



City of Frisco, Texas Comprehensive Annual Financial Report

for the Year Ended September 30, 2013

Progress in Motion





PROGRESS IN MOTION

CITY OF FRISCO, TEXAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

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**Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2013**

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Introductory Section



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February 24, 2014

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, 2013, in accordance with Section 7.18 of the City Charter.

This report is published to provide our citizens, our bondholders, the City Council, staff and other interested parties with detailed information concerning the financial condition and activities of the 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 unmodified ("clean") opinion on the City of Frisco's financial statements for the year ended September 30, 2013. 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 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 60% developed.

We continue to experience a substantial population growth, especially in the last thirteen years. Our population was 6,550 in 1991, 33,714 in 2000 and 116,989 by the 2010 census date. On October 1, 2013, the population was estimated to be 135,920. 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. A current Charter Commission has proposed several charter amendments proposed to be on the May 2014 ballot. 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 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.

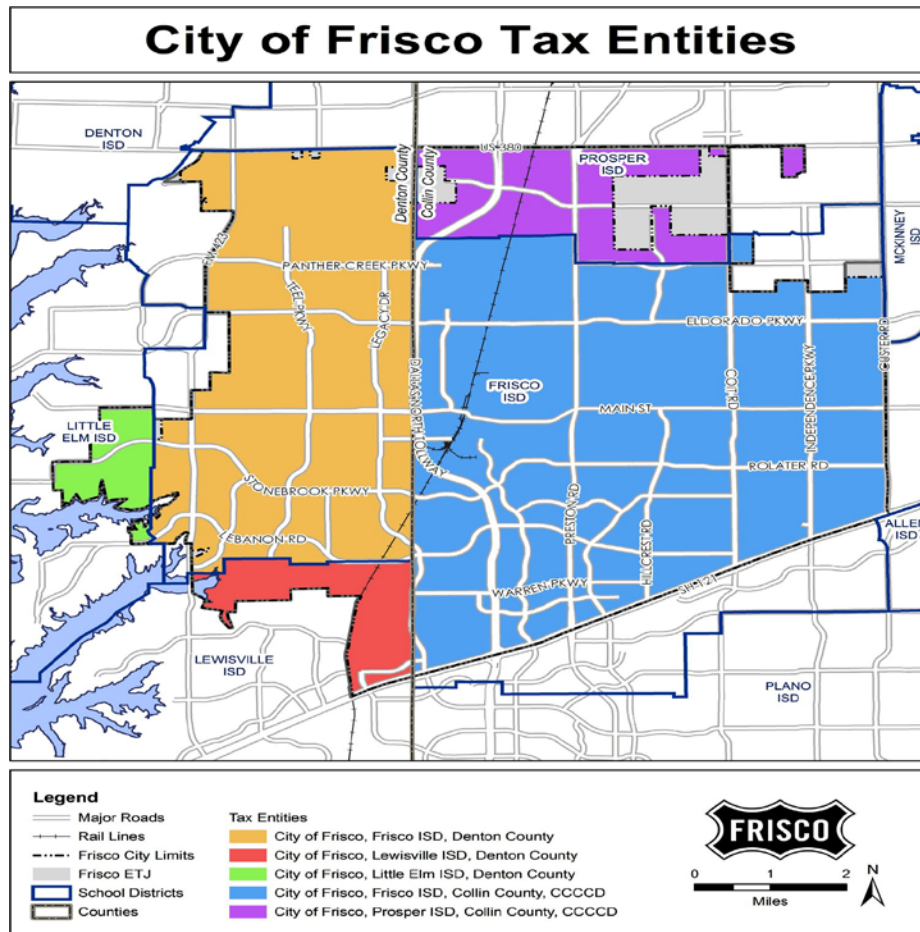
The financial reporting entity (the government) includes all the funds of the primary government. Services that are provided to the citizenry have proven to be necessary and meaningful and are those that the City can provide at the least cost. The government provides a full range of services including 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. The annual budget serves as the foundation for the City'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 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 project. Revenue budgets are reviewed monthly.

Overlapping property tax rates for the taxing entities within the City range from \$2.19778 to \$2.45821 (see page 136) depending on which County and which school district the property is located. The map on the next page 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 2012 American Community Survey published in 2012, Frisco's median household income of \$126,102 compares favorably to \$77,915 for Dallas-Fort Worth (DFW) and \$70,730 for Texas. Also, according to the survey, the workforce is educated with 60% of the population having a bachelor's degree or more, compared to 32% for DFW and 27% 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.

With this strategy, the FEDC facilitated 20 new projects during FY 2013, potentially filling or adding 2.6 million square feet, with a potential capital investment exceeding \$1 billion and potentially creating/retaining over 3,100 jobs.

The chart below summarizes the projects and impact for the four quarters of FY 2013.

**Summary of FEDC Projects for Q1 – Q4
FY13**

Year	Number of Projects	Potential Square Feet	Potential Capital Investment	Potential Direct Jobs Created/Retained
Q1	4	1,578,500	\$919,000,000	1,125
Q2	2	22,965	\$2,780,000	21
Q3	7	354,244	\$67,323,000	1,225
Q4	7	684,081	\$85,590,000	791
Total YTD	20	2,639,790	\$1,074,693,000	3,162

We added two new companies to our community during the year. Provident Payment Solutions and Telligent Systems both relocated their corporate headquarters to Frisco. We also had several local companies expand their office space. Conifer Health Solutions is close to completing a 200,000 square-foot build-to-suit commercial office space, allowing the company to double the size of its office space. Conifer Health is also projected to double its workforce in Frisco. Other Frisco companies expanding this year included: Call-Em-All, Novus Health Services and Cornerstone Automation Systems (CASI).

FEDC facilitated new development during the year including the following projects: Forest City – Frisco North, a 320 acre, master mixed-use development (construction is scheduled to begin in the near future); Rochester Frisco Medical, a retail/medical facility; Frisco Gun Club, a 43,000 square-foot facility with the largest indoor gun range in the United States; Skygroup Investments (dba iFLY), an indoor skydiving entertainment facility, the first in North Texas; and Blue Star HQ, Inc., a mixed-used development that will feature the Dallas Cowboys World Corporate Headquarters and Training Facility and be used as a multi-purpose sports Complex for the school district and community. This project is expected to break ground by summer 2014.

Frisco continues to be a destination location with venues and attractions that generate significant economic benefits to Frisco retailers, restaurants and hotels. On January 4, 2014, Frisco welcomed back the NCAA Division I Football Championship Game (FCS) hosted by the Southland Conference and the City. Other partners include: Hunt Sports Group, Frisco Chamber of Commerce, Frisco CVB and FEDC. Nationally, viewers of the

title game got a glimpse of Toyota Stadium in downtown Frisco as the game was broadcast live on ESPN2. This was the fourth year we hosted this event. The NCAA has awarded an extension of the Division I football championship to be hosted in Frisco through 2016.

In September 2013, the FEDC announced the creation of the Frisco Texas International Development Center (FTIDC) and federal approval for the FTIDC to operate as an EB-5 Regional Center, a foreign direct investment program. Details of the program and the FTIDC can be found at www.FriscoTXEB5.com.

Atlas Magazine listed the FEDC as the 'Highest Performing Economic Development Organization (EDO)' among cities with populations 100,001 – 250,000. The ranking was based on data submitted by EDO's from across the globe participating in Atlas' annual Benchmarking Survey. The *Dallas Business Journal* listed the FEDC as the No. 1 Economic Development Organization in North Texas, based on the value of deals done in 2012.

Frisco's housing development is expected to be robust in 2014. Community growth will continue with new single family housing starts averaging approximately 190 per month during FY 2013, and projected to be at least the same for 2014. 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, and anticipates opening five new campuses for the school year 2014-2015, bringing the total campuses to 61 in the District. The ISD is currently in the process of preparing for another major bond election in May 2014 to build schools through 2020 when school enrollment projections near 66,000 students.

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 five-year financial plan including staffing requirements and a five-year capital improvement plan. 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. We continually monitor our assessed property values, building permit starts, and strive for new and updated opportunities to sustain our City's financial economy. Council named a Citizens Bond Committee during the summer of 2013 to address continuing infrastructure, park development and facilities needs; however Council has since decided to defer the Citizens Bond Committee for one year, to allow for the completion of two key master plans for the Library and Parks System. At that point, the Council will be better prepared to support a bond proposal to our citizens.

Major capital improvement projects currently underway within the City: **street and utility projects** including Stonebrook Parkway, Eldorado Parkway (Hillcrest to Castleman), Coit Road (Main Street to Panther Creek), Main Street (Preston Road to Custer Road), Virginia (CR 26 to Dallas North Tollway) and Virginia (FM 423 to Dallas North Tollway); **facilities**

projects including Fire Station 8; **parks projects** including Phillips Creek Hike and Bike Trail, Grand Park, the FAC Outdoor Master Plan, and land acquisitions; **stormwater projects** including Teel Parkway Detention Facility/Pond; **water & sewer projects** including Stewart Creek Wastewater Treatment Plant Expansion, Stonebrook Parkway, Legacy Elevated Storage Tank, Panther Creek Sewer Interceptor, Coit Road, Rockhill Road, and Main Street waterlines. We continue to issue debt which was authorized in a bond election passed in May 2006 to fund the capital improvement plan for the City. Within the plan, the City will issue General Obligation debt in 2014 for Grand Park, road construction projects, and for other park projects. Certificates of Obligation debt is also planned in FY 2014 for the construction of the Multi-Use and Sports Facility.

The City Council has a Finance & Audit Committee which meets on an as-needed basis to discuss financial and budgetary information for long-term planning, 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 funding as proposed by the Texas Municipal Retirement System to ensure the long-term sustainability of the plan. For retiree health care, we provide an optional retirement health plan, fully funded by the retirees to meet their health care insurance coverage needs. We continually review plan designs to provide a sustainable benefit to our employees without shifting costs to future tax payers and to comply with new federal laws and regulations.

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 this past year to our current financial policies included 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.

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 2014 Approved Budget, we continued addressing service demand needs with a total of 49.98 FTE in additional positions approved to maintain consistent service levels for our community. Our population is expected to increase approximately 6% over the next twelve months which impacts all areas of the City.

Funding for merit increases and a one-time compression market adjustment for specific positions was also approved. Expenditures for capital outlay to replace aging equipment and police pursuit vehicles, as well as funds for several software and hardware replacements, a comprehensive plan update, and the various new positions 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 position 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, investment reports, historical budget and financial documents.

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 (CAFR) for the fiscal year ended September 30, 2012. This was the thirteenth 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 staff of the Financial Services Department and our independent auditors. We would like to express our appreciation to staff of the other City departments who assisted and contributed to the preparation and publication of this report in any way. Special thanks are extended to members of the City Council and City Manager's Office for their leadership and support of professionalism and sound fiscal management.

Respectfully submitted,



Danny Collier, CPA
Assistant Director of Finance



Anita Cothran, CGFO
Director of Finance



Nell Lange
Assistant City Manager



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

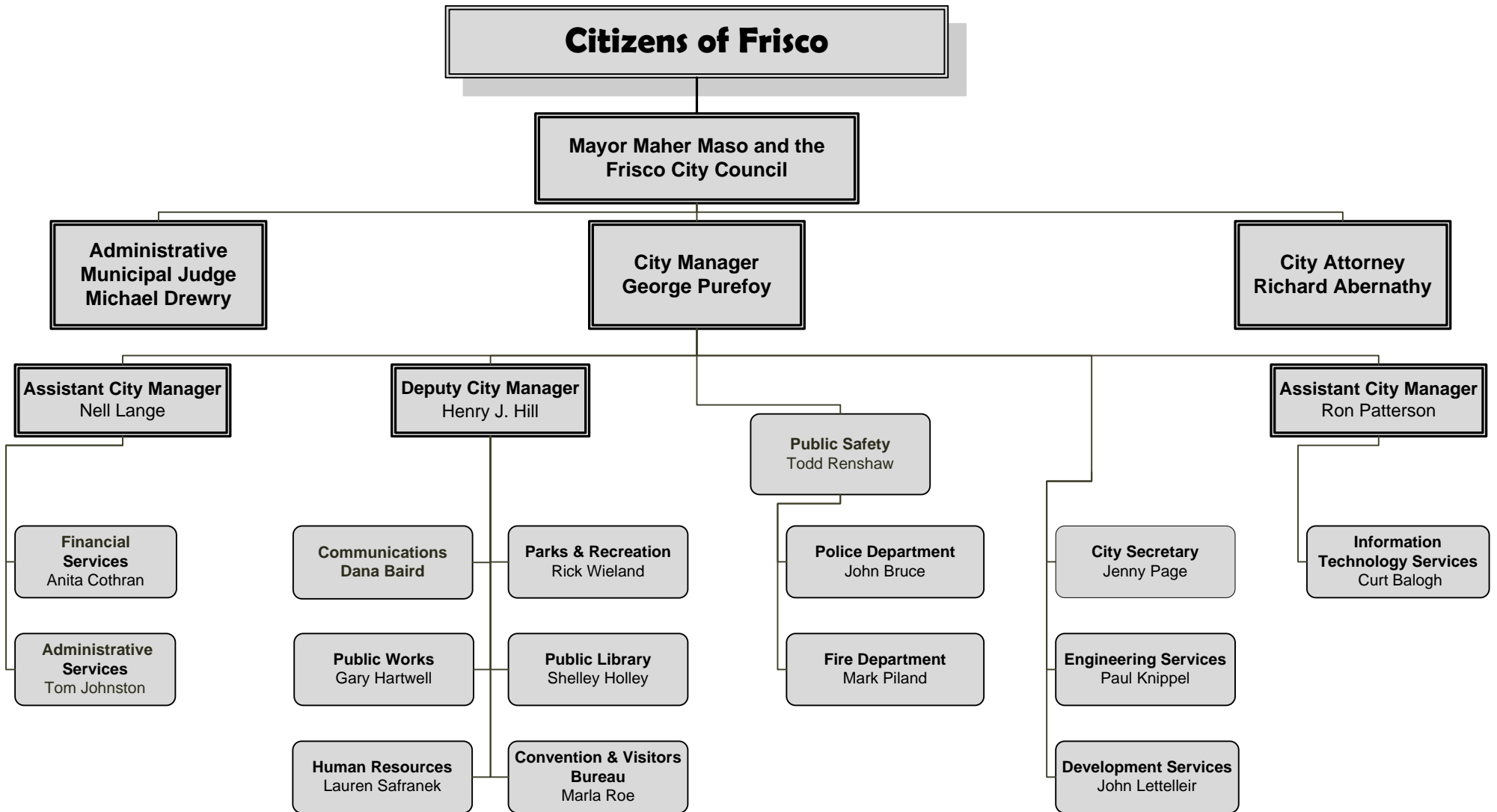
Presented to

**City of Frisco
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO



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Elected Officials and Administrative Officers
September 30, 2013



Council Members

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

Appointed 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 Communications	Dana Baird
Director of Financial Services	Anita Cothran
Director of Public Safety	Todd Renshaw
Fire Chief	Mark Piland
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



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Financial Section



PROGRESS IN MOTION

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 from material misstatement.

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

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

Opinions

In our opinion, 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, 2013 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 15 through 28 and the Schedule of Funding Progress, on page 86 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The combining and individual non-major fund financial statements and budgetary comparison schedules and other information such as the introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual non-major fund financial statements and budgetary comparison schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2014 on our consideration of the City'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* in considering the City's internal control over financial reporting and compliance.



Crowe Horwath LLP

Irving, Texas
February 24, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS



PROGRESS IN MOTION

CITY OF FRISCO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013

As management of the City of Frisco, (the City), we offer this narrative overview and analysis of the financial activities and financial position of the City for the fiscal year ended September 30, 2013. In the broadest context, the financial well being of a government lies in the underlying wealth and willingness of its citizens and property owners to pay adequate taxes combined with the vision of the government's elected and appointed leadership to spend those taxes strategically so the City's tax base, service levels, City assets and the City's desirability will be maintained; not just for the current year, but well into the future. Financial reporting is limited in its ability to provide this "big picture", but rather focuses on financial position and changes in said financial position. In other words, are revenues and or expenses/expenditures higher or lower than the previous year? Has net position (containing both short and long term assets and liabilities) or fund balances (the current "spendable" assets less current liabilities) of the government been maintained? We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal (pages 1 - 8 of this report) and the statistical section (pages 124 - 152), as well as information on the City Council's Strategic Goals, the Annual Budget and other community information found on the City's website at www.friscotexas.gov.

It should be noted that the Independent Auditor's Report describes the auditor's association with the various sections of this report and that all the additional information from the website and other City sources is unaudited and has not been updated for events that may have occurred subsequent to the issuance of the respective report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Frisco exceeded its liabilities at the close of the most recent fiscal year by \$1,055,481,009 (net position). The majority of the City's assets are invested in capital assets or restricted for specific purposes. The remaining \$108,071,943 is unrestricted 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 position for governmental activities increased by \$52,504,230 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 \$20,706,972.
- As of the close of the current fiscal year, the City of Frisco's governmental funds reported a combined ending fund balance of \$136,434,968. Approximately 23 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 \$31,295,715 or 35 percent of total general fund expenditures.
- The City of Frisco's total debt increased by \$27,562,911, 4.9 percent during the current fiscal year. The key factors in this change were new bond issues during the year.

- The ad valorem rate for the City was \$.461910 for fiscal year 2013, the same as fiscal year 2012. 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 position* presents information on all of the City of Frisco's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position 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 position 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 position 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 Position 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 position and 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 \$1,055,481,009 as of September 30, 2013.

By far the largest portion of the City's net position (88 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 Net Position September 30, 2013

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 238,441,681	\$ 211,467,074	\$ 100,801,623	\$ 83,675,215	\$ 339,243,304	\$ 295,142,289
Capital assets	<u>1,102,237,587</u>	<u>1,067,094,673</u>	<u>268,530,896</u>	<u>245,971,767</u>	<u>1,370,768,483</u>	<u>1,313,066,440</u>
Total assets	<u>1,340,679,268</u>	<u>1,278,561,747</u>	<u>369,332,519</u>	<u>329,646,982</u>	<u>1,710,011,787</u>	<u>1,608,208,729</u>
Long term liabilities	441,259,633	434,656,185	114,916,412	98,408,146	556,176,045	533,064,331
Other liabilities	<u>82,641,923</u>	<u>79,632,080</u>	<u>15,712,810</u>	<u>13,242,511</u>	<u>98,354,733</u>	<u>92,874,591</u>
Total liabilities	<u>523,901,556</u>	<u>514,288,265</u>	<u>130,629,222</u>	<u>111,650,657</u>	<u>654,530,778</u>	<u>625,938,922</u>
Net position:						
Net investment in capital assets	739,378,508	696,300,300	185,747,786	174,745,396	925,126,294	871,045,696
Restricted	4,538,556	4,192,127	17,744,216	12,854,359	22,282,772	17,046,486
Unrestricted	<u>72,860,648</u>	<u>63,781,055</u>	<u>35,211,295</u>	<u>30,396,570</u>	<u>108,071,943</u>	<u>94,177,625</u>
Total net position	<u>\$ 816,777,712</u>	<u>\$ 764,273,482</u>	<u>\$ 238,703,297</u>	<u>\$ 217,996,325</u>	<u>\$ 1,055,481,009</u>	<u>\$ 982,269,807</u>

An additional portion of the City's net position (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 position \$108,071,943 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, 2013, the City is able to report positive balances in all three categories, 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.

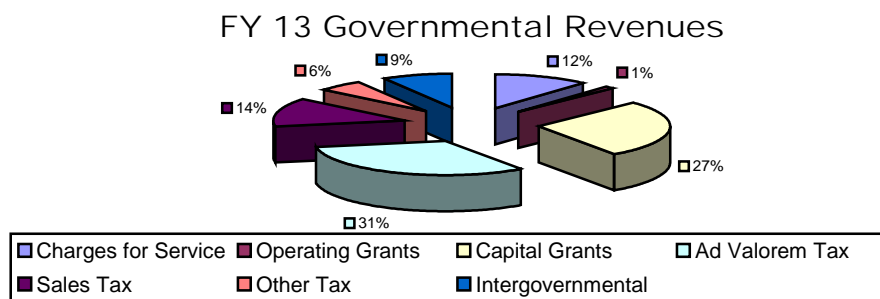
Analysis of the City's Operations – Overall the City had an increase in net position of \$73,211,202.

Governmental activities: Governmental activities increased the total net position by \$52,504,230 or 72% of the total growth. Net investment in capital assets increased by \$43,078,208 due to developer and grant contributions and unrestricted increased by \$9,079,593, due to an increase in general revenue. Restricted increased by \$346,429, primarily due to excess revenues over expenses for the TIRZ #1 fund.

Total revenues for governmental activities increased when compared to the prior year by \$55,056,791. General revenue had a net increase of \$4,007,707, while program revenues had an increase of \$51,049,084. These were primarily due to the following factors:

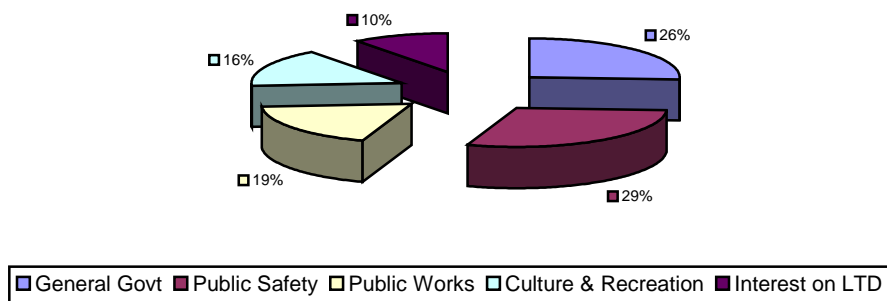
General revenues: Property tax revenue includes an increase of \$1,852,508 and is due to a combination of the increased value in existing property and the value generated by new improvements and annexations. Sales taxes increased \$4,669,577 due to an increase in retail sales for the entire year. Franchise and other taxes show increases over the prior year collections. 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 decreased this fiscal year while significant increases were seen in capital grants and contributions due in part to an increase in developer contributions recognized for capital projects.



Total expenses for governmental activities increased \$6,878,927 or 4 percent. This increase is attributed to increases to provide services to the growing population base. General government expenses include a payment of \$10.3 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 \$48,074,351 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 a significant expense and provides roadway repairs and traffic control/signals for the citizens. Expenses include depreciation for City road infrastructure. Recreation programming and city park utilization continue showing increases, with the decrease in the total expense for FY 2013 attributed to reduced expenses for a tourism project in the Hotel/Motel Fund. Total salaries and benefits for the governmental activities totaled approximately \$65.5 million or 40% of the total expenses, while depreciation expense totaled \$45.2 million or 27%.

FY 13 Governmental Expenses



Business-type activities: Net position from business-type activities increased by \$20,706,972 accounting for the remaining total growth. Program revenues of the City's business-type activities were \$90,269,867 for the fiscal year ended September 30, 2013. Operating expenses for the City's business-type activities totaled \$68,672,742. The increase is affected by several factors, including the following:

The City's water and sewer system recorded charges for services of \$57,787,373 and impact fees and contributions of \$19,926,899. Revenues showed an increase during the year primarily due to an increase in the sale of water of \$2,526,047 and sewer service charges increases of \$2,354,631. Total operating expenses were \$57,559,429. The most significant expenses of the water and sewer fund were \$16,645,895 to purchase water, \$11,189,400 for the cost of sewage treatment, \$10,936,119 for depreciation and \$9,089,192 for salaries and benefits.

The following table provides a summary of the City's operations for fiscal year ended September 30, 2013, with comparative totals for the fiscal year ended September 30, 2012.

**City of Frisco's Changes in Net Position
For the year ended
September 30, 2013**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues						
Charges for services	\$ 25,316,561	\$ 20,467,138	\$ 70,342,968	\$ 63,652,841	\$ 95,659,529	\$ 84,119,979
Operating grants and contributions	2,549,183	3,615,317	1,000	1,000	2,550,183	3,616,317
Capital grants and contributions	<u>58,872,983</u>	<u>11,607,188</u>	<u>19,925,899</u>	<u>4,897,053</u>	<u>78,798,882</u>	<u>16,504,241</u>
Total program revenues	86,738,727	35,689,643	90,269,867	68,550,894	177,008,594	104,240,537
General revenues						
Ad valorem tax	69,014,412	67,161,904	-	-	69,014,412	67,161,904
Sales tax	29,158,661	24,489,084	-	-	29,158,661	24,489,084
Franchise tax	7,909,763	7,796,833	-	-	7,909,763	7,796,833
Other tax	3,998,236	3,450,258	-	-	3,998,236	3,450,258
Intergovernmental	18,540,374	21,709,424	97,000	97,000	18,637,374	21,806,424
Investment earnings	<u>495,129</u>	<u>501,365</u>	<u>130,268</u>	<u>191,049</u>	<u>625,397</u>	<u>692,414</u>
Total general revenues	<u>129,116,575</u>	<u>125,108,868</u>	<u>227,268</u>	<u>288,049</u>	<u>129,343,843</u>	<u>125,396,917</u>
Total revenues	215,855,302	160,798,511	90,497,135	68,838,943	306,352,437	229,637,454
Expenses						
General government	42,629,757	38,034,476	-	-	42,629,757	38,034,476
Public safety	48,074,351	44,347,310	-	-	48,074,351	44,347,310
Public works	30,648,669	29,228,885	-	-	30,648,669	29,228,885
Culture and recreation	26,110,474	26,640,104	-	-	26,110,474	26,640,104
Interest	17,005,242	19,338,791	-	-	17,005,242	19,338,791
Water and sewer	-	-	57,559,429	53,369,324	57,559,429	53,369,324
Other enterprise funds	-	-	<u>11,113,313</u>	<u>10,490,996</u>	<u>11,113,313</u>	<u>10,490,996</u>
Total expenses	164,468,493	157,589,566	68,672,742	63,860,320	233,141,235	221,449,886
Increase in net position before transfers	51,386,809	3,208,945	21,824,393	4,978,623	73,211,202	8,187,568
Transfers	<u>1,117,421</u>	<u>571,537</u>	<u>(1,117,421)</u>	<u>(571,537)</u>	-	-
Increase in net position	52,504,230	3,780,482	20,706,972	4,407,086	73,211,202	8,187,568
Net position, October 1	<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>
Net position, September 30	<u>\$ 816,777,712</u>	<u>\$ 764,273,482</u>	<u>\$238,703,297</u>	<u>\$217,996,325</u>	<u>\$1,055,481,009</u>	<u>\$ 982,269,807</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, 2013, the governmental funds of the City reported a combined fund balance of \$136,434,968, an increase of \$16,834,851 in comparison with the prior year. Unassigned fund balance, which is available for spending at the government's discretion, constitutes \$31,295,715 of this balance. The remainder of fund balance is non-spendable, restricted, committed or assigned. 1) Non-spendable fund balances (\$747,480) includes prepaids and inventories held by the government, 2) Restricted balances

includes bond proceeds restricted for capital projects (\$57,371,723), reserves to pay debt service (\$4,150,522), impact fee revenues restricted for capital project funding (\$25,370,419), and other special revenues restricted for a specific purpose (\$4,196,596), 3) Committed funds included commitments made by resolution by the governing body for insurance reserves (\$3,057,140), workforce housing programs (\$513,777) and the capital reserve fund (\$3,349,491), 4) Assigned funds include the TIRZ #1 balances for future periods (\$3,134,209) and capital project contribution assignments totaling (\$3,247,896).

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 \$31,295,715, while total fund balance reached \$35,411,215. 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 35% of total general fund expenditures, while total fund balance represents 39% of that same amount. The fund balance of the City's general fund increased \$2,812,751 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.

The TIRZ#1 fund has a total fund balance of \$3,134,209. This amount is assigned for future projects within the zone.

The capital projects fund has a total fund balance of \$60,754,446, (\$134,827) 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 increase in fund balance is due to intergovernmental revenue 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 \$4,150,522 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, 2013 totaled \$35,211,295. 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 2013, the City Council approved a final appropriation in September 2013 with the total amount of the appropriation equaling \$98.7 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 2013, the actual expenditures on a budgetary basis were \$90.0 million compared to the re-estimated budget amount of \$92.7 million.

The \$2.7 million variance in total expenditures (excluding transfers out) is due to attrition and department stewardship which have created savings in the general fund.

The actual (on a budgetary basis excluding transfers in) revenues were \$97.9 million as compared to the re-estimated budget amount of \$96.9 million excluding transfers. The \$1.0 million variance in total revenues is attributed to increases over projections in other tax, public safety fees, fine, permits fees and charges for services collections, with decreases under projections in sales tax, and property taxes. During the year, we also had a prior year expense for a change in estimates for accrued health insurance claims for our self-insured plan, which is recorded as miscellaneous revenue.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. At the end of the year, the City had \$1,862,133,303 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 \$113,348,076 over the prior fiscal year. Total accumulated depreciation for September 30, 2013, was \$491,364,820 for net capital assets of \$1,370,768,483.

Capital Assets for the Year Ended September 30, 2013

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Land	\$ 228,371,963	\$ 224,051,541	\$ 9,930,311	\$ 9,345,346	\$ 238,302,274	\$ 233,396,887
Buildings & improvements	346,972,220	346,827,033	10,102,640	10,102,640	357,074,860	356,929,673
Machinery & equipment	49,522,012	43,126,881	6,343,568	5,402,684	55,865,580	48,529,565
Construction in progress	61,569,701	35,197,492	21,311,934	5,869,874	82,881,635	41,067,366
Improvements other than buildings	<u>799,519,975</u>	<u>756,940,121</u>	<u>328,488,979</u>	<u>311,921,615</u>	<u>1,128,008,954</u>	<u>1,068,861,736</u>
Total capital assets	<u>1,485,955,871</u>	<u>1,406,143,068</u>	<u>376,177,432</u>	<u>342,642,159</u>	<u>1,862,133,303</u>	<u>1,748,785,227</u>
Less accumulated depreciation	<u>(383,718,284)</u>	<u>(339,048,395)</u>	<u>(107,646,536)</u>	<u>(96,670,392)</u>	<u>(491,364,820)</u>	<u>(435,718,787)</u>
Total	<u>\$1,102,237,587</u>	<u>\$1,067,094,673</u>	<u>\$ 268,530,896</u>	<u>\$ 245,971,767</u>	<u>\$1,370,768,483</u>	<u>\$1,313,066,440</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 2013 based on our equipment replacement schedule.

The City's 2014 capital budget calls for a continuation of the Capital Project Plan. Estimated expenditures will fund Fire Station #8, Frisco Athletic Center outdoor expansion, a multi-use events and sports complex, and various land purchases. 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, building and improving for several major roadways. The 2006 Authorized Bond Election of \$198 million has an unissued balance of \$55 million. Of this total, \$1.5 million is for public safety, \$12 million remains for streets and drainage projects, and \$41.5 million is for culture/recreational facilities and parks.

Additional information regarding capital assets can be found in Note 6 beginning on page 71 of the CAFR.

Debt administration. At year-end, the City had \$594,832,441 in debt outstanding as compared to \$567,269,530 at the end of the prior fiscal year, an increase of 4.9 percent – as shown below.

Outstanding Debt, September 30, 2013

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$372,988,581	\$355,564,972	\$ 49,105,937	\$ 33,662,254	\$422,094,518	\$389,227,226
General obligation bonds - MUD	-	-	303,652	440,898	303,652	440,898
Certificates of obligation	<u>98,697,213</u>	<u>106,478,062</u>	<u>73,737,058</u>	<u>71,123,344</u>	<u>172,434,271</u>	<u>177,601,406</u>
Totals	<u>\$471,685,794</u>	<u>\$462,043,034</u>	<u>\$123,146,647</u>	<u>\$105,226,496</u>	<u>\$594,832,441</u>	<u>\$567,269,530</u>

In April 2013, the City issued general obligation refunding and improvement bonds, series 2013, in the amount of \$79,955,000 with a net premium of \$17,691,124. Proceeds from the sale of the refunding bonds were used to advance refund a portion of the City's outstanding debt, including \$6,775,000 in combination tax and revenue certificates of obligation, series 2005, \$29,015,000 in general obligation refunding and improvement bonds, series 2005, \$9,850,000 in combination tax and revenue certificates of obligation series 2005A, \$15,395,000 in combination tax and revenue certificates of obligation series 2006, and \$22,645,000 in general obligation bonds, series 2006. Proceeds from the sale of the improvement bonds of \$5,060,000 will be used for fire department facilities and acquisition of fire apparatus and firefighting equipment.

In July 2013, the City issued general obligation bonds, series 2013, in the amount of \$20,000,000 with a net premium of \$448,474. Proceeds of the bonds will be used for constructing and improving streets, bridges and intersections and constructing, improving and equipping fire stations; including the acquisition of fire trucks.

In August 2013, the City issued combination tax and surplus revenue certificates of obligation, series 2013, in the amount of \$38,710,000 with a net premium of \$1,942,762. Proceeds of the certificates will be used for constructing, installing, acquiring and equipping additions, extensions and improvements to the City's waterworks and sewer system, and the acquisition of land and interests in land for such projects and constructing, installing, acquiring and equipping improvements and additions to municipal parks; including ball fields at community parks and expansion of the Frisco Athletic Center.

Additional information regarding the City's outstanding debt can be found in Note 8 beginning on page 73 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 2.21%.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2014 budget appropriation, tax rates, and fees that will be charged for the business-type activities. Frisco's current population is approximately 135,920, and in fact has continued to increase over the past several years.

Current economic indicators were taken into account when adopting the general fund budget. The FY 2013-14 combined budget appropriation totaled \$105.2 million. This represents an increase of \$6.5 million from the FY 2012-13 revised budgets, 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 7.85%. We saw gains in new improvements of 3.32%, and a gain on existing property of 4.52%. According to final figures received from the CAD's, the total certified assessed property value for FY 2014 is \$15.9 billion. Council approved a tax rate of \$0.461910 per \$100 of valuation, the same tax rate as FY 2013.

As for the City's business-type activities, City projections indicate that the water and sewer fund unassigned net assets will be approximately \$30.7 million. A fee increase for water sales and sewer services was approved and effective in January 2014. 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 Position
September 30, 2013

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$ 92,282,923	\$ 15,618,693	\$ 107,901,616	\$ 31,906,733
Cash held for land purchase	-	-	-	44,046,974
Investments	74,496,060	11,948,267	86,444,327	13,001,305
Receivables (net of allowance for uncollectibles)	15,120,530	10,429,030	25,549,560	5,140,463
Inventories	461,221	378,094	839,315	-
Prepays	286,259	38,051	324,310	278,306
Notes receivable	3,595,000	-	3,595,000	-
Restricted assets:				
Cash and cash equivalents	-	39,977,417	39,977,417	2,097,763
Investments	-	21,502,951	21,502,951	3,800,000
Notes receivable - noncurrent	48,101,153	-	48,101,153	3,373,874
Land held for resale	-	-	-	1,252,265
Capital assets:				
Land	228,371,963	9,930,311	238,302,274	91,682,838
Buildings and improvements	346,972,220	10,102,640	357,074,860	18,355,501
Improvements other than buildings	799,519,975	328,488,979	1,128,008,954	18,584,658
Machinery and equipment	49,522,012	6,343,568	55,865,580	554,174
Construction in progress	61,569,701	21,311,934	82,881,635	19,460
Accumulated depreciation	(383,718,284)	(107,646,536)	(491,364,820)	(18,606,070)
Deferred costs and expenses, net of amortization	4,098,535	909,120	5,007,655	1,336,005
Total assets	1,340,679,268	369,332,519	1,710,011,787	216,824,249
LIABILITIES				
Accounts and retainage payable	14,095,376	3,614,469	17,709,845	950,706
Accrued liabilities	634,967	247,833	882,800	21,268
Accrued liabilities - pollution remediation	-	-	-	4,046,217
Accrued interest payable	2,746,175	703,574	3,449,749	731,999
Customer deposits	-	1,864,562	1,864,562	76,118
Unearned revenue	4,659,887	-	4,659,887	57,592
Monies held in escrow	22,654,643	-	22,654,643	-
Non-current liabilities:				
Due within one year:				
Compensated absences	4,377,398	681,218	5,058,616	68,672
Notes payable	-	-	-	5,752,147
Bonds payable	33,473,477	8,601,154	42,074,631	2,676,319
Due in more than one year:				
Compensated absences	3,047,316	350,150	3,397,466	47,319
Monies held in escrow	-	20,769	20,769	-
Notes payable	-	-	-	74,816,513
Bonds payable	438,212,317	114,545,493	552,757,810	62,138,085
Total liabilities	523,901,556	130,629,222	654,530,778	151,382,955
NET POSITION				
Net investment in capital assets	739,378,508	185,747,786	925,126,294	24,408,660
Restricted for:				
Capital projects	-	17,744,216	17,744,216	-
Tax increment reinvestment zone	3,134,209	-	3,134,209	-
Debt service	1,404,347	-	1,404,347	5,165,764
Unrestricted	72,860,648	35,211,295	108,071,943	35,866,870
Total net position	\$ 816,777,712	\$ 238,703,297	\$ 1,055,481,009	\$ 65,441,294

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

Statement of Activities
For the year ended September 30, 2013

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 42,629,757	\$ 18,329,451	\$ 852,775	\$ 67,960
Public safety	48,074,351	2,327,403	1,457,203	840,890
Public works	30,648,669	104,180	5,000	48,691,868
Culture and recreation	26,110,474	4,555,527	234,205	9,272,265
Interest on long-term debt	17,005,242	-	-	-
Total governmental activities	<u>164,468,493</u>	<u>25,316,561</u>	<u>2,549,183</u>	<u>58,872,983</u>
Business-type activities:				
Water and sewer	57,559,429	57,787,373	1,000	19,925,899
Other enterprise funds	11,113,313	12,555,595	-	-
Total business-type activities	<u>68,672,742</u>	<u>70,342,968</u>	<u>1,000</u>	<u>19,925,899</u>
Total primary government	<u>\$ 233,141,235</u>	<u>\$ 95,659,529</u>	<u>\$ 2,550,183</u>	<u>\$ 78,798,882</u>
Component units:				
Community development	\$ 9,259,073	\$ 650,091	\$ -	\$ 1,250,000
Economic development	13,606,913	-	33,345	-
Charitable foundation	8,020	-	1,566	-
Total component units	<u>\$ 22,874,006</u>	<u>\$ 650,091</u>	<u>\$ 34,911</u>	<u>\$ 1,250,000</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 position, beginning				
Net position, ending				

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business-Type Activities	Total	
\$ (23,379,571)	\$ -	\$ (23,379,571)	
(43,448,855)	-	(43,448,855)	
18,152,379	-	18,152,379	
(12,048,477)	-	(12,048,477)	
(17,005,242)	-	(17,005,242)	
<u>(77,729,766)</u>	<u>-</u>	<u>(77,729,766)</u>	
-	20,154,843	20,154,843	
-	1,442,282	1,442,282	
-	21,597,125	21,597,125	
<u>\$ (77,729,766)</u>	<u>\$ 21,597,125</u>	<u>\$ (56,132,641)</u>	
			\$ (7,358,982)
			(13,573,568)
			<u>(6,454)</u>
			<u>\$ (20,939,004)</u>
69,014,412	-	69,014,412	-
29,158,661	-	29,158,661	29,158,660
7,909,763	-	7,909,763	-
3,998,236	-	3,998,236	-
18,540,374	97,000	18,637,374	-
495,129	130,268	625,397	121,794
-	-	-	94,383
1,117,421	(1,117,421)	-	-
<u>130,233,996</u>	<u>(890,153)</u>	<u>129,343,843</u>	<u>29,374,837</u>
52,504,230	20,706,972	73,211,202	8,435,833
764,273,482	217,996,325	982,269,807	57,005,461
<u>\$ 816,777,712</u>	<u>\$ 238,703,297</u>	<u>\$ 1,055,481,009</u>	<u>\$ 65,441,294</u>



PROGRESS IN MOTION

Balance Sheet
Governmental Funds
September 30, 2013

	<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>
ASSETS						
Cash and cash equivalents	\$ 18,494,213	\$ 4,961,129	\$ 56,895,926	\$ 4,131,748	\$ 7,799,907	\$ 92,282,923
Investments	17,006,035	-	31,676,795	-	25,813,230	74,496,060
Receivables (net of allowances for uncollectibles):						
Property tax	306,596	-	-	237,908	-	544,504
Sales tax	5,033,399	-	-	-	-	5,033,399
Franchise tax	3,511,078	-	-	-	79,504	3,590,582
Occupancy tax	-	-	-	-	299,073	299,073
Grants	-	-	-	-	491,049	491,049
Assessments	-	-	-	-	2,432,936	2,432,936
Other	537,995	245,641	1,254,625	-	400,345	2,438,606
Due from other funds	367,647	-	-	-	-	367,647
Inventories	326,394	-	134,827	-	-	461,221
Prepays	218,189	-	-	-	68,070	286,259
Notes receivable	88,653	-	373,000	51,234,500	-	51,696,153
Total assets	<u>\$ 45,890,199</u>	<u>\$ 5,206,770</u>	<u>\$ 90,335,173</u>	<u>\$ 55,604,156</u>	<u>\$ 37,384,114</u>	<u>\$ 234,420,412</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 6,125,690	\$ -	\$ 6,141,900	\$ -	\$ 573,490	\$ 12,841,080
Retainage payable	-	-	1,254,296	-	-	1,254,296
Accrued liabilities	614,769	-	3,538	-	16,660	634,967
Unavailable revenue	2,680,170	-	1,439,120	51,453,634	-	55,572,924
Unearned revenue	608,105	1,618,726	-	-	2,433,056	4,659,887
Monies held in escrow	450,250	453,835	20,741,873	-	1,008,685	22,654,643
Due to other funds	-	-	-	-	367,647	367,647
Total liabilities	<u>10,478,984</u>	<u>2,072,561</u>	<u>29,580,727</u>	<u>51,453,634</u>	<u>4,399,538</u>	<u>97,985,444</u>
Fund balances:						
Non spendable	544,583	-	134,827	-	68,070	747,480
Restricted for:						
Debt service	-	-	-	4,150,522	-	4,150,522
Capital projects for future construction	-	-	57,371,723	-	25,370,419	82,742,142
Other purposes	-	-	-	-	4,196,596	4,196,596
Committed to:						
Insurance	3,057,140	-	-	-	-	3,057,140
Workforce housing	513,777	-	-	-	-	513,777
Capital projects for future construction	-	-	-	-	3,349,491	3,349,491
Assigned to:						
Special revenue for future commitments	-	3,134,209	-	-	-	3,134,209
Capital projects for future construction	-	-	3,247,896	-	-	3,247,896
Unassigned	31,295,715	-	-	-	-	31,295,715
Total fund balances	<u>35,411,215</u>	<u>3,134,209</u>	<u>60,754,446</u>	<u>4,150,522</u>	<u>32,984,576</u>	<u>136,434,968</u>
Total liabilities and fund balances	<u>\$ 45,890,199</u>	<u>\$ 5,206,770</u>	<u>\$ 90,335,173</u>	<u>\$ 55,604,156</u>	<u>\$ 37,384,114</u>	<u>\$ 234,420,412</u>

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 Position
September 30, 2013**

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

Total fund balances per balance sheet	\$ 136,434,968
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,102,237,587
Other long-term assets are not available to pay for current-period expenditures, and, therefore, are deferred in the funds.	55,572,924
Other long-term assets are not available to pay for current-period expenditures, and, therefore, are not included in the funds.	4,388,916
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(481,856,683)
Net position of governmental activities	<u>\$ 816,777,712</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, 2013

	<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	\$ 38,344,822	\$ 4,431,948	\$ -	\$ 26,256,652	\$ -	\$ 69,033,422
Sales	29,158,661	-	-	-	-	29,158,661
Franchise	7,472,273	-	-	-	329,300	7,801,573
Hotel/motel	-	-	-	-	3,506,677	3,506,677
Other	491,559	-	-	-	-	491,559
Licenses and permits	8,577,020	-	-	-	-	8,577,020
Public safety	1,735,308	-	-	-	-	1,735,308
Intergovernmental	875,654	16,515,936	10,540,757	-	232,340	28,164,687
Charges for services	5,154,800	-	-	-	5,876	5,160,676
Fines	2,376,846	-	-	-	540,650	2,917,496
Special assessments	-	-	-	-	9,190,265	9,190,265
Rents	1,303,072	3,406,775	15,500	-	-	4,725,347
Investment earnings	92,730	3,460	158,022	7,167	170,989	432,368
Contributions, donations and grants	143,452	-	1,890,346	-	4,044,792	6,078,590
Payments from component units	45,000	1,630,851	1,369,571	4,080,427	-	7,125,849
Miscellaneous	2,210,177	-	18,250	-	25,084	2,253,511
Total revenues	<u>97,981,374</u>	<u>25,988,970</u>	<u>13,992,446</u>	<u>30,344,246</u>	<u>18,045,973</u>	<u>186,353,009</u>
EXPENDITURES:						
Current:						
General government	25,215,566	10,640,933	-	-	496,760	36,353,259
Public safety	42,027,753	-	-	-	737,581	42,765,334
Public works	7,078,839	-	-	-	4,363	7,083,202
Culture and recreation	12,917,182	-	-	-	1,767,671	14,684,853
Capital outlay (includes \$901,440 not capitalized)	2,692,240	-	43,499,777	-	776,384	46,968,401
Debt service:						
Principal retirement	-	-	-	27,685,000	-	27,685,000
Interest and fiscal charges	-	-	413,393	20,575,584	-	20,988,977
Total expenditures	<u>89,931,580</u>	<u>10,640,933</u>	<u>43,913,170</u>	<u>48,260,584</u>	<u>3,782,759</u>	<u>196,529,026</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,049,794</u>	<u>15,348,037</u>	<u>(29,920,724)</u>	<u>(17,916,338)</u>	<u>14,263,214</u>	<u>(10,176,017)</u>
OTHER FINANCING SOURCES (USES):						
Proceeds from bond proceeds	-	-	24,970,000	73,615,000	-	98,585,000
Premium on bonds issued	-	-	1,073,081	14,213,609	-	15,286,690
Discount on bonds issued	-	-	(138,558)	(76,824)	-	(215,382)
Payment to refunded debt escrow agent	-	-	-	(72,809,971)	-	(72,809,971)
Notes issued	-	-	-	(15,100,911)	-	(15,100,911)
Proceeds from sale of assets	76,962	-	71,059	-	-	148,021
Transfers in	729,498	1,484,326	8,351,727	17,870,359	1,269,428	29,705,338
Transfers out	(6,043,503)	(16,303,515)	(44,670)	-	(6,196,229)	(28,587,917)
Total other financing sources and uses	<u>(5,237,043)</u>	<u>(14,819,189)</u>	<u>34,282,639</u>	<u>17,711,262</u>	<u>(4,926,801)</u>	<u>27,010,868</u>
Net change in fund balances	2,812,751	528,848	4,361,915	(205,076)	9,336,413	16,834,851
Fund balances, beginning	<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>
Fund balances, ending	<u>\$ 35,411,215</u>	<u>\$ 3,134,209</u>	<u>\$ 60,754,446</u>	<u>\$ 4,150,522</u>	<u>\$ 32,984,576</u>	<u>\$ 136,434,968</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, 2013

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

Net change in fund balance - total governmental funds	\$	16,834,851
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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.		35,142,914
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		161,378
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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 position. 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.		799,241
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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.		(434,154)
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Change in net position of governmental activities	\$	<u>52,504,230</u>
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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, 2013**

	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	\$ 38,596,256	\$ 39,403,756	\$ 38,344,822	\$ -	\$ 38,344,822	\$ (1,058,934)
Sales	25,410,000	30,022,800	29,158,661	-	29,158,661	(864,139)
Franchise	8,279,250	7,429,250	7,472,273	-	7,472,273	43,023
Other	418,200	418,200	491,559	-	491,559	73,359
Licenses and permits	5,788,500	8,117,500	8,577,020	-	8,577,020	459,520
Public safety	1,624,775	1,629,875	1,735,308	-	1,735,308	105,433
Intergovernmental	740,525	781,525	875,654	-	875,654	94,129
Charges for services	5,012,270	5,111,760	5,154,800	-	5,154,800	43,040
Fines	2,275,350	2,335,000	2,376,846	-	2,376,846	41,846
Rents	1,236,988	1,237,941	1,303,072	-	1,303,072	65,131
Investment earnings	160,250	109,900	92,730	-	92,730	(17,170)
Contributions, donations and grants	125,000	136,700	143,452	-	143,452	6,752
Payments from component units	45,000	45,000	45,000	-	45,000	-
Miscellaneous	251,415	194,825	2,210,177	-	2,210,177	2,015,352
Total revenues	<u>89,963,779</u>	<u>96,974,032</u>	<u>97,981,374</u>	<u>-</u>	<u>97,981,374</u>	<u>1,007,342</u>
EXPENDITURES:						
Current:						
General government	22,159,613	25,141,568	25,215,566	91,498	25,307,064	(165,496)
Public safety	43,951,852	43,171,536	42,027,753	14,450	42,042,203	1,129,333
Public works	7,617,835	7,588,006	7,078,839	(19,177)	7,059,662	528,344
Culture and recreation	14,031,018	13,594,315	12,917,182	(1,269)	12,915,913	678,402
Capital outlay	2,016,318	3,177,580	2,692,240	19,768	2,712,008	465,572
Total expenditures	<u>89,776,636</u>	<u>92,673,005</u>	<u>89,931,580</u>	<u>105,270</u>	<u>90,036,850</u>	<u>2,636,155</u>
Excess (deficiency) of revenues over (under) expenditures	<u>187,143</u>	<u>4,301,027</u>	<u>8,049,794</u>	<u>(105,270)</u>	<u>7,944,524</u>	<u>3,643,497</u>
OTHER FINANCING SOURCES (USES):						
Proceeds from sale of assets	-	77,000	76,962	-	76,962	(38)
Transfers in	690,091	690,091	729,498	-	729,498	39,407
Transfers out	(668,290)	(6,011,290)	(6,043,503)	-	(6,043,503)	(32,213)
Total other financing sources (uses)	<u>21,801</u>	<u>(5,244,199)</u>	<u>(5,237,043)</u>	<u>-</u>	<u>(5,237,043)</u>	<u>7,156</u>
Net change in fund balances	208,944	(943,172)	2,812,751	(105,270)	2,707,481	3,650,653
Fund balances, October 1	<u>28,489,280</u>	<u>32,598,464</u>	<u>32,598,464</u>	<u>(501,766)</u>	<u>32,096,698</u>	<u>(501,766)</u>
Fund balances, September 30	<u>\$ 28,698,224</u>	<u>\$ 31,655,292</u>	<u>\$ 35,411,215</u>	<u>\$ (607,036)</u>	<u>\$ 34,804,179</u>	<u>\$ 3,148,887</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, 2013**

	Net Change in Fund Balances
GAAP basis	\$ 2,812,751
Expenditures:	
Increase due to encumbrances from prior year	501,766
Decrease due to encumbrances for current year	(607,036)
Budgetary basis	<u>\$ 2,707,481</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, 2013**

	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:						
Property	\$ 4,380,152	\$ 4,431,948	\$ 4,431,948	\$ -	\$ 4,431,948	\$ -
Intergovernmental	16,483,773	16,515,936	16,515,936	-	16,515,936	-
Rents	3,738,585	3,338,585	3,406,775	-	3,406,775	68,190
Investment earnings	2,000	3,017	3,460	-	3,460	443
Payments from component units	1,630,851	1,630,851	1,630,851	-	1,630,851	-
Total revenues	<u>26,235,361</u>	<u>25,920,337</u>	<u>25,988,970</u>	<u>-</u>	<u>25,988,970</u>	<u>68,633</u>
EXPENDITURES:						
Current:						
General government	10,529,966	10,530,933	10,640,933	-	10,640,933	(110,000)
Total expenditures	<u>10,529,966</u>	<u>10,530,933</u>	<u>10,640,933</u>	<u>-</u>	<u>10,640,933</u>	<u>(110,000)</u>
Excess of revenues over expenditures	<u>15,705,395</u>	<u>15,389,404</u>	<u>15,348,037</u>	<u>-</u>	<u>15,348,037</u>	<u>(41,367)</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	1,484,326	1,484,325	1,484,326	-	1,484,326	1
Transfers out	(16,264,108)	(16,264,108)	(16,303,515)	-	(16,303,515)	(39,407)
Total other financing sources (uses)	<u>(14,779,782)</u>	<u>(14,779,783)</u>	<u>(14,819,189)</u>	<u>-</u>	<u>(14,819,189)</u>	<u>(39,406)</u>
Net change in fund balances	925,613	609,621	528,848	-	528,848	(80,773)
Fund balances, October 1	<u>2,902,270</u>	<u>2,605,361</u>	<u>2,605,361</u>	<u>-</u>	<u>2,605,361</u>	<u>-</u>
Fund balances, September 30	<u>\$ 3,827,883</u>	<u>\$ 3,214,982</u>	<u>\$ 3,134,209</u>	<u>\$ -</u>	<u>\$ 3,134,209</u>	<u>\$ (80,773)</u>

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



PROGRESS IN MOTION

**Statement of Net Position
Proprietary Funds
September 30, 2013**

	Business-type Activities Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 12,072,921	\$ 3,545,772	\$ 15,618,693
Investments	9,647,787	2,300,480	11,948,267
Receivables - (net of allowance for uncollectibles):			
Utility bills	9,916,498	-	9,916,498
Other	208,701	303,831	512,532
Inventories	378,094	-	378,094
Prepays	37,747	304	38,051
Restricted cash and cash equivalents	39,977,417	-	39,977,417
Restricted investments	21,502,951	-	21,502,951
Deferred costs and expenses, net of amortization	71,323	-	71,323
Total current assets	<u>93,813,439</u>	<u>6,150,387</u>	<u>99,963,826</u>
Noncurrent assets:			
Capital assets:			
Land	9,930,311	-	9,930,311
Buildings and improvements	9,986,356	116,284	10,102,640
Improvements other than buildings	328,396,789	92,190	328,488,979
Machinery and equipment	5,683,607	659,961	6,343,568
Construction in progress	21,311,934	-	21,311,934
Accumulated depreciation	<u>(107,298,851)</u>	<u>(347,685)</u>	<u>(107,646,536)</u>
Total capital assets (net of accumulated depreciation)	268,010,146	520,750	268,530,896
Deferred charges	837,797	-	837,797
Total noncurrent assets	<u>268,847,943</u>	<u>520,750</u>	<u>269,368,693</u>
Total assets	<u>\$ 362,661,382</u>	<u>\$ 6,671,137</u>	<u>\$ 369,332,519</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	\$ 3,028,315	\$ 586,154	\$ 3,614,469
Accrued liabilities	218,320	29,513	247,833
Accrued interest payable	703,574	-	703,574
Customer deposits payable	1,864,562	-	1,864,562
Liability for compensated absences	598,406	82,812	681,218
Bonds payable	8,601,154	-	8,601,154
Current liabilities	<u>15,014,331</u>	<u>698,479</u>	<u>15,712,810</u>
Noncurrent liabilities:			
Liability for compensated absences	306,340	43,810	350,150
Monies held in escrow	-	20,769	20,769
Bonds payable	114,545,493	-	114,545,493
Total noncurrent liabilities	<u>114,851,833</u>	<u>64,579</u>	<u>114,916,412</u>
Total liabilities	<u>129,866,164</u>	<u>763,058</u>	<u>130,629,222</u>
NET POSITION			
Net investment in capital assets	185,227,036	520,750	185,747,786
Restricted for:			
Capital projects	17,744,216	-	17,744,216
Unrestricted	29,823,966	5,387,329	35,211,295
Total	<u>232,795,218</u>	<u>5,908,079</u>	<u>238,703,297</u>
Total net position	<u>\$ 232,795,218</u>	<u>\$ 5,908,079</u>	<u>\$ 238,703,297</u>

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



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

	Business-type Activities Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Total
OPERATING REVENUES:			
Charges for sales and services:			
Water sales	\$ 34,400,722	\$ -	\$ 34,400,722
Sewer charges	19,404,092	-	19,404,092
Service charges	564,911	-	564,911
Sanitation charges	-	10,994,170	10,994,170
Water and sewer connections	1,083,985	-	1,083,985
Inspection fees	1,775,129	-	1,775,129
Stormwater drainage fees	-	1,473,950	1,473,950
Miscellaneous	544,957	87,475	632,432
Total operating revenues	<u>57,773,796</u>	<u>12,555,595</u>	<u>70,329,391</u>
OPERATING EXPENSES:			
Cost of sales and services	27,835,295	8,686,336	36,521,631
Administration	14,846,063	2,325,530	17,171,593
Depreciation	10,936,119	101,447	11,037,566
Amortization	302,390	-	302,390
Total operating expenses	<u>53,919,867</u>	<u>11,113,313</u>	<u>65,033,180</u>
Operating income	<u>3,853,929</u>	<u>1,442,282</u>	<u>5,296,211</u>
NONOPERATING REVENUES (EXPENSES):			
Interest revenue	123,731	6,537	130,268
Intergovernmental contribution	97,000	-	97,000
Contributions, grants	1,000	-	1,000
Gain on sale of equipment	13,577	-	13,577
Interest expense	(3,639,562)	-	(3,639,562)
Total nonoperating revenues (expenses)	<u>(3,404,254)</u>	<u>6,537</u>	<u>(3,397,717)</u>
Income (loss) before capital contributions	<u>449,675</u>	<u>1,448,819</u>	<u>1,898,494</u>
CAPITAL CONTRIBUTIONS:			
Capital contributions	<u>19,925,899</u>	<u>-</u>	<u>19,925,899</u>
Income before transfers	20,375,574	1,448,819	21,824,393
TRANSFERS:			
Transfers in	217,736	-	217,736
Transfers out	-	(1,335,157)	(1,335,157)
Total transfers	<u>217,736</u>	<u>(1,335,157)</u>	<u>(1,117,421)</u>
Change in net position	20,593,310	113,662	20,706,972
Total net position, beginning	<u>212,201,908</u>	<u>5,794,417</u>	<u>217,996,325</u>
Total net position, ending	<u>\$ 232,795,218</u>	<u>\$ 5,908,079</u>	<u>\$ 238,703,297</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, 2013

	Business-type Activities Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 56,657,864	\$ 12,195,250	\$ 68,853,114
Cash payments to suppliers for goods and services	(33,390,671)	(9,759,329)	(43,150,000)
Cash payments to employees for services	(8,980,257)	(1,291,085)	(10,271,342)
Other receipts	544,957	87,475	632,432
Net cash provided by operating activities	14,831,893	1,232,311	16,064,204
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers received from other funds	217,736	-	217,736
Contributions	98,000	-	98,000
Transfers made to other funds	-	(1,335,157)	(1,335,157)
Net cash provided/(used) by noncapital financing activities	315,736	(1,335,157)	(1,019,421)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(20,389,205)	(19,897)	(20,409,102)
Proceeds/(loss) from sale or transfer of equipment	14,312	-	14,312
Principal paid on long-term debt	(6,795,000)	-	(6,795,000)
Interest and fees paid on long-term debt	(4,394,470)	-	(4,394,470)
Payments to paying agent for refunded bond issuance	(19,773,931)	-	(19,773,931)
Bond proceeds net of issuance costs	44,706,798	-	44,706,798
Developers contributions	7,401,154	-	7,401,154
Net cash (used) by capital and related financing activities	769,658	(19,897)	749,761
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	(28,062,163)	(2,300,480)	(30,362,643)
Proceeds from sale and maturities of investment securities	18,295,000	-	18,295,000
Interest on investments	125,800	5,964	131,764
Net cash provided by investing activities	(9,641,363)	(2,294,516)	(11,935,879)
Net increase in cash and cash equivalents	6,275,924	(2,417,259)	3,858,665
Cash and cash equivalents, October 1	45,774,414	5,963,031	51,737,445
Cash and cash equivalents, September 30	\$ 52,050,338	\$ 3,545,772	\$ 55,596,110
Classified as:			
Current assets	\$ 12,072,921	\$ 3,545,772	\$ 15,618,693
Restricted assets	39,977,417	-	39,977,417
Total	\$ 52,050,338	\$ 3,545,772	\$ 55,596,110

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	\$ 3,853,929	\$ 1,442,282	\$ 5,296,211
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	10,936,119	101,447	11,037,566
Amortization	302,390	-	302,390
Change in assets and liabilities:			
(Increase) decrease in-			
Receivables - utility bills	(597,566)	-	(597,566)
Receivables - other	(156,739)	(293,639)	(450,378)
Prepaid expenses and other assets	3,903	1,140	5,043
Inventories	(49,471)	-	(49,471)
Increase (decrease) in-			
Accounts payable	247,063	(49,387)	197,676
Accrued liabilities	53,076	5,421	58,497
Liability for compensated absences	55,859	4,278	60,137
Deposits and escrows	183,330	20,769	204,099
Total adjustments	10,977,964	(209,971)	10,767,993
Net cash provided by operating activities	\$ 14,831,893	\$ 1,232,311	\$ 16,064,204

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 \$12,743,484.

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



PROGRESS IN MOTION

**Combining Statement of Net Position
Component Units
September 30, 2013**

	Community Development	Economic Development	Charitable Foundation	Total
ASSETS				
Current:				
Cash and cash equivalents	\$ 20,291,996	\$ 11,587,897	\$ 26,840	\$ 31,906,733
Cash escrow held for land purchase	17,618,791	26,428,183	-	44,046,974
Investments	7,000,040	6,001,265	-	13,001,305
Receivables -				
Sales tax	2,516,699	2,516,699	-	5,033,398
Other	26,481	80,584	-	107,065
Prepaid expenses		278,306	-	278,306
Notes receivable	-	-	-	-
Total current assets	<u>47,454,007</u>	<u>46,892,934</u>	<u>26,840</u>	<u>94,373,781</u>
Non-current:				
Notes receivable	700,000	2,673,874	-	3,373,874
Land held for resale	-	1,252,265	-	1,252,265
Capital assets, net of accumulated depreciation	81,727,820	28,862,741	-	110,590,561
Deferred cost	798,387	537,618	-	1,336,005
Restricted assets:				
Cash and cash equivalents	425,717	1,672,046	-	2,097,763
Investments	1,900,000	1,900,000	-	3,800,000
Total restricted assets	<u>2,325,717</u>	<u>3,572,046</u>	<u>-</u>	<u>5,897,763</u>
Total non-current assets	<u>85,551,924</u>	<u>36,898,544</u>	<u>-</u>	<u>122,450,468</u>
Total assets	<u>133,005,931</u>	<u>83,791,478</u>	<u>26,840</u>	<u>216,824,249</u>
LIABILITIES				
Current:				
Accounts payable	234,145	716,561	-	950,706
Accrued liabilities	-	21,268	-	21,268
Accrued liabilities - pollution remediation	1,618,487	2,427,730	-	4,046,217
Liability for compensated absences		68,672	-	68,672
Accrued interest payable	447,572	284,427	-	731,999
Deposits	76,118	-	-	76,118
Unearned revenue	57,592	-	-	57,592
Notes payable	5,302,725	449,422	-	5,752,147
Bonds payable	1,137,929	1,538,390	-	2,676,319
Total current liabilities	<u>8,874,568</u>	<u>5,506,470</u>	<u>-</u>	<u>14,381,038</u>
Non-current:				
Liability for compensated absences		47,319	-	47,319
Notes payable	60,690,927	14,125,586	-	74,816,513
Bonds payable	25,553,221	36,584,864	-	62,138,085
Total non-current liabilities	<u>86,244,148</u>	<u>50,757,769</u>	<u>-</u>	<u>137,001,917</u>
Total liabilities	<u>95,118,716</u>	<u>56,264,239</u>	<u>-</u>	<u>151,382,955</u>
NET POSITION				
Net investment in capital assets	21,731,409	2,677,251	-	24,408,660
Restricted for debt service reserve	1,878,145	3,287,619	-	5,165,764
Unrestricted	14,277,661	21,562,369	26,840	35,866,870
Total net position	<u>\$ 37,887,215</u>	<u>\$ 27,527,239</u>	<u>\$ 26,840</u>	<u>\$ 65,441,294</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, 2013

Functions/Programs:	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Component units:				
Community Development	\$ 9,259,073	\$ 650,091	\$ -	\$ 1,250,000
Economic Development	13,606,913	-	33,345	-
Charitable Foundation	8,020	-	1,566	-
Total component units	\$ 22,874,006	\$ 650,091	\$ 34,911	\$ 1,250,000

General revenues:
Sales taxes
Miscellaneous
Investment income
Total general revenues

Change in net position

Net position, beginning
Net position, ending

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

Net (Expense) Revenue and Changes in Net Position			
Component Units			
Community Development	Economic Development	Charitable Foundation	Total
\$ (7,358,982)	\$ -	\$ -	\$ (7,358,982)
-	(13,573,568)	-	(13,573,568)
-	-	(6,454)	(6,454)
<u>\$ (7,358,982)</u>	<u>\$ (13,573,568)</u>	<u>\$ (6,454)</u>	<u>\$ (20,939,004)</u>
14,579,330	14,579,330	-	29,158,660
54,969	39,414	-	94,383
26,721	95,073	-	121,794
<u>14,661,020</u>	<u>14,713,817</u>	<u>-</u>	<u>29,374,837</u>
7,302,038	1,140,249	(6,454)	8,435,833
30,585,177	26,386,990	33,294	57,005,461
<u>\$ 37,887,215</u>	<u>\$ 27,527,239</u>	<u>\$ 26,840</u>	<u>\$ 65,441,294</u>



PROGRESS IN MOTION

CITY OF FRISCO, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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. 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, but distinguish between the City's governmental activities, business-type activities and activities of its discretely presented component units on the statement of net position and statement of activities. Significantly, the City's statement of net position 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 the general fund and its major special revenue fund (TIRZ1) 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 position 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 position present increases (e.g., revenues) and decreases (e.g., expenses) in net position. 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. The revenue sources consist of property tax collections within the zone and lease payments for facilities.
- 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 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 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 position 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	15-30 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 all eligible 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 set by ordinance.
- 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 position 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

In the current year the City implemented the following GASB 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 was effective for financial statements for periods beginning after December 31, 2011. There was no impact on the City's financial statements as a result of implementation.

GASB Statement No. 61, The Financial Reporting Entity Omnibus modifies certain requirements for inclusion of component units in the financial reporting entity. This statement was effective for financial statements for periods beginning after June 15, 2012. There was no impact of this statement on the City's financial statements.

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 was effective for financial statements for periods beginning after December 15, 2011. The impact of this statement on the City's financial statements was insignificant.

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 was effective for financial statements beginning after December 15, 2011. The impact of this statement on the City's financial statements was that certain financial statement captions were changed.

The GASB has issued the following statements which will be effective in future years

as described below:

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, 2013. The impact on the City's financial statements will result in a write-off of unamortized debt issuance costs of \$5.8 million and a reclassification of deferred loss on refunding of \$17.7 million from bonds payable to deferred inflows of resources.

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, 2013. 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.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, which is effective for fiscal years beginning after December 15, 2013, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The impact of this statement on the financial statements on the City's financial statements has not yet been determined.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange*

Financial Guarantees which is effective for fiscal years beginning after June 15, 2013, establishes guidance for governments that extend financial guarantees for the obligations of another government, a not-for-profit entity or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The impact of this statement on the financial statements 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 position

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. 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 \$481,856,683 difference are as follows:

Bonds and certificates of obligation payable	\$458,654,445
Deferred loss on advanced refunding of bonds	(14,033,660)
Bond discount (to be amortized as interest expense)	(353,920)
Bond premiums (to be amortized over the life of the bonds)	27,418,929
Accrued interest payable	2,746,175
Compensated absences	<u>7,424,714</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$481,856,683</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 position 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 \$35,142,914 difference are as follows:

Capital outlay	\$ 46,066,961
Developers' contributions	34,490,992
Book value of capital assets disposed/retired	(196,687)
Depreciation expense	<u>(45,218,352)</u>
Net adjustment to increase <i>net changes in fund balance</i>	<u>\$ 35,142,914</u>
<i>– total governmental funds to arrive at changes in</i>	
<i>net position of governmental activities</i>	

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 position. 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 \$799,241 difference are as follows:

Debt issued or incurred:	
Premium amortization	\$ 4,025,469
Discount amortization	(15,691)
Bond issuance cost amortization	869,536
Amortization on loss of refunding of debt	(918,236)
Component unit note repayments	(2,535,000)
Bonds issued and refunded	(13,240,529)
Bond premium issued	(15,286,690)
Bond discount issued	215,382
Principal repayments:	
Bonds	<u>27,685,000</u>
Net adjustment to increase <i>net changes in fund balances</i>	<u>\$ 799,241</u>
<i>– total governmental funds to arrive at changes in net</i>	
<i>position 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 \$434,154 difference are as follows:

Decrease in accrued interest on bonds	\$ 22,657
Increase in compensated absences	<u>(456,811)</u>
Net adjustment to decrease <i>net changes in fund balances</i>	<u>\$ 434,154</u>
<i>– total governmental funds to arrive at changes in net</i>	
<i>position 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, 2013. At year-end, the carrying amount of the City's demand deposits was a balance of \$3,422,180 - bank balance, \$6,805,678. The cash on hand carrying amount totaled \$9,467. The carrying amount of the component unit's demand deposits was \$77,185 - bank balance, \$77,185. Additionally, cash held in escrow for land purchase was \$44,046,974 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 \$43,394,502.

The collateral is held in the City's name by the Bank of New York Mellon 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, 2013, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity Days
Primary Government		
General Fund		
Federal Agency Notes	\$ 17,006,035	193
TexPool	10,510,683	60
TexStar	12,726,434	51
Wells Fargo Business	9,879,058	1
CIP Funds		
Federal Agency Notes	45,178,645	441
TexPool	12,549,371	60
TexStar	68,059,509	51
Wells Fargo Business	3,002,394	1
Other Funds		
Federal Agency Notes	45,762,597	499
TexPool	16,622,791	60
TexStar	4,091,560	51
Wells Fargo Business	<u>7,005,587</u>	<u>1</u>
Total Primary Government	<u>\$252,394,664</u>	<u>209</u>
Component Units		
Community Development		
Federal Agency Notes	\$ 8,900,040	577
TexPool	5,391,315	60
TexStar	15,274,105	51
Economic Development		
Federal Agency Notes	7,901,265	549
Certificates of Deposit	6,003,505	213
TexPool	5,826,029	60
TexStar	<u>1,432,357</u>	<u>51</u>
Total Component Units	<u>\$ 50,728,616</u>	<u>242</u>
Total Government	<u>\$303,123,280</u>	<u>215</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, 2013, 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 & Pooors.

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, 2013, 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 Funds	Total
Property tax	\$ 322,733	\$ -	\$ -	\$ 250,430	\$ -	\$ 573,163
Sales tax	5,033,399	-	-	-	-	5,033,399
Franchise tax	3,511,078	-	-	-	79,504	3,590,582
Occupancy tax	-	-	-	-	325,582	325,582
Mixed beverage tax	158,715	-	-	-	-	158,715
Accrued interest	15,470	-	18,344	-	19,866	53,680
Grants	-	-	-	-	491,049	491,049
Assessments	-	-	-	-	2,432,936	2,432,936
Other	<u>1,230,474</u>	<u>245,641</u>	<u>1,236,281</u>	<u>290,381</u>	<u>380,479</u>	<u>3,383,256</u>
Gross receivables	10,271,869	245,641	1,254,625	540,811	3,729,416	16,042,362
Less: allowance	<u>(882,801)</u>	<u>-</u>	<u>-</u>	<u>(12,522)</u>	<u>(26,509)</u>	<u>(921,832)</u>
Net receivables	<u>\$9,389,068</u>	<u>\$245,641</u>	<u>\$1,254,625</u>	<u>\$528,289</u>	<u>\$3,702,907</u>	<u>\$15,120,530</u>

Business-type Activities	Water and Sewer	Other Funds	Total
Utility Bills	\$ 10,998,458	\$ -	\$ 10,998,458
Accrued interest	24,180	573	24,753
Other	<u>193,557</u>	<u>303,258</u>	<u>496,815</u>
Gross receivables	11,216,195	303,831	11,520,026
Less: allowance	<u>(1,090,996)</u>	<u>-</u>	<u>(1,090,996)</u>
Net receivables	<u>\$ 10,125,199</u>	<u>\$ 303,831</u>	<u>\$ 10,429,030</u>

Component Units	Community Development Corporation	Economic Development Corporation	Total
Sales taxes	\$ 2,516,699	\$ 2,516,699	\$5,033,398
Accrued interest	8,885	11,135	20,020
Other	<u>17,596</u>	<u>69,449</u>	<u>87,045</u>
Net receivables	<u>\$ 2,543,180</u>	<u>\$ 2,597,283</u>	<u>\$5,140,463</u>

The Proprietary Fund accounts receivable includes unbilled charges for services rendered at September 30, 2013.

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, 2013, the balance of the note receivable from the Frisco Community Development Corporation was \$48,519,500, and the balance of the note receivable from the Frisco Economic Development Corporation was \$2,715,000 for a total of \$51,234,500.

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, 2013, the note had a balance of \$300,000 and accrued interest of \$132,886.

In June, 2011, the Frisco Community Development Corporation executed a Performance Agreement and Promissory Note with a developer for \$400,000 for building improvements to a public facility being leased by the developer. The loan interest rate is 0.00%, and if the developer satisfies annual performance criteria, the loan will be forgiven over a period of ten years, ending in July, 2022. This note is only recognized at the government-wide level. The loan balance as of September 30, 2013 was \$400,000.

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 forgiveness period to 2015. The balance of the loan at September 30, 2013 was \$148,000.

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. On March 20, 2013, the Note was extended to September 30, 2014. The balance at September 30, 2013 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. On September 21, 2011, the Note maturity date was extended to August 1, 2016. The loan balance as of September 30, 2013 was \$435,000.

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 payments beginning March 31, 2011 and ending December 2014. In September 2011, the Agreement and Note were modified for quarterly payments to begin March 31, 2013 ending in December 2016. The balance of the loan at September 30, 2013 was \$386,493.

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. On April 26, 2013, the Note was extended to October 26, 2014 and the Performance Agreement was modified to forgive the loan if certain requirements are met by October 26, 2014. The balance of the loan at September 30, 2013 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, 2013 was \$229,380.

On December 21, 2012, the Frisco Economic Development Corporation entered into an Agreement and Promissory Note to provide \$200,000 for infrastructure improvements. The Note bears an interest rate of 4% with final maturity on July 31, 2017. The balance of the loan was \$200,000 at September 30, 2013.

On October 2, 2012, a Performance Agreement and Promissory Note were executed by the Frisco Economic Development Corporation. Those documents were amended and restated on January 15, 2013. The \$750,000 loan consists of 2 installments of \$375,000 each payable over two years, beginning with the Fiscal Year 2013. The loan is eligible for forgiveness credits, based upon the company's performance through December 31, 2022. The loan balance was \$275,000 at September 30, 2013.

On October 15, 2012, the Frisco Economic Development Corporation entered into a Performance Agreement and Promissory Note to provide \$200,000 in infrastructure improvements to a developer. The interest rate of the loan is 5% and the maturity date is September 30, 2016. The loan is eligible for forgiveness credits upon completion of performance requirements. The balance of the loan was \$200,000 at September 30, 2013.

NOTE 6. CAPITAL ASSETS

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

Governmental	Balance 9/30/2012	Additions	Retirements/ Transfers/Other Deductions	Balance 9/30/2013
Capital assets, not being depreciated:				
Land	\$ 224,051,541	\$ 4,512,218	\$ (191,796)	\$ 228,371,963
Construction-in-progress	<u>35,197,492</u>	<u>33,858,592</u>	<u>(7,486,383)</u>	<u>61,569,701</u>
Total capital assets, not being depreciated	<u>259,249,033</u>	<u>38,370,810</u>	<u>(7,678,179)</u>	<u>289,941,664</u>
Capital assets, being depreciated:				
Machinery and equipment	43,126,881	6,943,594	(548,463)	49,522,012
Buildings and improvements	346,827,033	145,187	-	346,972,220
Improvements other than buildings	<u>756,940,121</u>	<u>42,579,854</u>	<u>-</u>	<u>799,519,975</u>
Total capital assets being depreciated	1,146,894,035	49,668,635	(548,463)	1,196,014,207
Less accumulated depreciated:				
Machinery and equipment	(26,614,349)	(3,880,314)	548,463	(29,946,200)
Buildings and improvements	(88,107,519)	(13,916,855)	-	(102,024,374)
Improvements other than buildings	<u>(224,326,527)</u>	<u>(27,421,183)</u>	<u>-</u>	<u>(251,747,710)</u>
Total accumulated depreciation	<u>(339,048,395)</u>	<u>(45,218,352)</u>	<u>548,463</u>	<u>(383,718,284)</u>
Total capital assets, being depreciated, net	<u>807,845,640</u>	<u>4,450,283</u>	<u>-</u>	<u>812,295,923</u>
Governmental activities capital assets, net	<u>\$1,067,094,673</u>	<u>\$ 42,821,093</u>	<u>\$ (7,678,179)</u>	<u>\$1,102,237,587</u>
Business-type Activities	Balance 9/30/2012	Additions	Retirements/ Transfers Other Deductions	Balance 9/30/2013
Capital assets, not being depreciated:				
Land	\$ 9,345,346	\$ 584,965	\$ -	\$ 9,930,311
Construction-in-progress	<u>5,869,874</u>	<u>19,265,941</u>	<u>(3,823,881)</u>	<u>21,311,934</u>
Total capital assets, not being depreciated	<u>15,215,220</u>	<u>19,850,906</u>	<u>(3,823,881)</u>	<u>31,242,245</u>
Capital assets, being depreciated:				
Machinery and equipment	5,402,684	1,003,040	(62,156)	6,343,568
Buildings and improvements	10,102,640	-	-	10,102,640
Improvements other than buildings	<u>311,921,615</u>	<u>16,567,364</u>	<u>-</u>	<u>328,488,979</u>
Total capital assets being depreciated	327,426,939	17,570,404	(62,156)	344,935,187
Less accumulated depreciated:				
Machinery and equipment	(3,848,159)	(430,485)	61,421	(4,217,223)
Buildings and improvements	(3,865,361)	(446,482)	-	(4,311,843)
Improvements other than buildings	<u>(88,956,872)</u>	<u>(10,160,598)</u>	<u>-</u>	<u>(99,117,470)</u>
Total accumulated depreciation	<u>(96,670,392)</u>	<u>(11,037,565)</u>	<u>61,421</u>	<u>(107,646,536)</u>
Total capital assets, being depreciated, net	<u>230,756,547</u>	<u>6,532,839</u>	<u>(735)</u>	<u>237,288,651</u>
Business-type activities capital assets, net	<u>\$ 245,971,767</u>	<u>\$ 26,383,745</u>	<u>\$ (3,824,616)</u>	<u>\$ 268,530,896</u>

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

Governmental activities

General government	\$ 6,075,999
Public safety	4,980,717
Public works	23,529,412
Culture and recreation	<u>10,632,224</u>
Total depreciation expense governmental activities	<u>\$45,218,352</u>

Business-type activities

Water & sewer	\$10,936,119
Stormwater drainage	66,932
Environmental services	<u>34,514</u>
Total depreciation expense business-type activities	<u>\$11,037,565</u>

Frisco Economic Development Corporation	Balance 9/30/2012	Additions	Retirements/ Transfers Other Deductions	Balance 9/30/2013
Capital assets, not being depreciated:				
Land	<u>\$19,922,109</u>	\$ -	\$ -	<u>\$19,922,109</u>
Total capital assets not being depreciated	<u>19,922,109</u>	-	-	<u>19,922,109</u>
Capital assets being depreciated:				
Machinery and equipment	527,709	-	-	527,709
Buildings and improvements	<u>9,981,406</u>	<u>5,681</u>	-	<u>9,987,087</u>
Total capital assets being depreciated	10,509,115	5,681	-	10,514,796
Less: accumulated depreciation	<u>(1,065,923)</u>	<u>(508,241)</u>	-	<u>(1,574,164)</u>
Total capital assets, being depreciated, net	<u>9,443,192</u>	<u>(502,560)</u>	-	<u>8,940,632</u>
FEDC capital assets, net	<u>\$29,365,301</u>	<u>\$ (502,560)</u>	<u>\$ -</u>	<u>\$28,862,741</u>
Frisco Community Development Corporation	Balance 9/30/2012	Additions	Retirements/ Transfers Other Deductions	Balance 9/30/2013
Capital assets, not being depreciated:				
Land	\$65,278,328	\$6,482,401	\$ -	\$71,760,729
Construction-in-progress	<u>4,500</u>	<u>14,960</u>	-	<u>19,460</u>
Total capital assets not being depreciated	<u>65,282,828</u>	<u>6,497,361</u>	-	<u>71,780,189</u>
Capital assets, being depreciated:				
Machinery and equipment	26,465	-	-	26,465
Buildings and improvements	8,322,943	45,471	-	8,368,414
Improvements other than buildings	<u>18,584,658</u>	-	-	<u>18,584,658</u>
Total capital assets being depreciated	26,934,066	45,471	-	26,979,537
Less: accumulated depreciation	<u>(14,969,343)</u>	<u>(2,062,563)</u>	-	<u>(17,031,906)</u>
Total capital assets being depreciated, net	<u>11,964,723</u>	<u>(2,017,092)</u>	-	<u>9,947,631</u>
FCDC capital assets, net	<u>\$77,247,551</u>	<u>\$4,480,269</u>	<u>\$ -</u>	<u>\$81,727,820</u>

In addition to construction in progress, the City had active construction projects with commitments or binding contracts as of September 30, 2013. The construction

commitments or binding contracts totaled \$44,002,024 for the governmental capital assets; and \$16,216,349 for the business-type activities.

NOTE 7. NOTES PAYABLE

The following schedule summarizes notes payable as of September 30, 2013:

Frisco Community Development Corporation	Balance 9/30/2012	Additions	Deletions	Balance 9/30/2013
Note payable to City	\$38,421,962	\$ 29,594,175	\$17,022,485	\$50,993,652
Note payable to bank	<u>15,000,000</u>	<u>-</u>	<u>-</u>	<u>15,000,000</u>
Total	<u>\$ 53,421,962</u>	<u>\$ 29,594,175</u>	<u>\$17,022,485</u>	<u>\$65,993,652</u>
Frisco Economic Development Corporation	Balance 9/30/2012	Additions	Deletions	Balance 9/30/2013
Note payable to City	\$ 2,929,624	\$ -	\$ 270 134	\$ 2,659,490
Note payable to bank	<u>12,077,041</u>	<u>-</u>	<u>161 523</u>	<u>11,915,518</u>
Total	<u>\$ 15,006,665</u>	<u>\$ -</u>	<u>\$ 431,657</u>	<u>\$14,575,008</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, 2013, the balance of the note payable to the City from the Community Development Corporation was \$50,993,652. This includes \$48,519,500 in the note balance, \$4,156,043 of net premium, and \$1,681,891 of deferred loss from advanced refunding of debt. The balance of the note payable to the City from the Economic Development Corporation was \$2,659,490. This includes \$2,715,000 in the note balance, \$42,975 of premiums and \$98,485 of deferred loss from advanced refunding of debt. At September 30, 2013, the total notes payable to the City from the component units was \$53,653,142.

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 1.3% to 5.5%. The City is in compliance with related bond covenants.

In April 2013, the city issued general obligation refunding and improvement bonds, series 2013, in the amount of \$79,955,000 with a net premium of \$17,691,124. Proceeds from the sale of the refunding bonds were used to advance refund a portion of the City's outstanding debt, including \$6,775,000 in combination tax and revenue certificates of obligation, series 2005, \$29,015,000 in general obligation refunding and improvement bonds, series 2005, \$9,850,000 in combination tax and revenue certificates of obligation series 2005A, \$15,395,000 in combination tax and

revenue certificates of obligation, series 2006, and \$22,645,000 in general obligation bonds, series 2006. Proceeds from the sale of the improvement bonds of \$5,060,000 will be used for fire department facilities and acquisition of fire apparatus and firefighting equipment.

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 2026. The advance refunding was undertaken to reduce total debt service payments by \$12,238,555, and resulted in an economic gain of \$10,351,551. An accounting loss of \$8,062,416 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, 2013, the amount of the defeased debt outstanding, but removed from long-term debt was \$79,955,000.

In July 2013, the City issued general obligation bonds, series 2013, in the amount of \$20,000,000 with a net premium of \$448,474. Proceeds of the bonds will be used for constructing and improving streets, bridges and intersections and constructing, improving and equipping fire stations; including acquisition of fire trucks.

In August 2013, the City issued combination tax and surplus revenue certificates of obligation, series 2013 in the amount of \$38,710,000 with a net premium of \$1,942,762. Proceeds of the certificates will be used for constructing, installing, acquiring and equipping additions, extensions and improvements to the City's waterworks and sewer system, and the acquisition of land and interests in land for such projects and constructing, installing, acquiring and equipping improvements and additions to municipal parks; including ball fields at community parks and expansion of the Frisco Athletic Center.

During the year ended September 30, 2013, the following changes occurred in the long-term liabilities:

Government Activities	Balance 9/30/2012	Increases	Decreases	Balance 9/30/2013	Amounts due within one year
Compensated absences	\$ 6,967,903	\$ 4,799,560	\$ 4,342,749	\$ 7,424,714	\$ 4,377,398
General obligation bonds	146,451,347	20,000,000	62,950,000	103,501,347	9,110,000
General obligation – refunding bonds	201,348,653	64,070,000	7,915,055	257,503,598	15,137,130
Certificates of obligation	106,035,000	14,515,000	22,900,500	97,649,500	5,690,000
Premiums	17,539,981	15,286,690	5,407,741	27,418,930	4,711,094
Discounts	(154,229)	(215,382)	(15,690)	(353,921)	(24,674)
Deferred loss on refunding	(9,177,718)	(5,799,691)	(943,749)	(14,033,660)	(1,150,073)
Total government activities	<u>\$ 469,010,937</u>	<u>\$ 112,656,177</u>	<u>\$ 102,556,606</u>	<u>\$479,110,508</u>	<u>\$37,850,875</u>

Notes to the Basic Financial Statements
September 30, 2013

Business-type Activities	Balance 9/30/2012	Increases	Decreases	Balance 9/30/2013	Amounts due within one year
Compensated absences	\$ 971,231	\$ 597,238	\$ 537,101	\$ 1,031,368	\$ 681,218
General obligation – refunding bonds	32,870,000	15,885,000	1,560,000	47,195,000	2,625,000
Certificates of obligation	70,930,000	24,195,000	22,699,500	72,425,500	5,150,000
General obligation refunding bonds Frisco MUD#1	435,000	-	134,945	300,055	87,870
Premiums	2,708,344	5,139,145	765,807	7,081,682	1,088,027
Discounts	(18,274)	(128,093)	(2,808)	(143,559)	(8,822)
Deferred loss on refunding	(1,698,574)	(2,262,726)	(249,269)	(3,712,031)	(340,921)
Total business-type activities	<u>106,197,727</u>	<u>43,425,564</u>	<u>25,445,276</u>	<u>124,178,015</u>	<u>9,282,372</u>
Total primary government	<u>\$ 575,208,664</u>	<u>\$ 156,081,741</u>	<u>\$ 128,001,882</u>	<u>\$ 603,288,523</u>	<u>\$ 47,133,247</u>

Component Units	Balance 9/30/2012	Increases	Decreases	Balance 9/30/2013	Amounts due within one year
Compensated absences	\$ 98,374	\$ 55,034	\$ 37,417	\$ 115,991	\$ 68,672
Sales tax revenue bonds	67,180,000	-	2,630,000	64,550,000	2,590,000
Notes payable – bank	27,080,517	-	165,000	26,915,517	1,670,000
Notes payable – City	41,235,000	27,010,000	17,010,500	51,234,500	3,595,000
Premiums	1,605,324	3,491,661	524,892	4,572,093	753,223
Discounts	(36,192)	(76,824)	(4,346)	(108,670)	(7,953)
Deferred loss on refunding	(1,090,507)	(830,662)	(140,793)	(1,780,376)	(171,804)
Total component units	<u>\$136,072,516</u>	<u>\$ 26,649,209</u>	<u>\$ 20,222,670</u>	<u>\$145,499,055</u>	<u>\$ 8,497,138</u>

Debt service requirements of the general obligation bonds and certificates of obligation for the governmental activities for the years subsequent to September 30, 2013, are as follows:

Fiscal Year Ending September 30	Principal Requirements	Interest Requirements	Total Requirements
2014	\$ 29,937,130	\$ 20,836,670	\$ 50,773,800
2015	31,039,560	19,497,173	50,536,733
2016	32,404,500	18,022,771	50,427,271
2017	33,162,910	16,489,021	49,651,931
2018	34,199,345	14,961,388	49,160,733
2019-2023	181,331,000	50,267,073	231,598,073
2024-2028	82,680,000	16,230,314	98,910,314
2029-2033	33,900,000	4,235,046	38,135,046
Total	<u>458,654,445</u>	<u>160,539,456</u>	<u>619,193,901</u>
Plus: Unamortized bond premium	27,418,930	-	27,418,930
Less: Unamortized (loss) on bond refunding	(14,033,660)	-	(14,033,660)
Unamortized bond discount	(353,921)	-	(353,921)
Net debt service requirements	<u>\$471,685,794</u>	<u>\$160,539,456</u>	<u>\$632,225,250</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, 2013, are as follows:

Fiscal Year Ending September 30	Principal Requirements	Interest Requirements	Total Requirements
2014	\$ 7,862,870	\$ 5,308,801	\$ 13,171,671
2015	8,125,440	4,936,559	13,061,999
2016	8,470,500	4,567,362	13,037,862
2017	8,127,090	4,197,513	12,324,603
2018	8,320,655	3,842,373	12,163,028
2019-2023	44,229,000	13,312,427	57,541,427
2024-2028	26,725,000	4,246,925	30,971,925
2029-2033	8,060,000	891,306	8,951,306
Total	119,920,555	41,303,266	161,223,821
Plus: Unamortized bond premium	7,081,682	-	7,081,682
Less: Unamortized bond discount	(143,559)	-	(143,559)
Unamortized (loss) on bond refunding	(3,712,031)	-	(3,712,031)
Net debt service requirements	<u>\$123,146,647</u>	<u>\$ 41,303,266</u>	<u>\$164,449,913</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, 2013, are as follows:

Fiscal Year Ending September 30	Principal Requirements	Interest Requirements	Total Requirements
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	2,010,000	1,315,230	3,325,230
2019-2023	10,435,000	5,454,315	15,889,315
2024-2028	11,445,000	3,347,757	14,792,757
2029-2032	9,400,000	731,447	10,131,447
Total	52,625,517	17,877,875	70,503,392
Plus: Unamortized bond premium	187,126	-	187,126
Less: Unamortized (loss) on bond refunding	(98,485)	-	(98,485)
Unamortized bond discount	(15,897)	-	(15,897)
Net debt service requirements	<u>\$ 52,698,261</u>	<u>\$ 17,877,875</u>	<u>\$ 70,576,136</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, 2013, are as follows:

Fiscal Year Ending September 30	Principal Requirements	Interest Requirements	Total Requirements
2014	\$ 5,910,000	\$ 3,237,749	\$ 9,147,749
2015	5,889,500	3,024,582	8,914,082
2016	6,020,500	2,824,486	8,844,986
2017	15,068,000	2,446,850	17,514,850
2018	4,695,500	2,204,357	6,899,857
2019-2023	24,246,000	8,270,562	32,516,562
2024-2028	16,210,000	3,824,293	20,034,293
2029-2032	12,035,000	1,117,847	13,152,847
Total	90,074,500	26,950,726	117,025,226
Plus: Unamortized bond premium	4,384,967	-	4,384,967
Less: Unamortized (loss) on bond refunding	(1,681,891)	-	(1,681,891)
Unamortized bond discount	(92,773)	-	(92,773)
Net debt service requirements	<u>\$ 92,684,803</u>	<u>\$ 26,950,726</u>	<u>\$119,635,529</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 2013 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 \$24,492 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 \$590,704 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 \$225,712 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 \$223,512 during the current year of this grant.

A new agreement was executed in May, 2012 for a retail sales center. The City pays eighty-five percent of one percent (.0085) of all retail sales generated for a period of twenty-five years. The City paid \$2,194,156 during the current year of this grant.

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, 2013, the City rebated a total of \$110,000 for the property tax increment payment for 2012. The cumulative amount rebated through September 30, 2013 was \$519,844.

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 2012	Plan Year 2013
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, 2013, the City's actual fiscal year pension cost of \$7,255,671 (or 12.65%) of the covered payroll of \$54,532,267 for TMRS was equal to the City's required and actual contributions. The required contribution for fiscal year 2013 was determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

<i>Valuation Date</i>	<i>12/31/2010</i>	<i>12/31/2011</i>	<i>12/31/2012</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>27.3 years; closed period</i>	<i>26.3 years; closed period</i>	<i>25.3 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>7.0%</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)	\$ 7,255,671
Annual Pension Cost (APC)	7,255,671
Contributions Made	<u>(7,255,671)</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
9/30/11	\$ 5,924,665	100%	\$0
9/30/12	\$ 6,548,469	100%	\$0
9/30/13	\$ 7,255,671	100%	\$0

Funding Status and Funding Progress:

The funded status as of December 31, 2012, 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)
12/31/2012	\$97,849,229	\$126,689,154	77.2 %	\$28,839,925	\$52,496,554	54.9 %

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 2013, 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 2013 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, 2013 totaled \$1,342,364. 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
2013 – Health Insurance	2,317,719	7,567,760	8,543,115	1,342,364

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

All interfund receivables and payables are considered short-term and, at September 30, 2013, consisted of the following:

Due To	Due From Non-major Governmental	Total
General Fund	\$ 367,647	\$ 367,647
Total	\$ 367,647	\$ 367,647

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	Transfer from					Total
	General Fund	TIRZ #1	Capital Projects	Non-major Governmental	Non-major Proprietary	
General Fund	\$ -	\$ 39,407	\$ 44,670	\$ 108,000	\$ 537,421	\$ 729,498
TIRZ #1	-	-	-	1,484,326	-	1,484,326
Capital projects	4,874,075	-	-	2,897,652	580,000	8,351,727
Debt service	-	16,164,108	-	1,706,251	-	17,870,359
Non-major governmental	1,169,428	100,000	-	-	-	1,269,428
Water and sewer	-	-	-	-	217,736	217,736
Total	<u>\$ 6,043,503</u>	<u>\$16,303,515</u>	<u>\$ 44,670</u>	<u>\$6,196,229</u>	<u>\$1,335,157</u>	<u>\$29,923,074</u>

Transfer from fund		Transfer to fund	Amount
General Fund:			
Grants matching funds	Non-Major Governmental Funds – Grants		\$ 104,428
Capital outlay	Capital Projects		4,874,075
Capital reserve	Non-Major Governmental Funds – Capital Reserve		1,065,000
TIRZ #1 Fund:			
Operating lease funding – garages	General Fund		39,407
Debt service funding requirements	Debt Service		16,164,108
Superdome capital outlay	Non-major Governmental Funds – Superdome		100,000
Non-major governmental funds:			
Debt service funding requirements	TIRZ #1		1,484,326
Debt service funding requirements	Debt Service		1,706,251
Court warrant officer funding	General Fund		108,000
Capital outlay	Capital Projects		2,897,652
Capital Projects Fund:			
Operating capital for SAFER	General Fund		44,670
Proprietary funds:			
G&A for Environmental Services Fund	General Fund		437,421
Reimbursement for study	Water and Sewer Fund		217,736
G&A for Stormwater Drainage Fund	General Fund		100,000
Capital outlay	Stormwater Drainage		580,000
Total			<u>\$ 29,923,074</u>

NOTE 14. OPERATING LEASE COMMITMENTS

The City entered into rental agreements in excess of one year during prior fiscal years. During fiscal year 2013, the City entered into additional agreements in excess of one year. The following commitments remain:

<u>FY</u>	<u>At September 30</u>
2014	\$ 64,140
2015	\$ 21,450
2016	\$ 17,607

Rent paid under operating leases was approximately \$114,314 for the year ended September 30, 2013.

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, 2013 is \$43,830,000. 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, 2013.

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 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.

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) (b) - (a)</u>	<u>Funded Ratio (a)/(b)</u>
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%
(2) 2013	12/31/2012	97,849	126,689	28,840	77.2%

(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
\$ 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%
52,497	54.9%	7,256	7,256	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, 2013**

	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	\$ -	\$ 6,857,879	\$ 10,540,757	\$ -	\$ 10,540,757	\$ 3,682,878
Investment earnings	-	200,000	158,022	-	158,022	(41,978)
Contributions, donations & grants	-	39,773,575	1,890,346	-	1,890,346	(37,883,229)
Payments from component units	500,000	4,992,623	1,369,571	-	1,369,571	(3,623,052)
Rents	-	-	15,500	-	15,500	15,500
Miscellaneous	-	-	18,250	-	18,250	18,250
Total revenues	<u>500,000</u>	<u>51,824,077</u>	<u>13,992,446</u>	<u>-</u>	<u>13,992,446</u>	<u>(37,831,631)</u>
EXPENDITURES:						
Capital outlay	34,563,599	141,702,252	43,499,777	27,089,585	70,589,362	71,112,890
Debt service	-	-	413,393	-	413,393	(413,393)
Total expenditures	<u>34,563,599</u>	<u>141,702,252</u>	<u>43,913,170</u>	<u>27,089,585</u>	<u>71,002,755</u>	<u>70,699,497</u>
Deficiency of revenues under expenditures	<u>(34,063,599)</u>	<u>(89,878,175)</u>	<u>(29,920,724)</u>	<u>27,089,585</u>	<u>(57,010,309)</u>	<u>32,867,866</u>
OTHER FINANCING SOURCES (USES):						
Bonds issued	20,500,000	25,500,000	24,970,000	-	24,970,000	(530,000)
Premium on bonds issued	-	-	1,073,081	-	1,073,081	1,073,081
Discount on bonds issued	-	-	(138,558)	-	(138,558)	(138,558)
Proceeds from sale of assets	-	-	71,059	-	71,059	71,059
Transfers in	2,668,118	9,240,646	8,351,727	-	8,351,727	(888,919)
Transfers out	<u>(44,670)</u>	<u>(44,670)</u>	<u>(44,670)</u>	<u>-</u>	<u>(44,670)</u>	<u>-</u>
Total other financing sources (uses)	<u>23,123,448</u>	<u>34,695,976</u>	<u>34,282,639</u>	<u>-</u>	<u>34,282,639</u>	<u>(413,337)</u>
Net change in fund balances	(10,940,151)	(55,182,199)	4,361,915	(27,089,585)	(22,727,670)	32,454,529
Fund balances, October 1	<u>16,474,452</u>	<u>56,392,531</u>	<u>56,392,531</u>	<u>(16,912,439)</u>	<u>39,480,092</u>	<u>(16,912,439)</u>
Fund balances, September 30	<u>\$ 5,534,301</u>	<u>\$ 1,210,332</u>	<u>\$ 60,754,446</u>	<u>\$ (44,002,024)</u>	<u>\$ 16,752,422</u>	<u>\$ 15,542,090</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, 2013**

	Net Change
	in Fund Balances
GAAP basis	\$ 4,361,915
Expenditures:	
Increase due to encumbrances from prior year	16,912,439
Decrease due to encumbrances from current year	<u>(44,002,024)</u>
Budgetary basis	<u>\$ (22,727,670)</u>

**Debt Service Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2013**

	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:						
Property	\$ 26,043,834	\$ 26,285,625	\$ 26,256,652	\$ -	\$ 26,256,652	\$ (28,973)
Investment earnings	20,000	8,565	7,167	-	7,167	(1,398)
Payment from component units	4,590,752	4,381,793	4,080,427	-	4,080,427	(301,366)
Total revenues	<u>30,654,586</u>	<u>30,675,983</u>	<u>30,344,246</u>	<u>-</u>	<u>30,344,246</u>	<u>(331,737)</u>
EXPENDITURES:						
Debt service	<u>48,748,251</u>	<u>47,607,079</u>	<u>48,260,584</u>	<u>-</u>	<u>48,260,584</u>	<u>(653,505)</u>
Total expenditures	<u>48,748,251</u>	<u>47,607,079</u>	<u>48,260,584</u>	<u>-</u>	<u>48,260,584</u>	<u>(653,505)</u>
Deficiency of revenues under expenditures	<u>(18,093,665)</u>	<u>(16,931,096)</u>	<u>(17,916,338)</u>	<u>-</u>	<u>(17,916,338)</u>	<u>(985,242)</u>
OTHER FINANCING SOURCES (USES):						
Refunding bonds issued	-	57,236,947	73,615,000	-	73,615,000	16,378,053
Premium on bonds issued	-	-	14,213,609	-	14,213,609	14,213,609
Discount on bonds issued	-	-	(76,824)	-	(76,824)	(76,824)
Payment to refunded debt escrow agent	(8,500)	(57,990,306)	(72,809,971)	-	(72,809,971)	(14,819,665)
Transfers in	<u>18,103,048</u>	<u>17,870,359</u>	<u>17,870,359</u>	<u>-</u>	<u>17,870,359</u>	<u>-</u>
Total other financing sources (uses)	<u>18,094,548</u>	<u>17,117,000</u>	<u>17,711,262</u>	<u>-</u>	<u>17,711,262</u>	<u>594,262</u>
Net change in fund balances	883	185,904	(205,076)	-	(205,076)	(390,980)
Fund balances, October 1	<u>4,215,322</u>	<u>4,355,598</u>	<u>4,355,598</u>	<u>-</u>	<u>4,355,598</u>	<u>-</u>
Fund balances, September 30	<u>\$ 4,216,205</u>	<u>\$ 4,541,502</u>	<u>\$ 4,150,522</u>	<u>\$ -</u>	<u>\$ 4,150,522</u>	<u>\$ (390,980)</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, 2013**

	Special Revenue				
	Hotel/Motel Tax	Panther Creek PID	Superdrome	Grants	CDBG
ASSETS					
Cash and cash equivalents	\$ 534,423	\$ 96,862	\$ 230,993	\$ -	\$ -
Investments	-	-	1,510,950	-	-
Receivables (net of allowance for uncollectibles):					
Franchise tax	-	-	-	-	-
Occupancy tax	299,073	-	-	-	-
Assessments	-	2,432,936	-	-	-
Grants	-	-	-	448,332	42,717
Other	375,769	-	1,708	-	-
Prepays	67,420	-	-	-	-
Total assets	\$ 1,276,685	\$ 2,529,798	\$ 1,743,651	\$ 448,332	\$ 42,717
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 300,007	\$ -	\$ -	\$ 123,282	\$ -
Accrued liabilities	16,660	-	-	-	-
Unearned revenue	-	2,432,936	-	-	120
Monies held in escrow	-	-	-	-	-
Due to other funds	-	-	-	325,050	42,597
Total liabilities	316,667	2,432,936	-	448,332	42,717
Fund balances:					
Unspendable	67,420	-	-	-	-
Restricted	892,598	96,862	1,743,651	-	-
Committed	-	-	-	-	-
Total fund balances	960,018	96,862	1,743,651	-	-
Total liabilities and fund balances	\$ 1,276,685	\$ 2,529,798	\$ 1,743,651	\$ 448,332	\$ 42,717

				Capital Projects		Total Non-major Governmental Funds
Traffic Safety	Frisco Square MMD	Court Fees	PEG Cable	Capital Reserve	Impact Fees	
\$ 260,677	\$ -	\$ 500,647	\$ 467,948	\$ 346,052	\$ 5,362,305	\$ 7,799,907
-	-	-	300,180	3,000,650	21,001,450	25,813,230
-	-	-	79,504	-	-	79,504
-	-	-	-	-	-	299,073
-	-	-	-	-	-	2,432,936
-	-	-	-	-	-	491,049
4,710	-	-	20	2,789	15,349	400,345
650	-	-	-	-	-	68,070
<u>\$ 266,037</u>	<u>\$ -</u>	<u>\$ 500,647</u>	<u>\$ 847,652</u>	<u>\$ 3,349,491</u>	<u>\$ 26,379,104</u>	<u>\$ 37,384,114</u>
\$ 108,343	\$ -	\$ 17,547	\$ 24,311	\$ -	\$ -	\$ 573,490
-	-	-	-	-	-	16,660
-	-	-	-	-	-	2,433,056
-	-	-	-	-	1,008,685	1,008,685
-	-	-	-	-	-	367,647
<u>108,343</u>	<u>-</u>	<u>17,547</u>	<u>24,311</u>	<u>-</u>	<u>1,008,685</u>	<u>4,399,538</u>
650	-	-	-	-	-	68,070
157,044	-	483,100	823,341	-	25,370,419	29,567,015
-	-	-	-	3,349,491	-	3,349,491
<u>157,694</u>	<u>-</u>	<u>483,100</u>	<u>823,341</u>	<u>3,349,491</u>	<u>25,370,419</u>	<u>32,984,576</u>
<u>\$ 266,037</u>	<u>\$ -</u>	<u>\$ 500,647</u>	<u>\$ 847,652</u>	<u>\$ 3,349,491</u>	<u>\$ 26,379,104</u>	<u>\$ 37,384,114</u>

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the year ended September 30, 2013**

	<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	3,506,677	-	-	-	-
Special assessments	-	205,435	-	-	-
Fines	-	-	-	-	-
Intergovernmental	-	-	-	232,340	-
Charges for services	5,876	-	-	-	-
Contributions, donations & grants	162,924	-	-	3,040,471	350,146
Investment earnings	456	100,186	7,692	-	-
Miscellaneous	20,953	-	-	-	4,131
Total revenues	<u>3,696,886</u>	<u>305,621</u>	<u>7,692</u>	<u>3,272,811</u>	<u>354,277</u>
EXPENDITURES:					
Current:					
General government	-	-	-	-	354,277
Public safety	-	-	-	512,188	-
Public works	-	-	-	-	-
Culture and recreation	1,687,667	-	80,004	-	-
Capital outlay	-	-	-	608,550	-
Total expenditures	<u>1,687,667</u>	<u>-</u>	<u>80,004</u>	<u>1,120,738</u>	<u>354,277</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,009,219</u>	<u>305,621</u>	<u>(72,312)</u>	<u>2,152,073</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	100,000	104,428	-
Transfers out	(1,484,326)	(215,000)	-	(2,256,501)	-
Total other financing sources (uses)	<u>(1,484,326)</u>	<u>(215,000)</u>	<u>100,000</u>	<u>(2,152,073)</u>	<u>-</u>
Net change in fund balances	524,893	90,621	27,688	-	-
Fund balances, beginning	435,125	6,241	1,715,963	-	-
Fund balances, ending	<u>\$ 960,018</u>	<u>\$ 96,862</u>	<u>\$ 1,743,651</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	
\$ -	\$ -	\$ -	\$ 329,300	\$ -	\$ -	\$ 329,300
-	-	-	-	-	-	3,506,677
-	-	-	-	-	8,984,830	9,190,265
308,519	-	232,131	-	-	-	540,650
-	-	-	-	-	-	232,340
-	-	-	-	-	-	5,876
-	491,251	-	-	-	-	4,044,792
162	-	437	1,166	7,047	53,843	170,989
-	-	-	-	-	-	25,084
<u>308,681</u>	<u>491,251</u>	<u>232,568</u>	<u>330,466</u>	<u>7,047</u>	<u>9,038,673</u>	<u>18,045,973</u>
-	-	89,169	53,314	-	-	496,760
225,393	-	-	-	-	-	737,581
4,363	-	-	-	-	-	4,363
-	-	-	-	-	-	1,767,671
-	-	6,558	161,276	-	-	776,384
<u>229,756</u>	<u>-</u>	<u>95,727</u>	<u>214,590</u>	<u>-</u>	<u>-</u>	<u>3,782,759</u>
<u>78,925</u>	<u>491,251</u>	<u>136,841</u>	<u>115,876</u>	<u>7,047</u>	<u>9,038,673</u>	<u>14,263,214</u>
-	-	-	-	1,065,000	-	1,269,428
-	(491,251)	(108,000)	-	-	(1,641,151)	(6,196,229)
-	(491,251)	(108,000)	-	1,065,000	(1,641,151)	(4,926,801)
78,925	-	28,841	115,876	1,072,047	7,397,522	9,336,413
78,769	-	454,259	707,465	2,277,444	17,972,897	23,648,163
<u>\$ 157,694</u>	<u>\$ -</u>	<u>\$ 483,100</u>	<u>\$ 823,341</u>	<u>\$ 3,349,491</u>	<u>\$25,370,419</u>	<u>\$ 32,984,576</u>

**Hotel/Motel Tax Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2013**

	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	\$ 3,233,387	\$ 3,233,387	\$ 3,506,677	\$ -	\$ 3,506,677	\$ 273,290
Intergovernmental	400,000	424,217	-	-	-	(424,217)
Charges for service	1,000	1,000	5,876	-	5,876	4,876
Grant income/contributions	18,500	18,500	162,924	-	162,924	144,424
Investment earnings	1,000	1,000	456	-	456	(544)
Miscellaneous	-	-	20,953	-	20,953	20,953
Total revenues	<u>3,653,887</u>	<u>3,678,104</u>	<u>3,696,886</u>	<u>-</u>	<u>3,696,886</u>	<u>18,782</u>
EXPENDITURES:						
Current:						
Culture and recreation	<u>2,058,110</u>	<u>2,187,036</u>	<u>1,687,667</u>	<u>-</u>	<u>1,687,667</u>	<u>499,369</u>
Total expenditures	<u>2,058,110</u>	<u>2,187,036</u>	<u>1,687,667</u>	<u>-</u>	<u>1,687,667</u>	<u>499,369</u>
Excess of revenues over expenditures	<u>1,595,777</u>	<u>1,491,068</u>	<u>2,009,219</u>	<u>-</u>	<u>2,009,219</u>	<u>518,151</u>
OTHER FINANCING USES:						
Transfers out	<u>(1,484,326)</u>	<u>(1,484,326)</u>	<u>(1,484,326)</u>	<u>-</u>	<u>(1,484,326)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,484,326)</u>	<u>(1,484,326)</u>	<u>(1,484,326)</u>	<u>-</u>	<u>(1,484,326)</u>	<u>-</u>
Net change in fund balances	111,451	6,742	524,893	-	524,893	518,151
Fund balances, October 1	<u>274,934</u>	<u>435,125</u>	<u>435,125</u>	<u>-</u>	<u>435,125</u>	<u>-</u>
Fund balances, September 30	<u>\$ 386,385</u>	<u>\$ 441,867</u>	<u>\$ 960,018</u>	<u>\$ -</u>	<u>\$ 960,018</u>	<u>\$ 518,151</u>

**Panther Creek PID Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2013**

	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	\$ 277,439	\$ 140,000	\$ 205,435	\$ -	\$ 205,435	\$ 65,435
Investment earnings	100,250	75,000	100,186	-	100,186	25,186
Total revenues	<u>377,689</u>	<u>215,000</u>	<u>305,621</u>	<u>-</u>	<u>305,621</u>	<u>90,621</u>
 OTHER FINANCING USES:						
Transfers out	<u>(377,689)</u>	<u>(215,000)</u>	<u>(215,000)</u>	<u>-</u>	<u>(215,000)</u>	<u>-</u>
Net change in fund balances	-	-	90,621	-	90,621	90,621
Fund balances, October 1	<u>126,900</u>	<u>6,241</u>	<u>6,241</u>	<u>-</u>	<u>6,241</u>	<u>-</u>
Fund balances, September 30	<u>\$ 126,900</u>	<u>\$ 6,241</u>	<u>\$ 96,862</u>	<u>\$ -</u>	<u>\$ 96,862</u>	<u>\$ 90,621</u>

**Superdrome Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2013**

	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	\$ 7,000	\$ 5,000	\$ 7,692	\$ -	\$ 7,692	\$ 2,692
Total revenues	<u>7,000</u>	<u>5,000</u>	<u>7,692</u>	<u>-</u>	<u>7,692</u>	<u>2,692</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	(73,004)	(75,004)	(72,312)	-	(72,312)	2,692
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	26,996	24,996	27,688	-	27,688	2,692
Fund balances, October 1	<u>1,714,566</u>	<u>1,715,963</u>	<u>1,715,963</u>	<u>-</u>	<u>1,715,963</u>	<u>-</u>
Fund balances, September 30	<u>\$ 1,741,562</u>	<u>\$ 1,740,959</u>	<u>\$ 1,743,651</u>	<u>\$ -</u>	<u>\$ 1,743,651</u>	<u>\$ 2,692</u>

**Grants Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2013**

	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	\$ -	\$ -	\$ 232,340	\$ -	\$ 232,340	\$ 232,340
Grant income	3,659,569	2,478,880	3,040,471	-	3,040,471	561,591
Total revenues	3,659,569	2,478,880	3,272,811	-	3,272,811	793,931
EXPENDITURES:						
Current:						
Public safety	1,094,741	447,604	512,188	-	512,188	(64,584)
Capital Outlay	-	-	608,550	-	608,550	(608,550)
Total expenditures	1,094,741	447,604	1,120,738	-	1,120,738	(673,134)
Deficiency of revenues under expenditures	2,564,828	2,031,276	2,152,073	-	2,152,073	120,797
OTHER FINANCING SOURCES:						
Transfers in	80,000	80,000	104,428	-	104,428	(24,428)
Transfers out	(2,644,828)	(2,111,276)	(2,256,501)	-	(2,256,501)	145,225
Total other financing sources (uses)	(2,564,828)	(2,031,276)	(2,152,073)	-	(2,152,073)	120,797
Net change in fund balances	-	-	-	-	-	-
Fund balances, October 1	-	-	-	-	-	-
Fund balances, September 30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**CDBG Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2013**

	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	\$ 383,432	\$ 373,432	\$ 350,146	\$ -	\$ 350,146	\$ (23,286)
Miscellaneous	<u>2,000</u>	<u>4,000</u>	<u>4,131</u>	<u>-</u>	<u>4,131</u>	<u>131</u>
Total revenues	<u>385,432</u>	<u>377,432</u>	<u>354,277</u>	<u>-</u>	<u>354,277</u>	<u>(23,155)</u>
EXPENDITURES:						
Current:						
General government	<u>385,432</u>	<u>377,432</u>	<u>354,277</u>	<u>-</u>	<u>354,277</u>	<u>23,155</u>
Total expenditures	<u>385,432</u>	<u>377,432</u>	<u>354,277</u>	<u>-</u>	<u>354,277</u>	<u>23,155</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, 2013**

	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	\$ 264,790	\$ 300,170	\$ 308,519	\$ -	\$ 308,519	\$ 8,349
Interest	200	181	162	-	162	(19)
Total revenues	<u>264,990</u>	<u>300,351</u>	<u>308,681</u>	<u>-</u>	<u>308,681</u>	<u>8,330</u>
EXPENDITURES:						
Current:						
Public safety	178,680	218,788	225,393	-	225,393	(6,605)
Public works	-	-	4,363	-	4,363	(4,363)
Total expenditures	<u>178,680</u>	<u>218,788</u>	<u>229,756</u>	<u>-</u>	<u>229,756</u>	<u>(10,968)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>86,310</u>	<u>81,563</u>	<u>78,925</u>	<u>-</u>	<u>78,925</u>	<u>(2,638)</u>
Net change in fund balances	86,310	81,563	78,925	-	78,925	(2,638)
Fund balances, October 1	<u>95,960</u>	<u>78,769</u>	<u>78,769</u>	<u>-</u>	<u>78,769</u>	<u>-</u>
Fund balances, September 30	<u>\$ 182,270</u>	<u>\$ 160,332</u>	<u>\$ 157,694</u>	<u>\$ -</u>	<u>\$ 157,694</u>	<u>\$ (2,638)</u>

**Frisco Square MMD Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2013**

	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	\$ 491,251	\$ 491,251	\$ 491,251	\$ -	\$ 491,251	\$ -
Total revenues	<u>491,251</u>	<u>491,251</u>	<u>491,251</u>	<u>-</u>	<u>491,251</u>	<u>-</u>
 Excess of revenues over expenditures	 <u>491,251</u>	 <u>491,251</u>	 <u>491,251</u>	 <u>-</u>	 <u>491,251</u>	 <u>-</u>
OTHER FINANCING SOURCES (USES):						
Transfers out	(491,251)	(491,251)	(491,251)	-	(491,251)	-
Total other financing sources (uses)	<u>(491,251)</u>	<u>(491,251)</u>	<u>(491,251)</u>	<u>-</u>	<u>(491,251)</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, 2013**

	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	\$ 196,500	\$ 196,500	\$ 232,131	\$ -	\$ 232,131	\$ 35,631
Investment earnings	1,000	1,000	437	-	437	(563)
Total revenues	197,500	197,500	232,568	-	232,568	35,068
EXPENDITURES:						
Current:						
General government	103,797	98,207	89,169	-	89,169	9,038
Capital Outlay	9,500	6,558	6,558	-	6,558	-
Total expenditures	113,297	104,765	95,727	-	95,727	9,038
Excess of revenues over expenditures	84,203	92,735	136,841	-	136,841	44,106
OTHER FINANCING USES:						
Transfers out	(108,000)	(108,000)	(108,000)	-	(108,000)	-
Total other financing sources (uses)	(108,000)	(108,000)	(108,000)	-	(108,000)	-
Net change in fund balances	(23,797)	(15,265)	28,841	-	28,841	44,106
Fund balances, October 1	401,953	454,259	454,259	-	454,259	-
Fund balances, September 30	\$ 378,156	\$ 438,994	\$ 483,100	\$ -	\$ 483,100	\$ 44,106

PEG Cable Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2013

	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:						
Franchise	\$ 312,400	\$ 312,400	\$ 329,300	\$ -	\$ 329,300	\$ 16,900
Investment earnings	500	500	1,166	-	1,166	666
Total revenues	<u>312,900</u>	<u>312,900</u>	<u>330,466</u>	<u>-</u>	<u>330,466</u>	<u>17,566</u>
EXPENDITURES:						
Current:						
General government	-	-	53,314	-	53,314	(53,314)
Capital Outlay	<u>299,674</u>	<u>261,684</u>	<u>161,276</u>	<u>-</u>	<u>161,276</u>	<u>100,408</u>
Total expenditures	<u>299,674</u>	<u>261,684</u>	<u>214,590</u>	<u>-</u>	<u>214,590</u>	<u>47,094</u>
Excess of revenues over expenditures	<u>13,226</u>	<u>51,216</u>	<u>115,876</u>	<u>-</u>	<u>115,876</u>	<u>64,660</u>
Net change in fund balances	13,226	51,216	115,876	-	115,876	64,660
Fund balances, October 1	<u>634,720</u>	<u>707,465</u>	<u>707,465</u>	<u>-</u>	<u>707,465</u>	<u>-</u>
Fund balances, September 30	<u>\$ 647,946</u>	<u>\$ 758,681</u>	<u>\$ 823,341</u>	<u>\$ -</u>	<u>\$ 823,341</u>	<u>\$ 64,660</u>

**Capital Reserve Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2013**

	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	\$ 3,500	\$ 5,100	\$ 7,047	\$ -	\$ 7,047	\$ 1,947
Total revenues	<u>3,500</u>	<u>5,100</u>	<u>7,047</u>	<u>-</u>	<u>7,047</u>	<u>1,947</u>
EXPENDITURES:						
Capital outlay	<u>694,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>694,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(691,000)</u>	<u>5,100</u>	<u>7,047</u>	<u>-</u>	<u>7,047</u>	<u>1,947</u>
OTHER FINANCING USES:						
Transfers in	<u>565,000</u>	<u>1,065,000</u>	<u>1,065,000</u>	<u>-</u>	<u>1,065,000</u>	<u>-</u>
Total other financing sources (uses)	<u>565,000</u>	<u>1,065,000</u>	<u>1,065,000</u>	<u>-</u>	<u>1,065,000</u>	<u>-</u>
Net change in fund balances	<u>(126,000)</u>	<u>1,070,100</u>	<u>1,072,047</u>	<u>-</u>	<u>1,072,047</u>	<u>1,947</u>
Fund balances, October 1	<u>2,213,787</u>	<u>2,277,444</u>	<u>2,277,444</u>	<u>-</u>	<u>2,277,444</u>	<u>-</u>
Fund balances, September 30	<u>\$ 2,087,787</u>	<u>\$ 3,347,544</u>	<u>\$ 3,349,491</u>	<u>\$ -</u>	<u>\$ 3,349,491</u>	<u>\$ 1,947</u>

**Impact Fees Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2013**

	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	\$ -	\$ 7,200,000	\$ 8,984,830	\$ -	\$ 8,984,830	\$ 1,784,830
Investment earnings	-	40,000	53,843	-	53,843	13,843
Total revenues	-	7,240,000	9,038,673	-	9,038,673	1,798,673
 OTHER FINANCING USES:						
Transfers out	(1,000,000)	(2,683,080)	(1,641,151)	-	(1,641,151)	1,041,929
Total other financing sources (uses)	(1,000,000)	(2,683,080)	(1,641,151)	-	(1,641,151)	1,041,929
 Net change in fund balances	(1,000,000)	4,556,920	7,397,522	-	7,397,522	2,840,602
 Fund balances, October 1	15,024,557	17,972,897	17,972,897	-	17,972,897	-
Fund balances, September 30	\$ 14,024,557	\$ 22,529,817	\$ 25,370,419	\$ -	\$ 25,370,419	\$ 2,840,602

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 Position
Non-major Proprietary Funds
September 30, 2013**

	Business-type Activities Enterprise Funds		
	Stormwater Drainage	Environmental Services	Non-major Proprietary Fund Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 77,150	\$ 3,468,622	\$ 3,545,772
Investments	500,300	1,800,180	2,300,480
Receivables - (net of allowance for uncollectibles):			
Other	34	303,797	303,831
Prepays	-	304	304
Total current assets	<u>577,484</u>	<u>5,572,903</u>	<u>6,150,387</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	264,268	659,961
Accumulated depreciation	<u>(97,968)</u>	<u>(249,717)</u>	<u>(347,685)</u>
Total capital assets (net of accumulated depreciation)	<u>297,725</u>	<u>223,025</u>	<u>520,750</u>
Total noncurrent assets	<u>297,725</u>	<u>223,025</u>	<u>520,750</u>
Total assets	<u><u>\$ 875,209</u></u>	<u><u>\$ 5,795,928</u></u>	<u><u>\$ 6,671,137</u></u>

	Business-type Activities Enterprise Funds		
	Stormwater Drainage	Environmental Services	Non-major Proprietary Fund Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 67,738	\$ 518,416	\$ 586,154
Accrued liabilities	14,414	15,099	29,513
Liability for compensated absences	31,137	51,675	82,812
	<u>113,289</u>	<u>585,190</u>	<u>698,479</u>
Noncurrent liabilities:			
Liability for compensated absences	13,046	30,764	43,810
Monies held in escrow	20,769	-	20,769
	<u>33,815</u>	<u>30,764</u>	<u>64,579</u>
Total noncurrent liabilities	<u>33,815</u>	<u>30,764</u>	<u>64,579</u>
Total liabilities	<u>147,104</u>	<u>615,954</u>	<u>763,058</u>
NET ASSETS			
Net investment in capital assets	297,725	223,025	520,750
Unrestricted	430,380	4,956,949	5,387,329
Total	<u>728,105</u>	<u>5,179,974</u>	<u>5,908,079</u>
Total net assets	<u>\$ 728,105</u>	<u>\$ 5,179,974</u>	<u>\$ 5,908,079</u>



PROGRESS IN MOTION

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

	Business-type Activities Enterprise Funds		Non-major
	Stormwater Drainage	Environmental Services	Proprietary Fund Total
OPERATING REVENUES:			
Charges for sales and services:			
Sanitation charges	\$ -	\$ 10,994,170	\$ 10,994,170
Stormwater drainage fees	1,473,950	-	1,473,950
Miscellaneous	20,276	67,199	87,475
Total operating revenues	<u>1,494,226</u>	<u>11,061,369</u>	<u>12,555,595</u>
OPERATING EXPENSES:			
Cost of sales and services	-	8,686,336	8,686,336
Administration	1,235,870	1,089,660	2,325,530
Depreciation	66,932	34,515	101,447
Total operating expenses	<u>1,302,802</u>	<u>9,810,511</u>	<u>11,113,313</u>
Operating income	<u>191,424</u>	<u>1,250,858</u>	<u>1,442,282</u>
NONOPERATING REVENUES:			
Interest revenue	<u>1,824</u>	<u>4,713</u>	<u>6,537</u>
Total nonoperating revenues	<u>1,824</u>	<u>4,713</u>	<u>6,537</u>
Income before transfers	193,248	1,255,571	1,448,819
TRANSFERS:			
Transfers out	<u>(701,687)</u>	<u>(633,470)</u>	<u>(1,335,157)</u>
Total transfers	<u>(701,687)</u>	<u>(633,470)</u>	<u>(1,335,157)</u>
Change in net position	(508,439)	622,101	113,662
Total net position, beginning	<u>1,236,544</u>	<u>4,557,873</u>	<u>5,794,417</u>
Total net position, ending	<u>\$ 728,105</u>	<u>\$ 5,179,974</u>	<u>\$ 5,908,079</u>

Statement of Cash Flows
Non-major Proprietary Funds
For the Fiscal Year Ended September 30, 2013

	Business-type Activities		
	Enterprise Funds		Non-major
	Stormwater Drainage	Environmental Services	Proprietary Fund Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,494,719	\$ 10,700,531	\$ 12,195,250
Cash payments to suppliers for goods and services	(556,542)	(9,202,787)	(9,759,329)
Cash payments to employees for services	(637,853)	(653,232)	(1,291,085)
Other receipts	20,276	67,199	87,475
Net cash provided by operating activities	320,600	911,711	1,232,311
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers made to other funds	(701,687)	(633,470)	(1,335,157)
Net cash provided/(used) by noncapital financing activities	(701,687)	(633,470)	(1,335,157)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(19,897)	(19,897)
Net cash (used) by capital and related financing activities	-	(19,897)	(19,897)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	(500,300)	(1,800,180)	(2,300,480)
Proceeds from sale and maturities of investment securities	-	-	-
Interest on investments	1,791	4,173	5,964
Net cash provided by investing activities	(498,509)	(1,796,007)	(2,294,516)
Net increase in cash and cash equivalents	(879,596)	(1,537,663)	(2,417,259)
Cash and cash equivalents, October 1	956,746	5,006,285	5,963,031
Cash and cash equivalents, September 30	\$ 77,150	\$ 3,468,622	\$ 3,545,772
Classified as:			
Current assets	\$ 77,150	\$ 3,468,622	\$ 3,545,772
Total	\$ 77,150	\$ 3,468,622	\$ 3,545,772

	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	\$ 191,424	\$ 1,250,858	\$ 1,442,282
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	66,932	34,515	101,447
Change in assets and liabilities:			
(Increase) decrease in-			
Receivables - other	-	(293,639)	(293,639)
Prepaid expenses and other assets	725	415	1,140
Increase (decrease) in-			
Accounts payable	40,145	(89,532)	(49,387)
Accrued liabilities	2,181	3,240	5,421
Liability for compensated absences	(1,576)	5,854	4,278
Deposits or escrows	20,769	-	20,769
Total adjustments	129,176	(339,147)	(209,971)
Net cash provided by operating activities	\$ 320,600	\$ 911,711	\$ 1,232,311



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, 2013**

	Community Development Corporation	Economic Development Corporation	Charitable Foundation	Total Component Units
ASSETS				
Cash and cash equivalents	\$ 20,291,996	\$ 11,587,897	\$ 26,840	\$ 31,906,733
Cash escrow for land purchase	17,618,791	26,428,183		44,046,974
Investments	7,000,040	6,001,265	-	13,001,305
Receivables (net of allowances for uncollectibles):				
Sales tax	2,516,699	2,516,699	-	5,033,398
Other	26,480	80,584	-	107,064
Prepays	-	278,306	-	278,306
Notes receivable	-	2,673,874	-	2,673,874
Land held for resale	-	1,252,265	-	1,252,265
Restricted assets:				
Cash and cash equivalents	425,717	1,672,046	-	2,097,763
Investments	1,900,000	1,900,000	-	3,800,000
	<u>49,779,723</u>	<u>54,391,119</u>	<u>26,840</u>	<u>104,197,682</u>
Total assets	<u>\$ 49,779,723</u>	<u>\$ 54,391,119</u>	<u>\$ 26,840</u>	<u>\$ 104,197,682</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 234,145	\$ 716,561	\$ -	\$ 950,706
Accrued liabilities	-	21,268	-	21,268
Accrued interest payable	64,620	-	-	64,620
Accrued liabilities - pollution remediation	1,618,487	2,427,730	-	4,046,217
Deposits	76,118	-	-	76,118
Unearned revenue	57,592	-	-	57,592
Total liabilities	<u>2,050,962</u>	<u>3,165,559</u>	<u>-</u>	<u>5,216,521</u>
Fund balances:				
Non spendable	-	278,306	-	278,306
Restricted for:				
Land purchase	17,618,791	26,428,183	-	44,046,974
Debt service	2,325,717	3,572,046	-	5,897,763
Capital projects for future construction	15,069,600	84,589	-	15,154,189
Unassigned	12,714,653	20,862,436	26,840	33,603,929
Total fund balances	<u>47,728,761</u>	<u>51,225,560</u>	<u>26,840</u>	<u>98,981,161</u>
Total liabilities and fund balances	<u>\$ 49,779,723</u>	<u>\$ 54,391,119</u>	<u>\$ 26,840</u>	<u>\$ 104,197,682</u>

Statement of Revenues, Expenditures, and Changes in Fund Balances
Component Units
For the Fiscal Year Ended September 30, 2013

	Community Development Corporation	Economic Development Corporation	Charitable Foundation	Total Component Units
REVENUES:				
Taxes:				
Sales	\$ 14,579,330	\$ 14,579,330	\$ -	\$ 29,158,660
Investment earnings	26,721	95,073	-	121,794
Contributions and donations	1,250,000	33,345	1,566	1,284,911
Rents	650,091	-	-	650,091
Miscellaneous	54,969	39,414	-	94,383
Total revenues	<u>16,561,111</u>	<u>14,747,162</u>	<u>1,566</u>	<u>31,309,839</u>
EXPENDITURES:				
Current:				
General government	3,397,079	11,433,416	-	14,830,495
Culture and recreation	2,124,517	-	8,020	2,132,537
Capital outlay	6,542,833	5,681	-	6,548,514
Debt service:				
Principal retirement	3,385,000	1,945,000	-	5,330,000
Interest and fiscal charges	2,889,106	2,112,857	-	5,001,963
Total expenditures	<u>18,338,535</u>	<u>15,496,954</u>	<u>8,020</u>	<u>33,843,509</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,777,424)</u>	<u>(749,792)</u>	<u>(6,454)</u>	<u>(2,533,670)</u>
 OTHER FINANCING SOURCES (USES):				
Issuance of debt	27,010,000	-	-	27,010,000
Premium on debt issued	3,491,661	-	-	3,491,661
Discount on debt issued	(76,824)	-	-	(76,824)
Payment to refunded note escrow agent	(15,248,939)	-	-	(15,248,939)
Total other financing sources	<u>15,175,898</u>	<u>-</u>	<u>-</u>	<u>15,175,898</u>
Net change in fund balances	13,398,474	(749,792)	(6,454)	12,642,228
 Fund balances, beginning	<u>34,330,287</u>	<u>51,975,352</u>	<u>33,294</u>	<u>86,338,933</u>
Fund balances, ending	<u>\$ 47,728,761</u>	<u>\$ 51,225,560</u>	<u>\$ 26,840</u>	<u>\$ 98,981,161</u>

**Reconciliation of the Balance Sheet of Component Units
to the Statement of Position
September 30, 2013**

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

Total fund balances per balance sheet	\$	98,981,161
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		110,590,562
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Other assets are not available to pay for current-period expenditures		2,036,005
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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	64,550,000	
Notes payable	80,833,064	
Accrued interest payable	667,379	
Accrued liabilities - pollution remediation	-	
Compensated absences	<u>115,991</u>	
Total long-term liabilities	<u>146,166,434</u>	<u>(146,166,434)</u>

Total net position - component units	\$	<u>65,441,294</u>
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**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, 2013**

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

Net change in fund balances - total component units	\$	12,642,228
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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.		3,977,710
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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.		(9,527,278)
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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.		1,343,173
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Change in net position of component units	\$	<u>8,435,833</u>
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Progress in Motion

Statistical Section



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	124
<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>	
Revenue Capacity	129
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity	142
<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>	
Demographic and Economic Information	148
<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>	
Operating Information	150
<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>	

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

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities				
Net investment in capital assets	\$ 405,138,674	\$ 525,709,269	\$ 615,420,114	\$ 643,480,213
Restricted	46,752,615	7,872,559	9,555,354	110,245
Unrestricted	<u>15,588,638</u>	<u>13,209,066</u>	<u>17,126,933</u>	<u>33,040,763</u>
Total governmental activities net position	<u>467,479,927</u>	<u>546,790,894</u>	<u>642,102,401</u>	<u>676,631,221</u>
Business-type activities				
Net investment in capital assets	104,533,144	128,191,080	144,054,388	149,242,962
Restricted	2,311,119	2,516,905	4,180,849	7,484,394
Unrestricted	<u>21,925,108</u>	<u>15,516,848</u>	<u>19,876,778</u>	<u>17,654,124</u>
Total business-type activities net position	<u>128,769,371</u>	<u>146,224,833</u>	<u>168,112,015</u>	<u>174,381,480</u>
Primary government				
Net investment in capital assets	509,671,818	653,900,349	759,474,502	792,723,175
Restricted	49,063,734	10,389,464	13,736,203	7,594,639
Unrestricted	<u>37,513,746</u>	<u>28,725,914</u>	<u>37,003,711</u>	<u>50,694,887</u>
Total primary government net position	<u>\$ 596,249,298</u>	<u>\$ 693,015,727</u>	<u>\$ 810,214,416</u>	<u>\$ 851,012,701</u>

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 671,496,754	\$ 692,866,635	\$ 695,681,506	\$ 703,694,806	\$ 696,300,300	\$ 739,378,508
1,853,404	2,212,955	3,639,371	3,058,450	4,192,127	4,538,556
<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>72,860,648</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>	<u>816,777,712</u>
149,162,147	166,215,616	172,641,414	173,946,035	174,745,396	185,747,786
9,609,318	9,649,359	10,271,078	11,751,675	12,854,359	17,744,216
<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>35,211,295</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>	<u>238,703,297</u>
820,658,901	859,082,251	868,322,920	877,640,841	871,045,696	925,126,294
11,462,722	11,862,314	13,910,449	14,810,125	17,046,486	22,282,772
<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>108,071,943</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>	<u>\$ 1,055,481,009</u>

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

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

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 29,994,595	\$ 32,031,040	\$ 33,435,845	\$ 39,103,949	\$ 39,620,057	\$ 38,034,476	\$ 42,629,757
28,864,662	36,029,122	37,753,602	39,622,158	40,962,287	44,347,310	48,074,351
20,105,809	24,949,230	25,695,126	26,125,366	27,636,526	29,228,885	30,648,669
9,208,157	18,364,488	21,064,820	22,620,217	25,458,162	26,640,104	26,110,474
21,350,184	21,952,776	24,946,889	23,020,033	22,215,090	19,338,791	17,005,242
<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>	<u>164,468,493</u>
36,848,896	43,797,287	45,525,827	48,130,980	47,539,765	53,369,324	57,559,429
6,482,619	7,298,630	7,922,296	8,662,866	9,766,785	10,490,996	11,113,313
-	-	-	-	-	-	-
43,331,515	51,095,917	53,448,123	56,793,846	57,306,550	63,860,320	68,672,742
<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>	<u>\$ 233,141,235</u>
\$ 11,708,064	\$ 15,355,136	\$ 13,222,484	\$ 15,049,663	\$ 13,195,345	\$ 13,870,149	\$ 18,329,451
1,998,036	2,576,479	1,573,803	1,498,179	2,245,461	2,077,752	2,327,403
-	37,598	-	-	20,938	63,312	104,180
1,291,128	3,651,915	4,083,430	4,009,097	4,320,363	4,455,925	4,555,527
2,302,584	563,840	1,906,180	3,135,919	3,297,331	3,615,317	2,549,183
21,907,728	31,671,071	40,895,760	15,462,749	22,940,561	11,607,188	58,872,983
39,207,540	53,856,039	61,681,657	39,155,607	46,019,999	35,689,643	86,738,727
30,224,108	34,290,262	37,939,611	44,165,615	52,679,778	51,752,962	57,787,373
7,865,780	8,579,038	9,109,124	10,474,914	11,022,236	11,899,879	12,555,595
-	-	-	-	-	-	-
71,500	-	10,700	84,020	111,317	1,000	1,000
8,580,354	12,681,427	15,667,028	7,857,024	8,420,269	4,897,053	19,925,899
46,741,742	55,550,727	62,726,463	62,581,573	72,233,600	68,550,894	90,269,867
<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>	<u>\$ 177,008,594</u>
\$ (70,315,867)	\$ (79,470,617)	\$ (81,214,625)	\$ (111,336,116)	\$ (109,872,123)	\$ (121,899,923)	\$ (77,729,766)
3,410,227	4,454,810	9,278,340	5,787,727	14,927,050	4,690,574	21,597,125
<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>	<u>\$ (56,132,641)</u>
\$ 49,160,038	\$ 58,304,707	\$ 61,909,279	\$ 65,648,801	\$ 64,673,844	\$ 67,161,904	\$ 69,014,412
18,988,310	19,794,826	18,753,757	20,068,824	21,852,287	24,489,084	29,158,661
6,018,858	6,892,396	6,707,813	7,198,697	8,367,733	7,796,833	7,909,763
2,624,159	3,030,953	2,759,301	3,063,544	3,519,660	3,450,258	3,998,236
16,661,958	19,083,975	19,119,575	19,604,935	20,389,441	21,709,424	18,540,374
10,041,364	7,099,229	3,251,634	629,661	512,756	501,365	495,129
-	-	-	-	-	-	-
1,350,000	(235,000)	385,309	563,920	517,878	571,537	1,117,421
<u>104,844,687</u>	<u>113,971,086</u>	<u>112,886,668</u>	<u>116,778,382</u>	<u>119,833,599</u>	<u>125,680,405</u>	<u>130,233,996</u>
-	-	110,000	242,151	97,000	97,000	97,000
4,154,026	3,604,751	1,462,625	324,377	106,235	191,049	130,268
55,212	5,000	-	39,800	-	-	-
(1,350,000)	235,000	(385,309)	(563,920)	(517,878)	(571,537)	(1,117,421)
2,859,238	3,844,751	1,187,316	42,408	(314,643)	(283,488)	(890,153)
<u>107,703,925</u>	<u>117,815,837</u>	<u>114,073,984</u>	<u>116,820,790</u>	<u>119,518,956</u>	<u>125,396,917</u>	<u>129,343,843</u>
34,528,820	34,500,469	31,672,043	5,442,266	9,961,476	3,780,482	52,504,230
6,269,465	8,299,561	10,465,656	5,830,135	14,612,407	4,407,086	20,706,972
<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>	<u>\$ 73,211,202</u>



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

<u>Fiscal</u> <u>Year</u>		<u>Property</u> <u>Tax</u>	<u>Sales</u> <u>Tax</u>	<u>Franchise</u> <u>Tax</u>	<u>Other</u> <u>Tax</u>	<u>Total</u>
2004	(1)	\$ 28,687,502	\$ 13,137,975	\$ 3,973,444	\$ 1,366,659	\$ 47,165,580
2005	(2)	32,465,034	14,847,090	4,316,321	1,623,892	53,252,337
2006	(3)	40,058,643	17,992,638	5,515,545	2,397,341	65,964,167
2007	(4)	49,160,038	18,988,310	6,018,858	2,624,159	76,791,365
2008	(5)	58,304,707	19,794,826	6,892,396	3,030,953	88,022,882
2009	(6)	61,909,279	18,753,757	6,707,813	2,759,301	90,130,150
2010	(7)	65,648,801	20,068,824	7,198,697	3,063,544	95,979,866
2011	(8)	64,673,844	21,852,287	8,367,733	3,519,660	98,413,524
2012	(9)	67,161,904	24,489,084	7,796,833	3,450,258	102,898,079
2013	(10)	69,014,412	29,158,661	7,909,763	3,998,236	110,081,072

- (1) Includes tax increment reinvestment zone tax collections of \$2,255,533
- (2) Includes tax increment reinvestment zone tax collections of \$2,454,487
- (3) Includes tax increment reinvestment zone tax collections of \$2,752,756
- (4) Includes tax increment reinvestment zone tax collections of \$3,186,903
- (5) Includes tax increment reinvestment zone tax collections of \$3,666,330
- (6) Includes tax increment reinvestment zone tax collections of \$4,100,482
- (7) Includes tax increment reinvestment zone tax collections of \$4,488,116
- (8) Includes tax increment reinvestment zone tax collections of \$4,250,097
- (9) Includes tax increment reinvestment zone tax collections of \$4,142,786
- (10) Includes tax increment reinvestment zone tax collections of \$4,431,948

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General fund				
Non spendable	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-
Reserved	364,469	467,494	708,600	1,271,021
Unreserved/Unassigned	<u>18,141,517</u>	<u>22,155,131</u>	<u>21,685,496</u>	<u>21,301,441</u>
Total general fund	<u>18,505,986</u>	<u>22,622,625</u>	<u>22,394,096</u>	<u>22,572,462</u>
 All other governmental funds				
Reserved	119,401,949	66,056,426	38,022,656	36,281,543
Unreserved, reported in:				
Special revenue funds	1,708,168	2,865,902	2,031,763	3,151,419
Capital project funds	67,610,681	87,722,925	110,481,371	111,387,226
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>\$ 188,720,798</u>	<u>\$ 156,645,253</u>	<u>\$ 150,535,790</u>	<u>\$ 150,820,188</u>

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

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

<u>2008</u>	<u>2009</u>	<u>2010*</u>	<u>2011**</u>	<u>2012</u>	<u>2013</u>
\$ -	\$ -	\$ -	\$ 469,884	\$ 537,057	\$ 544,583
-	-	2,553,709	2,013,924	2,576,668	3,570,917
725,711	579,841	713,228	-	-	-
<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>31,295,715</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>	<u>35,411,215</u>
59,450,155	22,839,763	25,867,177	-	-	-
3,986,611	4,760,856	7,508,535	-	-	-
101,301,111	91,421,584	68,304,669	-	-	-
-	-	-	343,449	493,657	202,897
-	-	-	3,452,399	4,355,598	4,150,522
-	-	-	79,585,306	67,986,558	82,742,142
-	-	-	3,013,592	3,212,422	4,196,596
-	-	-	1,814,651	2,277,444	3,349,491
-	-	-	2,552,517	2,605,361	3,134,209
-	-	-	<u>4,928,511</u>	<u>6,070,613</u>	<u>3,247,896</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>	<u>\$ 101,023,753</u>

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

	<u>Fiscal Year</u>				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues					
Taxes					
Property	\$ 28,654,717	\$ 32,464,771	\$ 40,106,497	\$ 48,919,082	\$ 57,670,279
Sales	13,137,975	14,847,090	17,992,638	18,988,310	19,794,826
Franchise	3,973,444	4,316,321	5,515,545	6,018,858	6,892,396
Hotel/motel	1,050,188	1,343,131	2,026,326	2,257,756	2,601,775
Other	316,471	280,761	371,015	366,403	429,178
Licenses and permits	9,247,051	10,257,085	10,873,516	7,147,717	6,074,099
Public safety	1,443,744	1,502,237	1,650,490	1,998,036	2,576,479
Intergovernmental	10,593,779	10,214,773	12,128,338	12,904,324	13,620,779
Charges for services	2,181,420	2,538,854	3,406,470	4,043,473	6,899,517
Fines	797,130	934,317	1,391,461	1,808,002	2,130,759
Special assessments	4,033,411	2,458,738	6,716,984	4,407,098	5,754,513
Rents	-	-	-	-	-
Investment earnings	2,649,441	5,570,513	8,961,266	10,109,906	7,112,564
Contributions and donations	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	3,923,241	4,205,644	5,273,987	5,958,013	5,661,793
Total revenues	<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	16,153,108	19,800,354	24,763,382	26,899,968	28,699,100
Public safety	15,228,290	17,547,756	22,208,711	26,476,558	31,932,293
Public works	3,114,277	3,541,999	4,900,857	5,633,499	6,651,888
Culture & recreation	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	62,944,186	130,924,773	102,551,930	71,214,884	83,384,202
Debt Service:					
Principal retirement	10,034,417	11,230,123	15,513,701	19,273,917	21,074,352
Interest and fiscal charges	17,192,597	18,512,899	21,361,575	22,617,004	25,783,542
Total expenditures	<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	(42,063,108)	(87,066,275)	(66,817,180)	(55,185,569)	(59,886,078)
Other financing sources (uses)					
Bonds issued	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	26,345,290	25,560,975	39,521,069	25,504,304	20,361,365
Transfers out	(25,544,138)	(23,837,916)	(39,521,069)	(24,154,304)	(20,596,365)
Total other financing sources (uses)	<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	<u>\$ (12,663,423)</u>	<u>\$ (12,958,906)</u>	<u>\$ (6,337,992)</u>	<u>\$ 462,764</u>	<u>\$ 15,427,771</u>
Debt service as a percentage of noncapital expenditures	42%	40%	35%	36%	38%

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Hotel/motel</u>	<u>Other</u>
2004	\$ 28,654,717	\$ 13,137,975	\$ 3,973,444	\$ 1,050,188	\$ 316,471
2005	32,464,771	14,847,090	4,316,321	1,343,131	280,761
2006	40,106,497	17,992,638	5,515,545	2,026,326	371,015
2007	48,919,082	18,988,310	6,018,858	2,257,756	366,403
2008	57,670,279	19,794,826	6,892,396	2,601,775	429,178
2009	62,431,502	18,753,757	6,984,008	2,345,312	413,989
2010	65,260,020	20,068,824	7,198,697	2,607,869	455,675
2011	65,225,685	21,852,287	8,040,529	2,998,817	520,843
2012	67,265,817	24,489,084	7,907,245	3,027,021	423,237
2013	69,033,422	29,158,661	7,801,573	3,506,677	491,559

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$	62,431,502	\$ 65,260,020	\$ 65,225,685	\$ 67,265,817	\$ 69,033,422
	18,753,757	20,068,824	21,852,287	24,489,084	29,158,661
	6,984,008	7,198,697	8,040,529	7,907,245	7,801,573
	2,345,312	2,607,869	2,998,817	3,027,021	3,506,677
	413,989	455,675	520,843	423,237	491,559
	3,906,925	5,015,450	5,639,747	6,088,219	8,577,020
	1,547,934	1,467,233	1,776,904	1,511,187	1,735,308
	23,414,535	17,838,372	30,553,540	18,309,478	28,164,687
	7,468,145	9,262,788	4,589,867	4,939,787	5,160,676
	3,160,308	2,322,987	2,409,391	2,891,192	2,917,496
	4,179,588	2,992,455	3,826,456	5,339,917	9,190,265
	-	-	5,125,754	4,714,980	4,725,347
	3,265,769	651,464	526,553	526,939	432,368
	1,185,489	4,710,837	3,134,166	6,060,495	6,078,590
	3,710,160	3,447,798	8,044,723	8,658,172	7,125,849
	<u>5,761,700</u>	<u>4,527,655</u>	<u>208,477</u>	<u>229,077</u>	<u>2,253,511</u>
	<u>148,529,121</u>	<u>147,828,124</u>	<u>164,473,739</u>	<u>162,381,847</u>	<u>186,353,009</u>
	30,584,122	32,993,441	31,330,645	31,910,504	36,353,259
	32,886,018	34,967,535	36,820,094	39,733,181	42,765,334
	6,456,242	6,176,062	6,283,161	6,538,432	7,083,202
	12,234,850	12,382,180	14,616,069	15,377,347	14,684,853
	-	4,612,589	-	-	-
	61,701,918	32,685,414	38,217,173	25,168,130	46,968,401
	22,828,537	23,641,668	25,528,456	25,905,000	27,685,000
	<u>27,005,575</u>	<u>25,350,941</u>	<u>24,934,400</u>	<u>22,353,574</u>	<u>20,988,977</u>
	<u>193,697,262</u>	<u>172,809,830</u>	<u>177,729,998</u>	<u>166,986,168</u>	<u>196,529,026</u>
	(45,168,141)	(24,981,706)	(13,256,259)	(4,604,321)	(10,176,017)
	-	3,950,000	7,690,000	-	-
		24,680,000	101,855,000	22,615,000	98,585,000
	-	1,424,113	13,138,248	2,687,312	15,286,690
	-	(6,777)	(50,185)	(39,859)	(215,382)
	-	(27,586,336)	(113,810,055)	(25,312,360)	(72,809,971)
	-	5,187,549	-	-	(15,100,911)
	90,727	77,893	38,675	122,534	148,021
	20,729,438	22,618,138	22,813,526	23,237,197	29,705,338
	<u>(20,344,129)</u>	<u>(22,054,218)</u>	<u>(22,295,648)</u>	<u>(22,665,660)</u>	<u>(28,587,917)</u>
	<u>476,036</u>	<u>8,290,362</u>	<u>9,379,561</u>	<u>644,164</u>	<u>27,010,868</u>
\$	<u>(44,692,105)</u>	<u>(16,691,344)</u>	<u>(3,876,698)</u>	<u>(3,960,157)</u>	<u>\$ 16,834,851</u>
	38%	35%	36%	34%	33%

	<u>Total</u>
\$	47,132,795
	53,252,074
	66,012,021
	76,550,409
	87,388,454
	90,928,568
	95,591,085
	98,638,161
	103,112,404
	109,991,892

**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>
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
2013	10,563,707	4,615,584	1,101,953	814,803	17,096,046

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>
\$ 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%
2,358,501	14,737,545	0.46191	14,737,545	100%

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

<u>Collin County</u>									
<u>Fiscal Year</u>	<u>City of Frisco</u>			<u>Collin County, Texas</u>			<u>Frisco Independent School District</u>		
	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total</u>	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total</u>	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total</u>
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	0.3900	1.3900
2012	0.263446	0.198464	0.46191	0.176050	0.063950	0.2400	1.0000	0.4200	1.4200
2013	0.272957	0.188953	0.46191	0.174663	0.065337	0.2400	1.0400	0.4200	1.4600

Information obtained from the Collin County Central Appraisal District.

<u>Denton County</u>									
<u>Fiscal Year</u>	<u>City of Frisco</u>			<u>Denton County, Texas</u>			<u>Frisco Independent School District</u>		
	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total</u>	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total</u>	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total</u>
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	0.3900	1.3900
2012	0.263446	0.198464	0.46191	0.205657	0.071700	0.27736	1.0000	0.4200	1.4200
2013	0.272957	0.188953	0.46191	0.209225	0.073642	0.28287	1.0400	0.4200	1.4600

Information obtained from the Denton County Central Appraisal District.

Collin County Community College			Prosper Independent School District			Total	Total
Operating	Debt		Operating	Debt		Direct and	Direct and
<u>Millage</u>	<u>Service</u>	<u>Total</u>	<u>Millage</u>	<u>Service</u>	<u>Total</u>	<u>Overlapping</u>	<u>Overlapping</u>
	<u>Millage</u>			<u>Millage</u>		<u>Rates FISD</u>	<u>Rates PISD</u>
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	2.18130	2.42130
0.0800	0.0063	0.0863	1.1700	0.5000	1.6700	2.20821	2.45821
0.0800	0.0063	0.0863	1.1700	0.5000	1.6700	2.24821	2.45821

Lewisville Independent School District			Little Elm Independent School District			Total	Total	Total
Operating	Debt		Operating	Debt		Direct and	Direct and	Direct and
<u>Millage</u>	<u>Service</u>	<u>Total</u>	<u>Millage</u>	<u>Service</u>	<u>Total</u>	<u>Overlapping</u>	<u>Overlapping</u>	<u>Overlapping</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	1.349000	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
1.330000	0.310000	1.64000	1.361000	0.379000	1.74000	2.26192	2.32192	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	2.12890	2.16490	2.27890
1.040000	0.436400	1.47640	1.040000	0.500000	1.54000	2.15927	2.21567	2.27927
1.040000	0.413000	1.45300	1.040000	0.500000	1.54000	2.20478	2.19778	2.28478



PROGRESS IN MOTION

**Principal Taxpayers
Current Year and Nine Years Ago
September 30, 2013
(Unaudited)**

<u>Taxpayer</u>	2013			2004		
	<u>Taxable Assessed</u> <u>Valuation</u>	<u>Rank</u>	<u>Percentage</u> <u>of Total</u> <u>Assessed</u> <u>Valuation</u>	<u>Taxable Assessed</u> <u>Valuation</u>	<u>Rank</u>	<u>Percentage</u> <u>of Total</u> <u>Assessed</u> <u>Valuation</u>
Stonebriar Mall Ltd Partnership	\$ 239,971,384	1	1.40%	\$ 188,740,343	1	2.96%
BPR Shopping Center LP	118,471,637	2	0.69%	110,000,000	2	1.73%
Tenet Frisco Ltd	73,088,732	3	0.43%			
Hall Office Portfolio DB LLC	60,400,000	4	0.35%			
Specified Properties	56,872,060	5	0.33%			
HRT Properties of Texas LTD	52,412,013	6	0.31%			
Wells Core Reit - 7624/7668 Warren LLC	43,276,890	7	0.25%			
CRP Cypress Lake LP	43,000,000	8	0.25%			
IKEA Property Inc.	42,743,133	9	0.25%			
Mario Sinacola & Sons Excavation Inc	38,363,917	10	0.22%			
Oncor Electric Delivery Company	36,973,239	11	0.22%	23,850,304	5	0.37%
TR Sonsrena Corporation	34,937,308	12	0.20%			
Hall 2801 Network Associates LTD	33,200,000	13	0.19%	22,112,500	7	0.35%
Hendry Properties LTD				27,854,047	3	0.44%
Frisco Stonebriar LTD				26,820,691	4	0.42%
LSR Developments, Inc.				22,460,496	6	0.35%

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

<u>Fiscal Year Ended September 30</u>	<u>Total Tax Levy for Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collected in Subsequent Years</u>
		<u>Amount (1)</u>	<u>Percentage of Levy</u>	
2004	\$ 28,218,654	\$ 28,011,225	99.3%	\$ 199,089
2005	32,012,029	31,741,805	99.2%	254,628
2006	39,779,023	39,304,506	98.8%	449,814
2007	48,536,512	47,643,803	98.2%	872,207
2008	57,086,399	55,805,155	97.8%	1,241,850
2009	62,013,959	61,279,520	98.8%	681,261
2010	65,218,703	64,473,212	99.4%	683,099
2011	64,129,371	63,720,218	99.4%	342,671
2012	65,091,715	64,899,099	99.7%	109,769
2013	68,074,194	67,881,883	99.7%	-

(1) Includes Rollback Tax Collections each year:

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
2013	920,854

Total Collections to Date		
	<u>Amount</u>	<u>Percentage to Levy</u>
\$	28,210,314	100.0%
	31,996,433	100.0%
	39,754,320	99.9%
	48,516,010	100.0%
	57,047,005	99.9%
	61,960,782	99.9%
	65,156,311	99.4%
	63,720,218	99.4%
	65,008,868	99.9%
	67,881,883	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 (1)</u>	<u>Certificates of Obligation</u>
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	347,800,000	106,035,000
2013	361,004,945	97,649,500

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

<u>Business-Type Activities</u>			<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
<u>General Obligation Bonds (2)</u>	<u>Unlimited Tax Bonds</u>	<u>Certificates of Obligation</u>			
\$ 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
47,495,055	-	72,425,500	578,575,000	10%	4,257

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

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Assessed Value (2)</u>	<u>General Obligation Bonded Debt (3)</u>	<u>Less Debt Service Funds</u>
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
2013	135,920	14,737,545,079	329,689,945	4,150,522

(1) Population estimate as of September 30

(2) Original Certified Taxable Value

(3) Includes only bonded debt that is being repaid through ad valorem property tax collections.

<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt per Capita</u>
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
325,539,423	2.21	2,395

Computation of Direct and Overlapping Bonded Debt of Governmental Activities
General Obligation Bonds
September 30, 2013
(Unaudited)

<u>Jurisdiction</u>	<u>General Obligation Bonded Debt Outstanding (2)</u>	<u>Percentage Applicable to Government</u>	<u>Amount Applicable to Government</u>
Direct debt:			
City of Frisco, Texas	\$ 329,689,945	100.00%	\$ 329,689,945
Total direct debt	<u>329,689,945</u>		<u>329,689,945</u>
Overlapping debt: (1)			
Collin County	376,770,597	12.45%	46,907,939
Collin County College District	37,460,000	12.45%	4,663,770
Denton County	583,697,026	10.12%	59,070,139
Frisco Independent School District	1,328,015,655	72.39%	961,350,533
Lewisville Independent School District	1,113,538,429	3.21%	35,744,584
Little Elm Independent School District	137,190,866	8.99%	12,333,459
Prosper Independent School District	<u>233,606,557</u>	<u>8.93%</u>	<u>20,861,066</u>
Total overlapping debt	<u>3,810,279,130</u>		<u>1,140,931,489</u>
Total direct and overlapping debt	<u>\$ 4,139,969,075</u>		<u>\$ 1,470,621,434</u>

(1) Information obtained from the Municipal Advisory Council of Texas, September 2013 Report.

(2) Includes only bonded debt that is being repaid through ad valorem property tax collections.

**Computation of Legal Debt Margin
September 30, 2013
(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 2013 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>Population</u> (1)	<u>Personal Income (,000)</u>	<u>Per Capita Income</u> (2)	<u>Median Age</u> (2)	<u>School Enrollment</u> (3)	<u>Unemployment Rate</u> (4)
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%
2013	135,920	5,757,299	42,358	34.0	45,479	4.3%

Data Sources

- (1) City of Frisco (Population) as of October 1, 2013
- (2) U.S. Census 2013 Estimated from 2012 Statistics
- (3) Frisco Independent School District (School Enrollment), October 2013
- (4) City of Frisco Development Services Annual Report January 2014

**Principal Employers
Current Year and Nine Years Ago
September 30, 2013
(Unaudited)**

<u>Employer</u>	<u>2013</u>			<u>2004</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	5,600	1	8.86%	577	2	2.50%
Stonebriar Center Mall	3,456	2	5.47%	2,300	1	9.98%
City of Frisco	1,160	3	1.84%	516	3	2.24%
Amerisource Bergen Specialty Group	1,100	4	1.74%			
Wingspan	1,100	5	1.74%			
Mario Sinacola & Sons Excavating	603	6	0.95%	-		-
Conifer	500	7	0.79%	-		-
IKEA Frisco	412	8	0.65%	-		-
Oracle USA	409	9	0.65%			
Market Street	300	10	0.47%	-		-
Pacific Dunlop/GNB	-	-	-	148	4	0.64%
Rodman Paving	-	-	-	100	5	0.43%
Hutson Industries	-	-	-	135	6	0.59%
P.C. Dynamics	-	-	-	91	7	0.39%
Home Interiors and Gifts	-	-	-	60	8	0.26%
Total	14,640		23.16%	3,927		17.04%

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>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>	<u>2013</u>
General government	117	134	155	180	193	193	194	197	206	202
Public safety										
Police	0	0	0	0	0	0	0	0	0	3
Officers	84	95	109	127	147	149	150	146	146	151
Civilians	24	26	31	49	49	49	49	58	59	64
Fire										
Firefighters and officers	84	96	108	128	142	142	142	140	161	161
Civilians	8	8	8	11	12	11	11	13	13	15
Highways and streets										
Engineering	26	29	34	43	46	46	46	46	45	46
Maintenance	39	41	41	47	49	49	49	49	49	42
Culture and recreation	78	87	125	255	367	367	366	355	360	378
Environmental services	6	6	6	10	12	12	12	12	12	12
Water	38	46	54	59	63	63	63	63	63	61
Sewer	13	13	13	16	16	16	16	16	16	19
Stormwater	0	0	0	0	0	0	4	6	10	6
Total	517	581	684	925	1,096	1,097	1,102	1,101	1,140	1,160

Operating Indicators by Function Last Ten Fiscal Years (Unaudited)

Function	<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>	<u>2013</u>
General government										
Building permits issued										
Residential	3,206	3,641	3,624	1,962	1,293	1,296	2,179	1,322	1,370	2,255
Commercial	314	306	356	321	358	289	278	328	325	347
Planning and development cases processed	376	415	407	362	288	159	171	236	309	402
Police										
Physical arrests	1,413	1,511	1,886	2,141	2,235	2,088	2,934	3,381	3,398	3,245
Traffic violations	11,521	6,883	11,713	11,006	13,154	14,229	12,078	15,783	16,413	17,460
Parking violations	181	327	342	237	319	412	589	913	854	799
Fire protection										
Number of calls answered	4,759	5,460	6,399	6,447	6,779	7,351	7,178	8,186	8,684	8,645
Inspections	2,384	2,639	2,879	3,261	4,766	4,638	4,648	4,886	5,373	5,490
Inspections - SAFER Program	-	-	-	-	-	-	2,075.00	2,443	2,688	2,922
Highways and streets										
Street resurfacing (square yards)	13,661	9,078	20,030	5,307	11,291	3,013	14,808	1,500	6,291	22,376
Street curb miles swept	6,020	2,498	8,558	9,300	10,945	13,889	7,887	7,896	7,896	7,896
Environmental services										
Solid waste collected (tons)	53,038	49,954	67,962	74,668	78,427	76,934	74,548	76,209	79,154	86,814
Recycled materials collected (tons)	3,439	7,105	11,601	12,409	13,770	14,136	14,605	14,556	15,343	15,814
Culture and recreation										
Library materials circulation	128,259	191,612	244,507	690,062	778,374	1,118,394	1,175,383	1,266,866	1,510,956	1,266,005
Parks acreage	870	993	993	1,314	1,333	1,348	1,374	1,348	1,348	1,348
Athletic facilities and pavilion rental (visits)	343,027	400,045	459,330	528,229	608,500	766,404	743,731	756,317	803,925	710,430
Water										
New connections	3,626	3,193	3,814	2,239	3,282	1,009	1,344	1,408	1,473	2,372
Average daily consumption (million gallons/day)	15.30	19.90	25.62	17.95	23.90	22.3	22.6	27.7	26.5	25.8
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	10.0

Sources: Various government departments

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

Traffic violations include citations from the "red light" program in 2006-2009 and 2011-2012 when the program was in place.

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

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government										
Sports Complexes Supported	5	6	7	7	7	7	7	7	7	7
Museums, Art Gallery Supported**	1	1	1	1	1	1	1	1	3	3
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol and Traffic Dedicated Vehicles	21	24	26	35	40	40	41	35	35	38
Fire Stations	4	4	5	5	6	6	6	6	7	7
Highways and streets										
Streets (miles)	1,039	1,175	1,254	1,331	1,139	1,158	1,177	1,196	1,246	1,246
Streetlights	-	-	5,845	6,179	6,827	6,967	7,094	7,350	7,732	8,173
Traffic signals	25	31	35	46	49	53	61	86	91	96
Culture and recreation										
Parks acreage										
Parks developed	273	352	388	452	602	636	636	646	646	646
Parks undeveloped	599	610	605	862	731	712	738	702	702	702
Swimming pools	2	2	2	2	3	2	1	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	4	4	4	6	6	6	6	6
Soccer fields	16	16	17	27	31	35	35	35	35	35
Baseball fields	10	10	14	14	19	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	44,988
Water lines (miles)	500	510	569	609	649	712	733	746	771	810
Fire hydrants	5,010	5,128	5,664	6,136	6,555	7,349	7,783	7,892	8,299	8,602
Maximum daily capacity (millions of gallons)	32.8	40.5	41.2	46.0	63.0	93.0	133.0	134.0	134.0	127.0
Sewer										
Customers/Accounts	23,617	26,801	30,773	32,971	34,304	35,113	36,651	37,929	39,335	43,091
Sanitary sewers (miles)	411	420	458	465	508	531	560	569	592	620
Storm sewers (miles)	299	305	342	371	402	459	485	330	526	551