	550,321,150	9.31%	51,234,899
Frisco Independent School District	1,285,746,318	72.59%	933,323,252
Lewisville Independent School District	1,019,851,415	3.21%	32,737,230
Little Elm Independent School District	130,470,660	7.72%	10,072,335
Prosper Independent School District	<u>230,883,736</u>	<u>8.94%</u>	<u>20,641,006</u>
Total overlapping debt	<u>3,618,528,121</u>		<u>1,096,440,182</u>
Total direct and overlapping debt	<u>\$ 3,946,678,121</u>		<u>\$ 1,424,590,182</u>

(1) Information obtained from the Municipal Advisory Council of Texas, May 2012 Report.

Computation of Legal Debt Margin
September 30, 2012
(Unaudited)

The City Charter of the City of Frisco, 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.

The tax rate for fiscal year 2012 was established at \$0.46191 per \$100 of assessed valuation based on 100% of appraised value.

Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>(1) Population</u>	<u>Personal Income (,000)</u>	<u>(2) Per Capita Income</u>	<u>(2) Median Age</u>	<u>(3) School Enrollment</u>	<u>(4) Unemployment Rate</u>
2003	61,175	2,436,172	39,823	30.9	13,280	7.0%
2004	71,952	2,989,462	41,548	30.9	16,279	6.0%
2005	80,520	2,920,863	36,275	33.8	19,678	3.6%
2006	90,598	3,559,233	39,286	33.2	23,713	3.3%
2007	97,280	4,106,772	42,216	33.5	27,207	3.9%
2008	101,524	4,042,381	39,817	31.7	30,761	4.9%
2009	106,036	4,430,820	41,786	33.2	33,895	7.9%
2010	116,989	5,961,993	40,185	32.8	37,269	8.1%
2011	122,822	4,673,131	38,048	33.9	40,122	8.0%
2012	128,281	5,180,628	40,385	34.0	42,650	5.4%

Data Sources

- (1) City of Frisco (Population) as of October 1, 2012
- (2) U.S. Census 2012 Estimated from 2011 Statistics
- (3) Frisco Independent School District (School Enrollment), October 2012
- (4) Department of Labor - August 2012

**Principal Employers
Current Year and Nine Years Ago
September 30, 2012
(Unaudited)**

<u>Employer</u>	<u>2012</u>			<u>2003</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Frisco ISD	5,500	1	8.64%	577	2	2.50%
Stonebriar Center Mall	3,456	2	5.43%	2,300	1	9.98%
City of Frisco	1,140	3	1.79%	481	3	2.09%
Amerisource Bergen Specialty Group	1,100	4	1.73%			
Mario Sinacola & Sons Excavating	603	5	0.95%	-		-
T-Mobile USA	525	6	0.83%	-		-
Conifer	500	7	0.79%	-		-
IKEA Frisco	412	8	0.65%	-		-
Oracle USA	409	9	0.64%			
Market Street	300	10	0.47%	-		-
Rodman Paving	-	-	-	100	5	0.43%
Pacific Dunlop/GNB	-	-	-	148	4	0.64%
Hutson Industries	-	-	-	135	6	0.59%
P.C. Dynamics	-	-	-	91	7	0.39%
Home Interiors and Gifts	-	-	-	<u>60</u>	8	0.26%
Total	<u>13,945</u>		<u>21.92%</u>	<u>3,892</u>		<u>16.89%</u>

Source: North Central Texas Council of Governments website, Frisco ISD Communications, City of Frisco, Collin County Employment Survey

**City Government Employees by Function/Program
Last Ten Fiscal Years
(Unaudited)**

Function	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General government	104	117	134	155	180	193	193	194	197	206
Public safety										
Police										
Officers	76	84	95	109	127	147	149	150	146	146
Civilians	24	24	26	31	49	49	49	49	58	59
Fire										
Firefighters and officers	78	84	96	108	128	142	142	142	140	161
Civilians	5	8	8	8	11	12	11	11	13	13
Highways and streets										
Engineering	26	26	29	34	43	46	46	46	46	45
Maintenance	34	39	41	41	47	49	49	49	49	49
Culture and recreation	72	78	87	125	255	367	367	366	355	360
Environmental services	5	6	6	6	10	12	12	12	12	12
Water	33	38	46	54	59	63	63	63	63	63
Sewer	11	13	13	13	16	16	16	16	16	16
Stormwater	0	0	0	0	0	0	0	4	6	10
Total	468	517	581	684	925	1,096	1,097	1,102	1,101	1,140

Operating Indicators by Function
Last Ten Fiscal Years
(Unaudited)

Function	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General government										
Building permits issued										
Residential	2,788	3,206	3,641	3,624	1,962	1,293	1,296	2,179	1,322	1,370
Commercial	277	314	306	356	321	358	289	278	328	325
Planning and development cases processed	366	376	415	407	362	288	159	171	236	309
Police										
Physical arrests	1,229	1,413	1,511	1,886	2,141	2,235	2,088	2,934	3,381	3,398
Traffic violations	9,659	11,521	6,883	11,713	11,006	13,154	14,229	12,078	15,783	16,413
Parking violations	163	181	327	342	237	319	412	589	913	854
Fire protection										
Number of calls answered	4,483	4,759	5,460	6,399	6,447	6,779	7,351	7,178	8,186	8,684
Inspections	2,278	2,384	2,639	2,879	3,261	4,766	4,638	4,648	4,886	5,373
Inspections - SAFER Program	-	-	-	-	-	-	-	2,075.00	2,443	2,688
Highways and streets										
Street resurfacing (square yards)	NA	13,661	9,078	20,030	5,307	11,291	3,013	14,808	1,500	6,291
Street curb miles swept	6,106	6,020	2,498	8,558	9,300	10,945	13,889	7,887	7,896	7,896
Environmental services										
Solid waste collected (tons)	47,069	53,038	49,954	67,962	74,668	78,427	76,934	74,548	76,209	79,154
Recycled materials collected (tons)	2,386	3,439	7,105	11,601	12,409	13,770	14,136	14,605	14,556	15,343
Culture and recreation										
Library materials circulation	94,658	128,259	191,612	244,507	690,062	778,374	1,118,394	1,175,383	1,266,866	1,510,956
Parks acreage	870	870	993	993	1,314	1,333	1,348	1,374	1,348	1,348
Athletic facilities and pavilion rental (visits)	279,057	343,027	400,045	459,330	528,229	608,500	766,404	743,731	756,317	803,925
Water										
New connections	3,299	3,626	3,193	3,814	2,239	3,282	1,009	1,344	1,408	1,473
Average daily consumption (million gallons/day)	16.20	15.30	19.90	25.62	17.95	23.90	22.3	22.6	27.7	26.5
Sewer										
Average daily wastewater flow (million gallon/day)	-	6.16	6.49	7.18	9.06	9.17	9.1	10.3	9.4	8.5

Sources: Various government departments

Note: Fire Protection Inspections include 743 automatic sprinkler inspections and 21 foster care, adoption or home daycare inspections

City of Frisco

Capital Asset Statistics by Function Last Ten Fiscal Years (Unaudited)

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government										
Sports Complexes Supported	5	5	6	7	7	7	7	7	7	7
Museums, Art Gallery Supported**	-	1	1	1	1	1	1	1	1	3
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol and Traffic Dedicated Vehicles	18	21	24	26	35	40	40	41	35	35
Fire Stations	4	4	4	5	5	6	6	6	6	7
Highways and streets										
Streets (miles)	984	1,039	1,175	1,254	1,331	1,139	1,158	1,177	1,196	1,246
Streetlights	-	-	-	5,845	6,179	6,827	6,967	7,094	7,350	7,732
Traffic signals	14	25	31	35	46	49	53	61	86	91
Culture and recreation										
Parks acreage										
Parks developed	185	273	352	388	452	602	636	636	646	646
Parks undeveloped	614	599	610	605	862	731	712	738	702	702
Swimming pools	2	2	2	2	2	3	2	1	1	1
Recreation centers	1	1	1	1	1	1	1	1	1	1
Community centers	2	2	2	2	2	2	2	2	2	2
Tennis courts	6	6	6	4	4	4	6	6	6	6
Soccer fields	16	16	16	17	27	31	35	35	35	35
Baseball fields	10	10	10	14	14	19	19	19	19	19
Water										
Customers/Accounts	-	25,578	29,027	33,329	35,709	37,153	38,029	39,695	41,079	42,539
Water lines (miles)	444	500	510	569	609	649	712	733	746	771
Fire hydrants	4,500	5,010	5,128	5,664	6,136	6,555	7,349	7,783	7,892	8,299
Maximum daily capacity (millions of gallons)	35.4	32.8	40.5	41.2	46.0	63.0	93.0	133.0	134.0	134.0
Sewer										
Customers/Accounts	-	23,617	26,801	30,773	32,971	34,304	35,113	36,651	37,929	39,335
Sanitary sewers (miles)	386	411	420	458	465	508	531	560	569	592
Storm sewers (miles)	278	299	305	342	371	402	459	485	330	526

** Museums, Art Galleries Supported include the Heritage Museum.

Sports Complexes include the Ballpark, Star Center, Pizza Hut Park, Superdome, Warren Sports Complex, Shawnee Trail Sports Complex and Natatorium.

Traffic Signal numbers do not include 17 signals acquired in November of 2005 from TXDOT

Streetlight statistics from the GIS mapping database.

The source of information for streets (miles) is the City's GIS Database. In 2008, the methodology for calculating street mileage was changed to reflect changes, i.e. the definition of private and abandoned streets. This accounts for the decrease shown in 2008.