

City of Frisco, Texas



Comprehensive Annual Financial Report

For the Year Ended September 30, 2011



Art on display at Simpson Plaza



PROGRESS IN MOTION

CITY OF FRISCO, TEXAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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

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PROGRESS IN MOTION

Introductory Section



"Frisco First" by David Alan Clark



PROGRESS IN MOTION



March 5, 2012

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, 2011, in accordance with Section 7.18 of the City Charter.

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

Crowe Horwath LLP, Certified Public Accountants, has issued an unqualified ("clean") opinion on the City of Frisco's financial statements for the year ended September 30, 2011. The report of independent auditors is located at the beginning of the financial section of this report.

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

City of Frisco Profile

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

Frisco has experienced a substantial population growth in the last twenty years. Our population was 6,550 in 1991, 33,714 in 2000 and 116,989 by the 2010 census date. On October 1, 2011, the population was estimated to be 122,822 which is approximately a 5% increase in one year. The chart below details the City's populations for each census date since 1910.

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

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

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

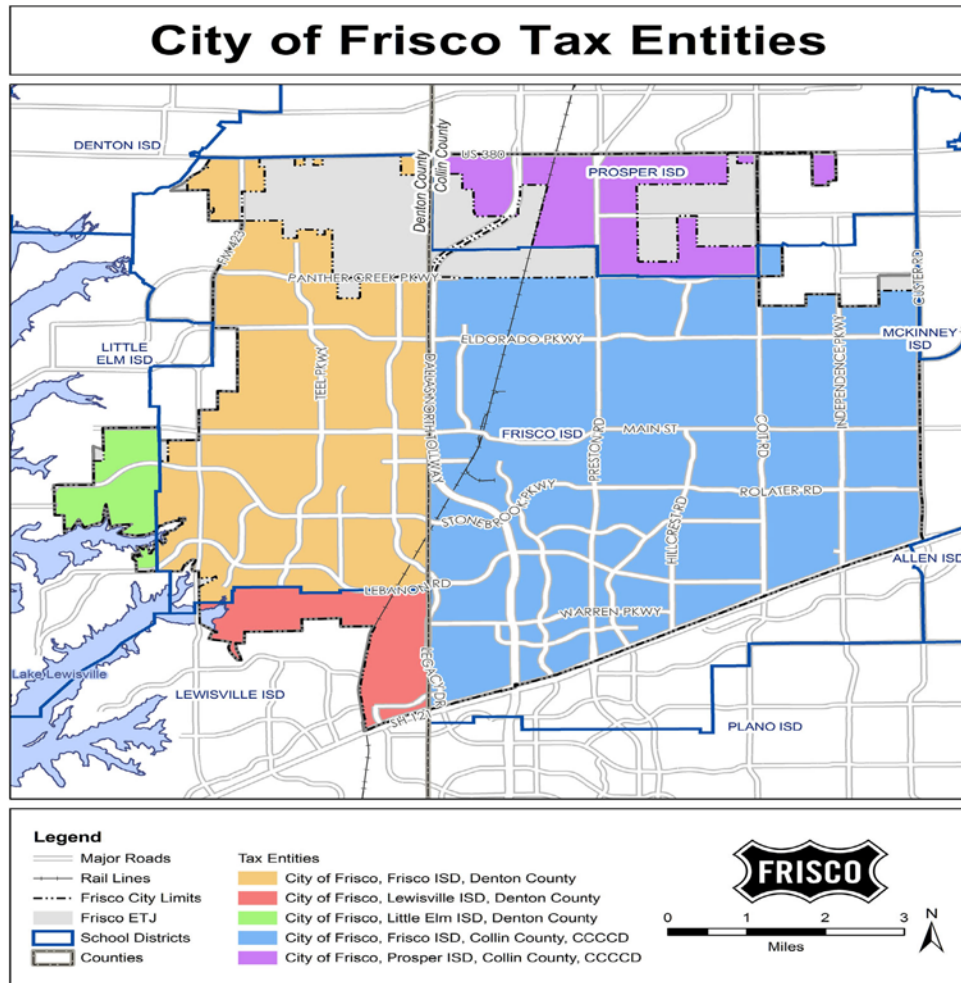
The financial reporting entity (the government) includes all the funds of the primary government. Services that are provided to the citizenry have proven to be necessary and meaningful and are those that the City can provide at the least cost. The government provides a full range of services including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

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

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

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

Overlapping property tax rates for the taxing entities within the City range from \$2.16236 to \$2.46130 (see page 136) depending on which County and which school district the property is located. This map shows the boundaries for each taxing jurisdiction within the City of Frisco.



Local Economy

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

Regionally, the Dallas-Fort Worth Metroplex (DFW) has been impacted by the recession and credit crisis but has fared better than the nation. The Federal Reserve of Dallas in their *Regional Economic Update* for September 2011 reported “The regional economy remains in recovery, although there are signs the pace of growth has slowed. Most data show the Texas economy continues to outperform the nation, driven in part by strong energy activity, yet the outlook is more uncertain. National and global factors appear to be weighing on businesses and consumers.”

According to the U. S. Census Bureau’s 2010 American Community Survey published in 2011, Frisco’s median household income of \$100,686 compares favorably to \$40,650 for DFW and \$48,615 for Texas. Also, according to the survey, the workforce is educated with 56.1% of the population having a bachelor’s degree or more, compared to 28.9% for DFW and 25.9% for Texas.

Frisco is home to a diversified group of retail and development firms. The Frisco Economic Development Corporation (FEDC) saw a tremendous amount of activity in 2011. Adopting a new comprehensive economic development strategy in 2010, the FEDC began implementing many of the concepts identified in the plan. The strategy identified new areas of industry focus: Computers & Electronics, Medical Services, Telecommunications, Financial Services, Software & Media, Entertainment & Recreation and Renewable Energy. Also included in the strategy were four major goals for the FEDC to focus on: (1) Attract Jobs from Outside the Area; (2) Retain & Expand Local Businesses; (3) Enhance Frisco's Innovation Culture through Entrepreneurship; and (4) Improve Product Readiness & Competitiveness. The FEDC will continue to implement the Economic Development Strategy in 2012.

Business activity in 2011 was thriving. As of October 1, 2011, the FEDC facilitated 25 new projects in Frisco, potentially filling or adding 748,090 square feet, with a potential capital investment of \$113,292,000 and possibly creating/retaining 2,034 jobs for our community.

The chart below summarizes the projects and impact for the four quarters of FY 2011.

**Summary of FEDC Projects for Q1 – Q4
FY11**

Year	Number of Projects	Potential Square Feet	Potential Capital Investment	Potential Direct Jobs Created/Retained
Q1 FY10/11	7	226,300	\$40,389,000	812
Q2 FY10/11	7	430,700	\$52,925,000	845
Q3 FY10/11	5	47,090	\$8,878,000	106
Q4 FY10/11	6	44,000	\$11,100,000	271
Total YTD	25	748,090	\$113,292,000	2,034

The City of Frisco welcomed several new companies to the community including; GENBAND US, Astadia, Inc., CLAD, Inc., Cornerstone Automation Systems, Inc., University of Texas – Arlington, Dairy LLC and Schlumberger Technology Corporation. We also had several of our local companies expand their office space here in Frisco. Fiserv Solution, Inc., Cobb Fendley, AmerisourceBergen and Athletes Performance all were retained and expanded during the year.

New development included the following activity during 2011. Insight for Living is building their company headquarters at the southeast corner of Lebanon Road and Parkwood. Downtown Frisco welcomed Forest Park Medical Center with the construction of an \$83 million dollar hospital and medical office building in Frisco Square. An exciting addition to Frisco Square was the \$60 million development announcement of the Corporate Headquarters relocation of Gearbox Software. We also saw the opening of our first Costco on the southeast corner of the Dallas North Tollway and Eldorado Parkway.

Frisco continues to be a destination location with venues and attractions that generate significant economic benefits to Frisco retailers, restaurants and hotels. On January 7, 2012, we welcomed back the NCAA Division I Football Championship Game (FCS) hosted by the Southland Conference and partnered with Hunt Sports Group, Chamber of Commerce, Frisco CVB and Frisco Economic Development Corporation. The game sold out in December when both teams were announced and was broadcast live nation-wide on ESPN2. Hilton announced the development of a Home2Suites and Forest City announced plans for a major mixed-use development for Frisco North located at the southwest corner of Hwy 380 and the Dallas North Tollway. Also, Frisco's second Walmart opened at the northwest corner of Preston Road and Hickory Street.

Community growth is expected to continue with new single family housing starts expected to average approximately 100 per month during FY 2012 and FISD continuing to build new school facilities to accommodate the growth.

Looking forward we anticipate continued investment and development interest in our growing community. The business attraction and retention efforts of the FEDC in 2011 will continue to be pro-active in assisting our existing companies and attracting new companies to Frisco. We remain optimistic for greater economic growth and our civic and community leaders are great supporters of our business community. We will continue to work in partnership with our many development partners including, Frisco Convention & Visitors Bureau, Frisco Independent School District, Collin College, Denton & Collin County and the Frisco Chamber of Commerce to make Frisco, Texas the place to locate a business or raise a family.

Long-Term Financial Planning

The City has a working five-year financial plan including staffing requirements and a working five-year capital improvement program. Over the past several years, special considerations for the challenges and opportunities created by the economy have been evaluated and these plans have been adjusted accordingly.

Major capital improvement plans include: **street and utility projects** including FM 2478/Custer Road (Stonebridge to US 380), Coit Road (Main Street to Eldorado Parkway), Eldorado Parkway (Hillcrest to Castleman) and Stonebrook Parkway, signals and right of way acquisitions throughout the City; **facilities projects** for Cultural Arts and Science Center, Frisco Fire Station #7 and replacement ladder truck and the Museum of American Railroads; **parks projects** including various trails that will connect schools to neighborhood parks and roadways, Phillips Creek Hike and Bike Trail, Cottonwood Creek Linear Park, BF Phillips Phase III-Dog Park, and land acquisitions; **stormwater projects** including Panther Creek Flood Plain Mapping; **water & sewer projects** including Legacy Elevated Storage Tank, Panther Creek Sewer Interceptor, Dallas Parkway Waterline, Stonebrook Parkway waterline and the Main Street Waterline. A bond election was passed in May 2006 to continue funding the capital improvement plan for the City. Within the plan, the City did issue debt in July of 2011 for the construction of Fire Station #7. Sufficient funds from already issued debt will continue the capital improvement program for projects identified.

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

The City's Financial Services Department publishes a monthly financial report which provides internal and external users with the general awareness of the City's financial positions and economic activity. This report is presented each month to the City Council, usually the second meeting of the month.

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. The City Management team has participated in developing a model to follow to evaluate risks and action plans for internal controls.

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

Major Initiatives

At the City Council work session held in February, the Council adopted its priorities for the upcoming fiscal year. These are, in effect, the objectives for the City Council. Funding to support these priorities is included in the 2012 proposed budget: roads and transportation, facility capital projects, downtown revitalization, tax base balance, park development, expanded youth involvement in the City, and expanded cultural offerings. With the downturn in the economy and pressures on several city revenue streams, the City Council approved a 46.5 cent tax rate for fiscal year 2011 to fund general fund operations; this tax rate was reduced for fiscal year 2012 to the effective tax rate of 46.191 cents.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Frisco for its comprehensive annual financial report for the fiscal year ended September 30, 2010. This was the eleventh year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit had to publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Anita Cothran
Director of Finance



Nell Lange
Assistant City Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Frisco
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

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

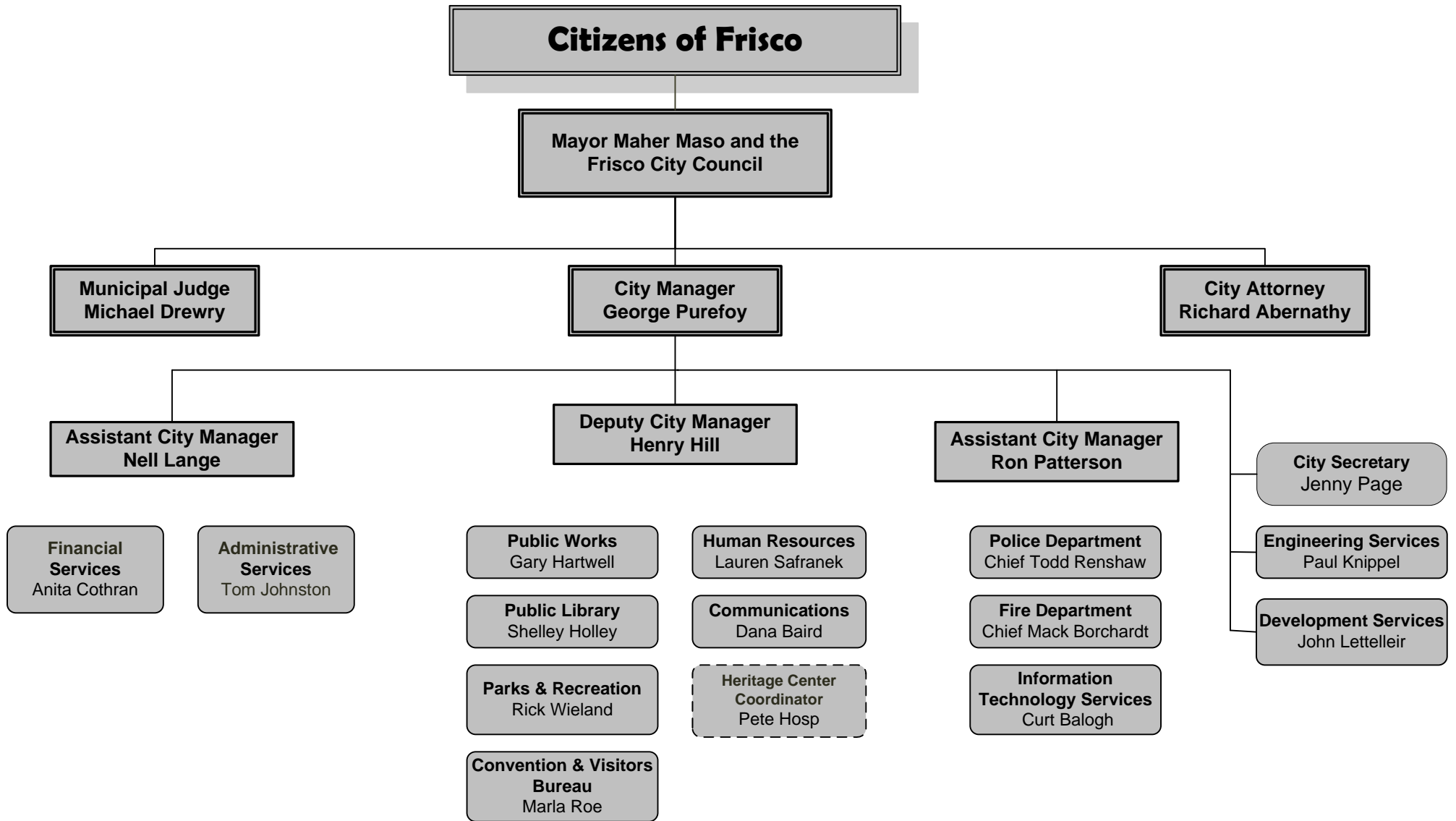


Linda C. Danison

President

Jeffrey R. Emer

Executive Director



Elected Officials and Administrative Officers
September 30, 2011



Council Members

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

Administrative Officers

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



PROGRESS IN MOTION

Financial Section



"Fetching Water" by Janice Hart



PROGRESS IN MOTION

Report of Independent Auditors

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Frisco, Texas, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Frisco's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Frisco, as of September 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the TIRZ#1 Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In February 2009, the GASB released Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement is effective for fiscal periods beginning after June 15, 2010. As discussed in Note 1 in the Notes to the Financial Statements, the City has implemented this statement retrospectively as of their fiscal year ended September 30, 2011. The statement addresses the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions as well as establishing fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2012, on our consideration of the City of Frisco's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial

reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages 17 through 27 and the Texas Municipal Retirement System Analysis of Funding Progress on pages 85 through 87 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Crowe Horwath LLP

Irving, Texas
March 5, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS



PROGRESS IN MOTION

CITY OF FRISCO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011

As management of the City of Frisco, (the City), we offer readers of the City's financial statement, this narrative overview and analysis of the financial activities of the City for the year ended September 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-8 of this report and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of Frisco exceeded its liabilities at the close of the most recent fiscal year by \$974,082,239 (net assets). The majority of the City's net assets are invested in capital assets or restricted for specific purposes. The remaining \$81,631,273 is unrestricted net assets and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's net assets of governmental activities increased by \$9,961,476 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 \$14,612,407.
- As of the close of the current fiscal year, the City of Frisco's governmental funds reported a combined ending fund balance of \$123,560,274. Approximately 20.5 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 \$25,386,041 or 32 percent of total general fund expenditures.
- The City of Frisco's total debt decreased by \$25,575,168 (4.1 percent) during the current fiscal year. The key factors in this change were the principal retirements and amortizations of premiums, discounts and deferrals.
- The ad valorem rate for the City remained steady at \$.46500 for FY 2011. This tax rate supports debt service, operations and maintenance, and bond programs to construct infrastructure and city facilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

Reporting the City's Most Significant Funds

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

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

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

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

The City of Frisco maintains three individual enterprise funds. The City uses enterprise funds to account for its water and sewer, storm drainage and environmental services activities. Only the water and sewer fund is considered to be a major fund of the City.

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

Other information. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to the employees.

THE CITY AS A WHOLE – GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets and net assets by category may serve over time as a useful indicator of the government's financial position. In the case of the City of Frisco, assets exceeded liabilities by \$974,082,239 as of September 30, 2011.

By far the largest portion of the City's net assets (90 percent) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Frisco's Net Assets
September 30, 2011**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 216,672,913	\$ 231,147,567	\$ 81,258,951	\$ 73,614,042	\$ 297,931,864	\$ 304,761,609
Capital assets	<u>1,083,650,436</u>	<u>1,082,962,696</u>	<u>249,950,965</u>	<u>250,719,618</u>	<u>1,333,601,401</u>	<u>1,333,682,314</u>
Total assets	<u>1,300,323,349</u>	<u>1,314,110,263</u>	<u>331,209,916</u>	<u>324,333,660</u>	<u>1,631,533,265</u>	<u>1,638,443,923</u>
Long term liabilities	465,218,092	486,253,460	105,721,052	113,061,255	570,939,144	599,314,715
Other liabilities	<u>74,612,257</u>	<u>77,325,279</u>	<u>11,899,625</u>	<u>12,295,573</u>	<u>86,511,882</u>	<u>89,620,852</u>
Total Liabilities	<u>539,830,349</u>	<u>563,578,739</u>	<u>117,620,677</u>	<u>125,356,828</u>	<u>657,451,026</u>	<u>688,935,567</u>
Net assets:						
Invested in capital assets, net of related debt	703,694,806	695,681,506	173,946,035	172,641,414	877,640,841	868,322,920
Restricted	3,058,450	3,639,371	11,751,675	10,271,078	14,810,125	13,910,449
Unrestricted	<u>53,739,744</u>	<u>51,210,647</u>	<u>27,891,529</u>	<u>16,064,340</u>	<u>81,631,273</u>	<u>67,274,987</u>
Total net assets	<u>\$ 760,493,000</u>	<u>\$ 750,531,524</u>	<u>\$213,589,239</u>	<u>\$198,976,832</u>	<u>\$ 974,082,239</u>	<u>\$ 949,508,356</u>

An additional portion of the City's net assets (1.5 percent) represents resources that are subject to external restrictions on how they may be used, including bond covenants. The remaining balance of unrestricted net assets \$81,631,273 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, 2011, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal years.

Analysis of the City's Operations – Overall the City had an increase in net assets of \$24,573,883.

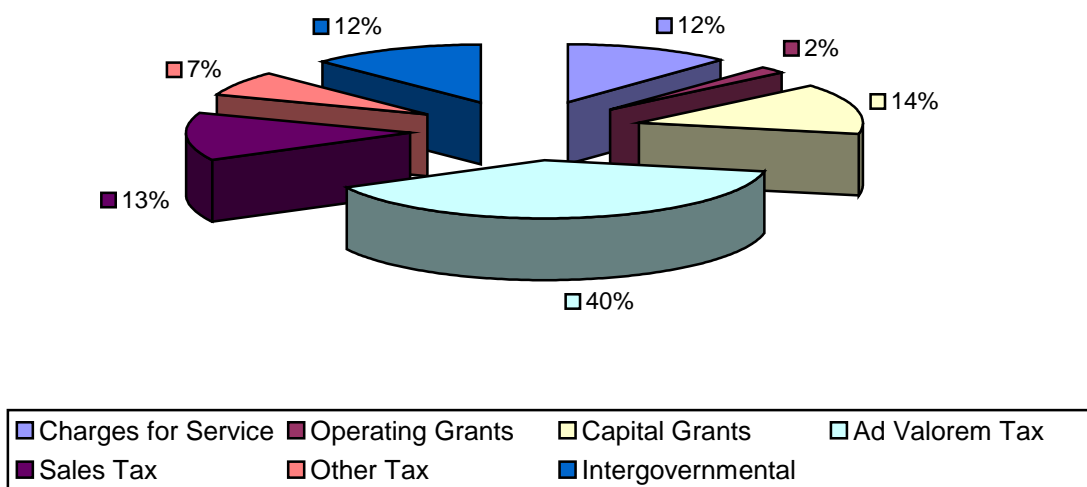
Governmental activities: Governmental activities increased the net assets by \$9,961,476 or 41% of the total growth in net assets. Net assets invested in capital assets, net of related debt increased by \$8,013,300 primarily due to completion of capital projects and recognition of capital contributions. Unrestricted net assets increased by \$2,529,097 while restricted net assets decreased by \$580,921.

Total revenues for governmental activities increased when compared to the prior year by \$9,965,651. General revenue had a net increase of \$1,011,923 while program revenues had an increase of \$8,953,728. These were primarily due to the following factors:

General revenues: Property tax revenue includes a decrease of \$974,957 and is due to the change in deferred revenue recognition from year to year. Sales taxes increased \$1,783,463 due to an increase in retail sales for the entire year. Franchise and other taxes show increases over the prior year collections due to continued growth, while Intergovernmental decreased with the changes in the TIRZ #1 tax collections. Investment earnings decreased by \$116,905 due to a decrease of market investment yields during the year due to the national markets 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. Operating grants and contributions increased this fiscal year with increases also seen in capital grants and contributions with an increase in developer contributions recognized for capital projects totaling \$6,968,281.

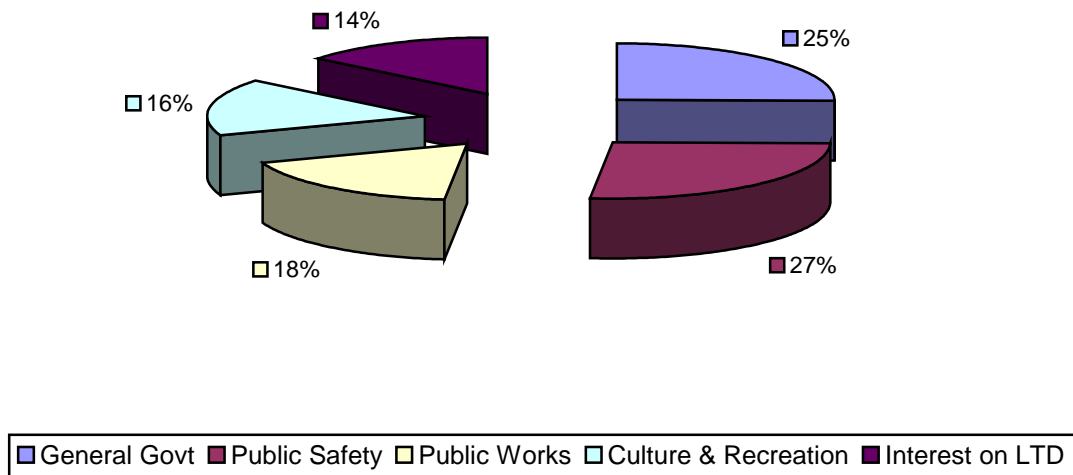
FY 11 Governmental Revenues



Total expenses for governmental activities increased \$5,400,399 or 3.6 percent. This increase is attributed to increases in all functional areas. General government expenses include a

payment of \$9.9 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 expenses. Incurred expenses of \$40,962,287 were to provide public safety to the citizens of Frisco. These expenses were somewhat offset by the collection of revenues from various sources, including grant income and charges for services. Public works is also a significant expense and provides roadway repairs and traffic control/signals for the citizens. Recreation programming and city park utilization also continue to increase with increasing demands from the growing population. Total salaries and benefits for the governmental activities totaled \$57,433,088 or 37% of the total expenses, while depreciation expense totaled \$40,824,191 or 26%.

FY 11 Governmental Expenses



Business-type activities: Net assets from business-type activities increased by \$14,612,407 from \$198,976,832 to \$213,589,239 accounting for the remaining total growth in net assets. Program revenues of the City's business-type activities were \$72,233,600 for the fiscal year ended September 30, 2011. Operating expenses for the City's business-type activities totaled \$57,306,550. The increase in the net assets is affected by several factors, including the following:

The City's water and sewer system recorded charges for services of \$52,679,778 and impact fees and contributions of \$8,434,940. Revenues increased during the year primarily due to an increase in the sale of water of \$7,045,378 and sewer service charges increases of \$1,862,414. These increases were due to growth in the community, a modest rate increase in January 2011 and the extreme dry weather during the summer months increasing demand. Total operating expenses were \$47,539,765. The most significant expenses of the water and sewer fund were \$13,104,628 to purchase water, \$6,713,258 for the cost of sewage treatment, \$10,126,659 for depreciation and \$8,249,586 for salaries and benefits.

The following table provides a summary of the City's operations for fiscal year ended September 30, 2011, with comparative totals for the fiscal year ended September 30, 2010.

**City of Frisco's Changes in Net Assets
September 30, 2011**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues						
Charges for services	\$ 19,782,107	\$ 18,467,603	\$ 63,702,014	\$ 54,640,529	\$ 83,484,121	\$ 73,108,132
Operating grants and contributions	3,297,331	3,135,919	111,317	84,020	3,408,648	3,219,939
Capital grants and contributions	<u>22,940,561</u>	<u>15,462,749</u>	<u>8,420,269</u>	<u>7,857,024</u>	<u>31,360,830</u>	<u>23,319,773</u>
Total program revenues	46,019,999	37,066,271	72,233,600	62,581,573	118,253,599	99,647,844
General revenues						
Ad valorem tax	64,673,844	65,648,801	-	-	64,673,844	65,648,801
Sales tax	21,852,287	20,068,824	-	-	21,852,287	20,068,824
Franchise tax	8,367,733	7,198,697	-	-	8,367,733	7,198,697
Other tax	3,519,660	3,063,544	-	-	3,519,660	3,063,544
Intergovernmental	20,389,441	21,694,271	97,000	242,151	20,486,441	21,936,422
Investment earnings	512,756	629,661	106,235	324,377	618,991	954,038
Miscellaneous	-	-	-	39,800	-	39,800
Total general revenues	<u>119,315,721</u>	<u>118,303,798</u>	<u>203,235</u>	<u>606,328</u>	<u>119,518,956</u>	<u>118,910,126</u>
Total revenues	165,335,720	155,370,069	72,436,835	63,187,901	237,772,555	218,557,970
Expenses						
General government	39,620,057	39,103,949	-	-	39,620,057	39,103,949
Public safety	40,962,287	39,622,158	-	-	40,962,287	39,622,158
Public works	27,636,526	26,125,366	-	-	27,636,526	26,125,366
Culture and recreation	25,458,162	22,620,217	-	-	25,458,162	22,620,217
Interest	22,215,090	23,020,033	-	-	22,215,090	23,020,033
Water and sewer	-	-	47,539,765	48,130,980	47,539,765	48,130,980
Environmental services	-	-	9,766,785	8,662,866	9,766,785	8,662,866
Total expenses	<u>155,892,122</u>	<u>150,491,723</u>	<u>57,306,550</u>	<u>56,793,846</u>	<u>213,198,672</u>	<u>207,285,569</u>
Increase in net assets before transfers	9,443,598	4,878,346	15,130,285	6,394,055	24,573,883	11,272,401
Transfers	<u>517,878</u>	<u>563,920</u>	<u>(517,878)</u>	<u>(563,920)</u>	-	-
Increase in net assets	9,961,476	5,442,266	14,612,407	5,830,135	24,573,883	11,272,401
Net assets, October 1	750,531,524	745,089,258	198,976,832	193,146,697	949,508,356	938,235,955
Net assets, September 30	<u>\$ 760,493,000</u>	<u>\$ 750,531,524</u>	<u>\$ 213,589,239</u>	<u>\$ 198,976,832</u>	<u>\$ 974,082,239</u>	<u>\$ 949,508,356</u>

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, 2011, the governmental funds of the City reported a combined fund balance of \$123,560,274, a decrease of \$3,876,698 in comparison with the prior year. Unassigned fund balance, which is available for spending at the government's discretion, constitutes \$25,386,041 of this balance. The remainder of fund balance is non-spendable, restricted, committed or assigned. 1) Non-spendable fund balances (\$813,333) includes prepaids and inventories held by the government, 2) Restricted balances includes bond proceeds restricted for capital projects (\$64,997,309), reserves to pay debt service (\$3,452,399), impact fee revenues restricted for capital project funding (\$14,587,997),

and other special revenues restricted for a specific purpose (\$3,013,592), 3) Committed funds included commitments made by resolution by the governing body for insurance reserves (\$1,464,549), workforce housing programs (\$549,375) and the capital reserve fund (\$1,814,651), 4) Assigned funds include the TIRZ #1 balances for future periods (\$2,552,517) and capital project contribution assignments totaling (\$4,928,511).

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 \$25,386,041, while total fund balance reached \$27,869,849. 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 32% of total general fund expenditures, while total fund balance represents 35% of that same amount. The fund balance of the City's general fund increased \$2,113,258 during the current fiscal year.

The TIRZ#1 fund has a total fund balance of \$2,552,517. This amount is assigned for future projects within the zone.

The capital projects fund has a total fund balance of \$70,162,298, \$236,478 non-spendable for prepaid expenses and inventories, and the remainder restricted or assigned for future construction commitments. The fund balance represents unspent bond proceeds and intergovernmental revenue for roads, facilities and parks that has been received but not yet spent on specific projects. The decrease in fund balance is due to capital outlay for the year. Bonds in the amount of \$8,060,845 were issued during the year to construct Fire Station #7 and pay for the issuance of the bonds. 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 \$3,452,399 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, 2011 totaled \$27,891,529. 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 2011, the City Council approved a final appropriation in September 2011 with the total amount of the appropriation equaling \$81.7 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 2011, the actual expenditures on a budgetary basis were \$78.8 million compared to the re-estimated budget amount of \$80.2 million. The \$1.4 million variance in total expenditures (excluding transfers out) is due to frozen positions, attrition and department stewardship which has created this savings in the general fund. For FY 2011, the actual (on a budgetary basis excluding transfers in) revenues were \$81.5 million as compared to the re-estimated budget amount of \$80.1 million including transfers. The \$1.4

million variance in total revenues is attributed to increases over projections in sales tax, franchise tax, public safety fees, and charges for services collections with decreases in projections for property taxes, permit fees, fines and investment income.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. At the end of the FY 2011, the City had \$1,716,394,313 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 \$50,534,029 over the prior fiscal year. Total accumulated depreciation for September 30, 2011, was \$382,792,912 for net capital assets of \$1,333,601,401.

Capital Assets at Year-end

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Land	\$ 223,800,545	\$ 222,546,821	\$ 9,281,471	\$ 9,263,471	\$ 233,082,016	\$ 231,810,292
Buildings & improvements	334,174,856	325,486,726	10,102,640	10,012,991	344,277,496	335,499,717
Machinery & equipment	40,998,934	36,459,759	4,892,779	4,403,724	45,891,713	40,863,483
Construction in progress	53,278,276	75,768,858	6,913,395	17,144,602	60,191,671	92,913,460
Improvements other than buildings	<u>728,197,116</u>	<u>678,888,793</u>	<u>304,754,301</u>	<u>285,884,539</u>	<u>1,032,951,417</u>	<u>964,773,332</u>
Total capital assets	<u>1,380,449,727</u>	<u>1,339,150,957</u>	<u>335,944,586</u>	<u>326,709,327</u>	<u>1,716,394,313</u>	<u>1,665,860,284</u>
Less accumulated depreciation	<u>(296,799,291)</u>	<u>(256,188,261)</u>	<u>(85,993,621)</u>	<u>(75,989,709)</u>	<u>(382,792,912)</u>	<u>(332,177,970)</u>
Total	<u>\$1,083,650,436</u>	<u>\$1,082,962,696</u>	<u>\$ 249,950,965</u>	<u>\$ 250,719,618</u>	<u>\$1,333,601,401</u>	<u>\$1,333,682,314</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 various park construction projects including a community dog park and the various developer contributions for road construction throughout the City, as well as traffic signals and lighting projects. Buildings and improvements include the construction of Fire Station #7. Vehicles, machinery and some equipment were added during 2011 based on our equipment replacement schedules for all city departments.

The City's 2012 capital budget calls for a continuation of the Capital Project Plan. Estimated expenditures will complete the Railroad Museum relocation from Fair Park in Dallas, and fund Fire Station #7. Park development is scheduled to continue with Phillips Creek Ranch, Grand Park design plans and several neighborhood parks. The City will also continue road infrastructure spending for several major interlocal agreements with Denton County, Collin County and the State of Texas for street construction, street improvements and enhancements, including the installation of various traffic signals, arterial street lights and sidewalks. The 2006 Authorized Bond Election of \$198,000,000 has an unissued balance of \$72,500,000. Of this total, \$7,000,000 is for public safety, \$24,000,000 remains for streets and drainage projects, and \$41,500,000 is for cultural/recreational facilities and parks.

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

Debt administration. At year-end, the City had \$603,720,782 in debt outstanding as compared to \$629,295,950 at the end of the prior fiscal year, a decrease of 4.1 percent – as shown below.

Outstanding Debt, September 30, 2011

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$366,966,751	\$322,789,591	\$ 27,831,619	\$ 13,677,521	\$394,798,370	\$336,467,112
General obligation bonds - MUD	-	-	519,639	604,412	519,639	604,412
Certificates of obligation	<u>124,191,188</u>	<u>187,333,338</u>	<u>84,211,585</u>	<u>104,891,088</u>	<u>208,402,773</u>	<u>292,224,426</u>
Totals	<u>\$491,157,939</u>	<u>\$510,122,929</u>	<u>\$112,562,843</u>	<u>\$119,173,021</u>	<u>\$603,720,782</u>	<u>\$629,295,950</u>

In July 2011, the city issued general obligation refunding and improvement bonds, series 2011, in the amount of \$123,430,000 with a premium of \$14,871,529. Proceeds from the sale of the refunding bonds \$115,740,000 were used to advance refund a portion of the City's outstanding debt, including \$715,000 combination tax and revenue certificates of obligation, series 2001; \$1,280,000 general obligation bonds, series 2001, \$1,920,000 in combination tax and revenue certificates of obligation, series 2001A; \$54,585,000 in general obligation bonds, series 2003 and \$62,765,000 in combination tax and revenue certificates of obligation, series 2003A.

Proceeds for the sale of the improvement bonds \$7,690,000 will be used for constructing, improving, and equipping fire department facilities, acquisitions and installation of warning sirens and acquisition of firefighting equipment.

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

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

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

This rating has been assigned to the City's tax-supported debt. Debt issuances with purchased insurance have ratings of AAA with Standard & Poor's Corporation and Aaa with Moody's Investors Service. 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 2.49%.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2012 budget, tax rates, and fees that will be charged for the business-type activities. One of those factors was the economy. As discussed in the transmittal letter, the local economy continued to improve from the 2009 downturn during 2011. The population growth experienced by the City has stimulated local business and development activity, and the community has placed additional demands on the City to maintain or enhance services provided to our citizens. Frisco's current population is approximately 122,822.

Current economic indicators were taken into account when adopting the general fund budget. The FY 2011-12 combined budget appropriation totaled \$83.4 million. This represents an increase of \$1.9 million from the FY 2010-11 revised budget, mainly attributed to operating expenses.

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 this tax year, we saw an increase in valuations of 3.25%. We saw gains in new improvements of 2.80%, and a gain on existing property of .45%. According to final figures received from the CAD's, the total assessed property value for FY 2012 of \$14.1 billion is an increase of \$444 million. Council approved a tax rate decrease back to the effective tax rate from \$0.465 per \$100 of valuation to \$0.46191 per \$100 of valuation.

As for the City's business-type activities, City projections indicate that the water and sewer fund working capital balance will be approximately \$21.4 million. A fee increase for water sales and sewer services was approved and effective in January 2012. Appropriations are to be used for capital projects in the utility construction projects fund, operating expense, 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.



PROGRESS IN MOTION

BASIC FINANCIAL STATEMENTS



PROGRESS IN MOTION

Statement of Net Assets
September 30, 2011

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 98,282,793	\$ 22,717,398	\$ 121,000,191	\$ 17,050,558
Investments	54,109,220	-	54,109,220	2,998,300
Receivables (net of allowance for uncollectibles)	15,573,574	9,305,108	24,878,682	3,994,189
Due from primary government	-	-	-	1,000,000
Inventories	506,837	248,615	755,452	-
Prepays	306,496	38,360	344,856	24,086
Notes receivable	2,410,000	-	2,410,000	2,788,803
Restricted assets:				
Cash and cash equivalents	-	26,798,947	26,798,947	1,975,126
Investments	-	21,450,950	21,450,950	-
Notes receivable - noncurrent	41,505,110	-	41,505,110	300,000
Capital assets:				
Land	223,800,545	9,281,471	233,082,016	77,695,300
Buildings and improvements	334,174,856	10,102,640	344,277,496	17,191,895
Improvements other than buildings	728,197,116	304,754,301	1,032,951,417	18,584,658
Machinery and equipment	40,998,934	4,892,779	45,891,713	539,303
Construction in progress	53,278,276	6,913,395	60,191,671	735,149
Accumulated depreciation	(296,799,291)	(85,993,621)	(382,792,912)	(13,509,526)
Deferred costs and expenses, net of amortization	3,978,883	699,573	4,678,456	544,228
Total assets	1,300,323,349	331,209,916	1,631,533,265	131,912,069
LIABILITIES				
Accounts and retainage payable	11,703,777	1,608,073	13,311,850	1,644,014
Accrued liabilities	492,967	178,050	671,017	14,921
Accrued interest payable	2,946,466	659,975	3,606,441	556,274
Customer deposits	-	1,664,014	1,664,014	63,237
Due to component unit	1,000,000	-	1,000,000	-
Unearned revenue	5,401,126	-	5,401,126	19,966
Monies held in escrow	20,424,455	-	20,424,455	-
Non-current liabilities:				
Due within one year:				
Compensated absences	3,968,205	622,972	4,591,177	55,281
Notes payable	-	-	-	17,654,757
Bonds payable	28,675,261	7,166,541	35,841,802	302,979
Due in more than one year:				
Compensated absences	2,735,414	324,750	3,060,164	39,474
Notes payable	-	-	-	52,904,103
Bonds payable	462,482,678	105,396,302	567,878,980	10,187,082
Total liabilities	539,830,349	117,620,677	657,451,026	83,442,088
NET ASSETS				
Invested in capital assets, net of related debt	703,694,806	173,946,035	877,640,841	15,470,563
Restricted for:				
Capital projects	-	11,751,675	11,751,675	-
Tax increment reinvestment zone	2,552,517	-	2,552,517	-
Debt service	505,933	-	505,933	1,811,288
Unrestricted	53,739,744	27,891,529	81,631,273	31,188,130
Total net assets	\$ 760,493,000	\$ 213,589,239	\$ 974,082,239	\$ 48,469,981

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

Statement of Activities
For the year ended September 30, 2011

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 39,620,057	\$ 13,195,345	\$ 933,602	\$ 318,807
Public safety	40,962,287	2,245,461	1,523,589	282,753
Public works	27,636,526	20,938	73,286	21,704,695
Culture and recreation	25,458,162	4,320,363	766,854	634,306
Interest on long-term debt	22,215,090	-	-	-
Total governmental activities	155,892,122	19,782,107	3,297,331	22,940,561
Business-type activities:				
Water and sewer	47,539,765	52,679,778	14,671	8,420,269
Other enterprise funds	9,766,785	11,022,236	96,646	-
Total business-type activities	57,306,550	63,702,014	111,317	8,420,269
Total primary government	\$ 213,198,672	\$ 83,484,121	\$ 3,408,648	\$ 31,360,830
Component units:				
Community development	\$ 6,749,894	\$ 632,314	\$ -	\$ -
Economic development	9,106,594	-	8,336	-
Charitable foundation	606	-	1,344	-
Total component units	\$ 15,857,094	\$ 632,314	\$ 9,680	\$ -
General revenues:				
Ad valorem tax				
Sales tax				
Franchise tax				
Other taxes				
Ad valorem tax for TIRZ #1, intergovernmental revenues				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues				
Change in net assets				
Net assets, beginning				
Net assets, ending				

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-Type Activities	Total	
\$ (25,172,303)	\$ -	\$ (25,172,303)	
(36,910,484)	-	(36,910,484)	
(5,837,607)	-	(5,837,607)	
(19,736,639)	-	(19,736,639)	
(22,215,090)	-	(22,215,090)	
<u>(109,872,123)</u>	<u>-</u>	<u>(109,872,123)</u>	
-	13,574,953	13,574,953	
-	1,352,097	1,352,097	
-	14,927,050	14,927,050	
<u>\$ (109,872,123)</u>	<u>\$ 14,927,050</u>	<u>\$ (94,945,073)</u>	
			\$ (6,117,580)
			(9,098,258)
			<u>738</u>
			<u>\$ (15,215,100)</u>
64,673,844	-	64,673,844	-
21,852,287	-	21,852,287	21,852,286
8,367,733	-	8,367,733	-
3,519,660	-	3,519,660	-
20,389,441	97,000	20,486,441	-
512,756	106,235	618,991	71,119
-	-	-	26,541
517,878	(517,878)	-	-
<u>119,833,599</u>	<u>(314,643)</u>	<u>119,518,956</u>	<u>21,949,946</u>
9,961,476	14,612,407	24,573,883	6,734,846
<u>750,531,524</u>	<u>198,976,832</u>	<u>949,508,356</u>	<u>41,735,135</u>
<u>\$ 760,493,000</u>	<u>\$ 213,589,239</u>	<u>\$ 974,082,239</u>	<u>\$ 48,469,981</u>



PROGRESS IN MOTION

Balance Sheet
Governmental Funds
September 30, 2011

	<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	\$ 12,271,293	\$ 3,906,870	\$ 65,601,088	\$ 3,289,870	\$ 13,213,672	\$ 98,282,793
Investments	15,493,110	-	31,619,810	-	6,996,300	54,109,220
Receivables (net of allowances for uncollectibles):						
Property tax	675,338	-	-	548,142	-	1,223,480
Sales tax	3,963,374	-	-	-	-	3,963,374
Franchise tax	3,500,399	-	-	-	76,327	3,576,726
Occupancy tax	-	-	-	-	290,717	290,717
Grants	-	-	-	-	191,237	191,237
Assessments	-	-	-	-	2,992,237	2,992,237
Other	701,544	188,334	1,928,522	-	264,209	3,082,609
Due from other funds	140,450	280,056	250,000	-	388,223	1,058,729
Inventories	270,359	-	236,478	-	-	506,837
Prepays	199,525	-	-	-	106,971	306,496
Notes receivable	120,110	-	-	43,795,000	-	43,915,110
Total assets	\$ 37,335,502	\$ 4,375,260	\$ 99,635,898	\$ 47,633,012	\$ 24,519,893	\$ 213,499,565
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 5,472,665	\$ 5,400	\$ 4,237,898	\$ -	\$ 342,865	\$ 10,058,828
Retainage payable	-	-	1,644,949	-	-	1,644,949
Accrued liabilities	478,604	-	2,615	-	11,748	492,967
Deferred revenue	2,736,030	-	3,042,097	44,080,110	-	49,858,237
Unearned revenue	511,520	1,817,343	-	80,000	2,992,263	5,401,126
Monies held in escrow	266,834	-	19,546,041	20,503	591,077	20,424,455
Intergovernmental payable	-	-	1,000,000	-	-	1,000,000
Due to other funds	-	-	-	-	1,058,729	1,058,729
Total liabilities	9,465,653	1,822,743	29,473,600	44,180,613	4,996,682	89,939,291
Fund balances:						
Non spendable	469,884	-	236,478	-	106,971	813,333
Restricted for:						
Debt service	-	-	-	3,452,399	-	3,452,399
Capital projects for future construction	-	-	64,997,309	-	14,587,997	79,585,306
Other purposes	-	-	-	-	3,013,592	3,013,592
Committed to:						
Insurance	1,464,549	-	-	-	-	1,464,549
Workforce housing	549,375	-	-	-	-	549,375
Capital projects for future construction	-	-	-	-	1,814,651	1,814,651
Assigned to:						
Special revenue for future commitments	-	2,552,517	-	-	-	2,552,517
Capital projects for future construction	-	-	4,928,511	-	-	4,928,511
Unassigned	25,386,041	-	-	-	-	25,386,041
Total fund balances	27,869,849	2,552,517	70,162,298	3,452,399	19,523,211	123,560,274
Total liabilities and fund balances	\$ 37,335,502	\$ 4,375,260	\$ 99,635,898	\$ 47,633,012	\$ 24,519,893	\$ 213,499,565

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

**Reconciliation of the Balance Sheet of the
Governmental Funds to the Statement of Net Assets
September 30, 2011**

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

Total fund balances per balance sheet	\$ 123,560,274
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,083,650,436
Other long-term assets are not available to pay for current-period expenditures, and, therefore, are deferred in the funds.	49,858,237
Other long-term assets are not available to pay for current-period expenditures, and, therefore, are not included in the funds.	4,232,077
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(500,808,024)
Net assets of governmental activities	<u>\$ 760,493,000</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, 2011

	<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	\$ 34,568,461	\$ 4,250,097	\$ -	\$ 26,407,127	\$ -	\$ 65,225,685
Sales	21,852,287	-	-	-	-	21,852,287
Franchise	7,752,004	-	-	-	288,525	8,040,529
Hotel/motel	-	-	-	-	2,998,817	2,998,817
Other	520,843	-	-	-	-	520,843
Licenses and permits	5,639,747	-	-	-	-	5,639,747
Public safety	1,776,904	-	-	-	-	1,776,904
Intergovernmental	1,321,345	15,029,718	13,910,428	-	292,049	30,553,540
Charges for services	4,585,189	-	-	-	4,678	4,589,867
Fines	2,091,936	-	-	-	317,455	2,409,391
Special assessments	-	-	-	-	3,826,456	3,826,456
Rents	977,943	3,177,266	-	970,545	-	5,125,754
Investment earnings	113,462	4,079	232,556	9,840	166,616	526,553
Contributions, donations and grants	122,443	-	912,476	-	2,099,247	3,134,166
Payments from component units	-	1,670,669	1,343,423	4,733,325	297,306	8,044,723
Miscellaneous	201,309	-	-	-	7,168	208,477
Total revenues	<u>81,523,873</u>	<u>24,131,829</u>	<u>16,398,883</u>	<u>32,120,837</u>	<u>10,298,317</u>	<u>164,473,739</u>
EXPENDITURES:						
Current:						
General government	20,900,494	9,902,174	-	-	527,977	31,330,645
Public safety	36,330,406	-	-	-	489,688	36,820,094
Public works	6,209,736	-	-	-	73,425	6,283,161
Culture and recreation	12,682,723	-	-	-	1,933,346	14,616,069
Capital outlay (includes \$1,006,076 not capitalized)	1,791,451	-	35,498,307	-	927,415	38,217,173
Debt service:						
Principal retirement	718,456	-	-	24,810,000	-	25,528,456
Interest and fiscal charges	-	-	71,751	24,862,649	-	24,934,400
Total expenditures	<u>78,633,266</u>	<u>9,902,174</u>	<u>35,570,058</u>	<u>49,672,649</u>	<u>3,951,851</u>	<u>177,729,998</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,890,607</u>	<u>14,229,655</u>	<u>(19,171,175)</u>	<u>(17,551,812)</u>	<u>6,346,466</u>	<u>(13,256,259)</u>
OTHER FINANCING SOURCES (USES):						
Bonds issued	-	-	7,690,000	-	-	7,690,000
Refunding bonds issued	-	-	-	101,855,000	-	101,855,000
Premium on bonds issued	-	-	421,030	12,717,218	-	13,138,248
Discount on bonds issued	-	-	(50,185)	-	-	(50,185)
Payment to refunded debt escrow agent	-	-	-	(113,810,055)	-	(113,810,055)
Proceeds from sale of assets	38,675	-	-	-	-	38,675
Transfers in	728,583	1,567,306	1,436,683	17,086,038	1,994,916	22,813,526
Transfers out	(1,544,607)	(16,061,855)	(950,143)	-	(3,739,043)	(22,295,648)
Total other financing sources and uses	<u>(777,349)</u>	<u>(14,494,549)</u>	<u>8,547,385</u>	<u>17,848,201</u>	<u>(1,744,127)</u>	<u>9,379,561</u>
Net change in fund balances	2,113,258	(264,894)	(10,623,790)	296,389	4,602,339	(3,876,698)
Fund balances, beginning	<u>25,756,591</u>	<u>2,817,411</u>	<u>80,786,088</u>	<u>3,156,010</u>	<u>14,920,872</u>	<u>127,436,972</u>
Fund balances, ending	<u>\$ 27,869,849</u>	<u>\$ 2,552,517</u>	<u>\$ 70,162,298</u>	<u>\$ 3,452,399</u>	<u>\$ 19,523,211</u>	<u>\$ 123,560,274</u>

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, 2011

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

Net change in fund balance - total governmental funds	\$ (3,876,698)
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. Also in the current year an asset was retired from construction in progress and will not be capitalized in the total amount of \$2,660,738.	687,741
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(3,453,267)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	16,540,100
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.	63,600
Change in net assets of governmental activities	<u>\$ 9,961,476</u>

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

**General Fund Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2011**

	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	\$ 34,069,736	\$ 34,835,418	\$ 34,568,461	\$ -	\$ 34,568,461	\$ (266,957)
Sales	20,576,588	21,674,330	21,852,287	-	21,852,287	177,957
Franchise	7,012,793	7,104,793	7,752,004	-	7,752,004	647,211
Other	428,400	428,400	520,843	-	520,843	92,443
Licenses and permits	4,816,280	5,683,280	5,639,747	-	5,639,747	(43,533)
Public safety	1,513,109	1,705,174	1,776,904	-	1,776,904	71,730
Intergovernmental	901,541	901,541	1,321,345	-	1,321,345	419,804
Charges for services	4,344,018	4,273,078	4,585,189	-	4,585,189	312,111
Fines	2,168,935	2,168,935	2,091,936	-	2,091,936	(76,999)
Rents	819,977	934,084	977,943	-	977,943	43,859
Investment earnings	508,000	155,100	113,462	-	113,462	(41,638)
Contributions, donations and grants	77,500	103,600	122,443	-	122,443	18,843
Miscellaneous	128,115	163,152	201,309	-	201,309	38,157
Total revenues	<u>77,364,992</u>	<u>80,130,885</u>	<u>81,523,873</u>	<u>-</u>	<u>81,523,873</u>	<u>1,392,988</u>
EXPENDITURES:						
Current:						
General government	20,216,258	21,765,481	20,900,494	72,246	20,972,740	792,741
Public safety	36,134,529	36,438,980	36,330,406	4,067	36,334,473	104,507
Public works	6,694,892	6,471,401	6,209,736	(1,522)	6,208,214	263,187
Culture and recreation	12,898,952	12,857,323	12,682,723	(21,092)	12,661,631	195,692
Debt service	718,456	718,456	718,456	-	718,456	-
Capital outlay	1,467,283	1,969,136	1,791,451	93,952	1,885,403	83,733
Total expenditures	<u>78,130,370</u>	<u>80,220,777</u>	<u>78,633,266</u>	<u>147,651</u>	<u>78,780,917</u>	<u>1,439,860</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(765,378)</u>	<u>(89,892)</u>	<u>2,890,607</u>	<u>(147,651)</u>	<u>2,742,956</u>	<u>2,832,848</u>
OTHER FINANCING SOURCES (USES):						
Proceeds from sale of assets	-	-	38,675	-	38,675	38,675
Transfers in	773,916	718,779	728,583	-	728,583	9,804
Transfers out	<u>(75,765)</u>	<u>(1,488,980)</u>	<u>(1,544,607)</u>	<u>-</u>	<u>(1,544,607)</u>	<u>(55,627)</u>
Total other financing sources (uses)	<u>698,151</u>	<u>(770,201)</u>	<u>(777,349)</u>	<u>-</u>	<u>(777,349)</u>	<u>(7,148)</u>
Net change in fund balances	<u>(67,227)</u>	<u>(860,093)</u>	<u>2,113,258</u>	<u>(147,651)</u>	<u>1,965,607</u>	<u>2,825,700</u>
Fund balances, October 1	<u>22,849,131</u>	<u>25,756,591</u>	<u>25,756,591</u>	<u>(474,692)</u>	<u>25,281,899</u>	<u>(474,692)</u>
Fund balances, September 30	<u>\$ 22,781,904</u>	<u>\$ 24,896,498</u>	<u>\$ 27,869,849</u>	<u>\$ (622,343)</u>	<u>\$ 27,247,506</u>	<u>\$ 2,351,008</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, 2011**

	<u>Net Change in Fund Balances</u>
GAAP basis	\$ 2,113,258
Expenditures:	
Increase due to encumbrances from prior year	327,041
Decrease due to encumbrances for current year	<u>(474,692)</u>
Budgetary basis	<u>\$ 1,965,607</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, 2011**

	Budgeted Amounts		Actual on a	Adjustments-	Actual on a	Variance with
	<u>Original</u>	<u>Final</u>	<u>GAAP</u>	<u>Budgetary</u>	<u>Budgetary</u>	<u>Final Budget -</u>
			<u>Basis</u>	<u>Basis</u>	<u>Basis</u>	<u>Positive</u>
						<u>(Negative)</u>
REVENUES:						
Taxes:						
Property	\$ 4,185,304	\$ 4,250,097	\$ 4,250,097	\$ -	\$ 4,250,097	\$ -
Intergovernmental	15,033,794	15,029,718	15,029,718	-	15,029,718	-
Rents	3,222,425	3,222,425	3,177,266	-	3,177,266	(45,159)
Investment earnings	1,000	3,429	4,079	-	4,079	650
Payments from component units	1,776,195	1,670,669	1,670,669	-	1,670,669	-
Total revenues	<u>24,218,718</u>	<u>24,176,338</u>	<u>24,131,829</u>	<u>-</u>	<u>24,131,829</u>	<u>(44,509)</u>
EXPENDITURES:						
Current:						
General government	<u>10,561,591</u>	<u>9,596,930</u>	<u>9,902,174</u>	<u>-</u>	<u>9,902,174</u>	<u>(305,244)</u>
Total expenditures	<u>10,561,591</u>	<u>9,596,930</u>	<u>9,902,174</u>	<u>-</u>	<u>9,902,174</u>	<u>(305,244)</u>
Excess of revenues over expenditures	<u>13,657,127</u>	<u>14,579,408</u>	<u>14,229,655</u>	<u>-</u>	<u>14,229,655</u>	<u>(349,753)</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	1,567,306	1,567,306	1,567,306	-	1,567,306	-
Transfers out	<u>(14,589,463)</u>	<u>(16,061,855)</u>	<u>(16,061,855)</u>	<u>-</u>	<u>(16,061,855)</u>	<u>-</u>
Total other financing sources (uses)	<u>(13,022,157)</u>	<u>(14,494,549)</u>	<u>(14,494,549)</u>	<u>-</u>	<u>(14,494,549)</u>	<u>-</u>
Net change in fund balances	634,970	84,859	(264,894)	-	(264,894)	(349,753)
Fund balances, October 1	<u>2,817,411</u>	<u>2,817,411</u>	<u>2,817,411</u>	<u>-</u>	<u>2,817,411</u>	<u>-</u>
Fund balances, September 30	<u>\$ 3,452,381</u>	<u>\$ 2,902,270</u>	<u>\$ 2,552,517</u>	<u>\$ -</u>	<u>\$ 2,552,517</u>	<u>\$ (349,753)</u>

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



PROGRESS IN MOTION

**Statement of Net Assets
Proprietary Funds
September 30, 2011**

	Business-type Activities Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 16,888,744	\$ 5,828,654	\$ 22,717,398
Receivables - (net of allowance for uncollectibles):			
Utility bills	8,608,114	-	8,608,114
Other	666,259	30,735	696,994
Inventories	248,615	-	248,615
Prepays	38,010	350	38,360
Restricted cash and cash equivalents	26,798,947	-	26,798,947
Restricted investments	21,450,950	-	21,450,950
Deferred costs and expenses, net of amortization	61,059	-	61,059
Total current assets	<u>74,760,698</u>	<u>5,859,739</u>	<u>80,620,437</u>
Noncurrent assets:			
Capital assets:			
Land	9,281,471	-	9,281,471
Buildings and improvements	9,986,356	116,284	10,102,640
Improvements other than buildings	304,662,111	92,190	304,754,301
Machinery and equipment	4,631,779	261,000	4,892,779
Construction in progress	6,913,395	-	6,913,395
Accumulated depreciation	<u>(85,816,890)</u>	<u>(176,731)</u>	<u>(85,993,621)</u>
Total capital assets (net of accumulated depreciation)	249,658,222	292,743	249,950,965
Deferred charges	638,514	-	638,514
Total noncurrent assets	<u>250,296,736</u>	<u>292,743</u>	<u>250,589,479</u>
Total assets	<u><u>\$ 325,057,434</u></u>	<u><u>\$ 6,152,482</u></u>	<u><u>\$ 331,209,916</u></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	\$ 781,591	\$ 826,482	\$ 1,608,073
Accrued liabilities	158,022	20,028	178,050
Accrued interest payable	659,975	-	659,975
Customer deposits payable	1,664,014	-	1,664,014
Liability for compensated absences	555,258	67,714	622,972
Bonds payable	7,166,541	-	7,166,541
	<u>10,985,401</u>	<u>914,224</u>	<u>11,899,625</u>
Noncurrent liabilities:			
Liability for compensated absences	292,246	32,504	324,750
Bonds payable	105,396,302	-	105,396,302
	<u>105,688,548</u>	<u>32,504</u>	<u>105,721,052</u>
Total noncurrent liabilities	<u>105,688,548</u>	<u>32,504</u>	<u>105,721,052</u>
Total liabilities	<u>116,673,949</u>	<u>946,728</u>	<u>117,620,677</u>
NET ASSETS			
Invested in capital assets, net of related debt	173,653,292	292,743	173,946,035
Restricted for:			
Capital projects	11,751,675	-	11,751,675
Unrestricted	22,978,518	4,913,011	27,891,529
Total	<u>208,383,485</u>	<u>5,205,754</u>	<u>213,589,239</u>
Total net assets	<u>\$ 208,383,485</u>	<u>\$ 5,205,754</u>	<u>\$ 213,589,239</u>

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



Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended September 30, 2011

	Business-type Activities Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Total
OPERATING REVENUES:			
Charges for sales and services:			
Water sales	\$ 35,280,172	\$ -	\$ 35,280,172
Sewer charges	15,125,124	-	15,125,124
Service charges	574,775	-	574,775
Sanitation charges	-	9,693,578	9,693,578
Water and sewer connections	634,965	-	634,965
Inspection fees	751,685	-	751,685
Stormwater drainage fees	-	1,317,238	1,317,238
Miscellaneous	313,057	11,420	324,477
Total operating revenues	<u>52,679,778</u>	<u>11,022,236</u>	<u>63,702,014</u>
OPERATING EXPENSES:			
Cost of sales and services	19,817,887	7,871,684	27,689,571
Administration	12,465,716	1,853,564	14,319,280
Depreciation	10,126,659	41,537	10,168,196
Amortization	161,649	-	161,649
Total operating expenses	<u>42,571,911</u>	<u>9,766,785</u>	<u>52,338,696</u>
Operating income	<u>10,107,867</u>	<u>1,255,451</u>	<u>11,363,318</u>
NONOPERATING REVENUES (EXPENSES):			
Interest revenue	104,661	1,574	106,235
Intergovernmental contribution	97,000	-	97,000
Contributions, grants	1,000	96,646	97,646
Gain on sale of equipment	13,671	-	13,671
Interest expense	(4,967,854)	-	(4,967,854)
Total nonoperating revenues (expenses)	<u>(4,751,522)</u>	<u>98,220</u>	<u>(4,653,302)</u>
Income (loss) before capital contributions	<u>5,356,345</u>	<u>1,353,671</u>	<u>6,710,016</u>
CAPITAL CONTRIBUTIONS:			
Capital contributions	<u>8,420,269</u>	<u>-</u>	<u>8,420,269</u>
Income before transfers	13,776,614	1,353,671	15,130,285
TRANSFERS:			
Transfers in	178,009	-	178,009
Transfers out	-	(695,887)	(695,887)
Total transfers	<u>178,009</u>	<u>(695,887)</u>	<u>(517,878)</u>
Change in net assets	13,954,623	657,784	14,612,407
Total net assets, beginning	<u>194,428,862</u>	<u>4,547,970</u>	<u>198,976,832</u>
Total net assets, ending	<u>\$ 208,383,485</u>	<u>\$ 5,205,754</u>	<u>\$ 213,589,239</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, 2011

	Business-type Activities Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 50,830,152	\$ 11,417,138	\$ 62,247,290
Cash payments to suppliers for goods and services	(23,901,797)	(8,370,454)	(32,272,251)
Cash payments to employees for services	(8,566,269)	(1,108,785)	(9,675,054)
Other receipts	313,057	11,420	324,477
Net cash provided by operating activities	<u>18,675,143</u>	<u>1,949,319</u>	<u>20,624,462</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers made to other funds	-	(695,887)	(695,887)
Proceeds from interfund borrowing/(loans)	178,009	-	178,009
Contributions	98,000	-	98,000
Net cash provided/(used) by noncapital financing activities	<u>276,009</u>	<u>(695,887)</u>	<u>(419,878)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(5,631,886)	(142,935)	(5,774,821)
Proceeds/(loss) from sale or transfer of equipment	24,105	-	24,105
Principal paid on long-term debt	(6,230,000)	-	(6,230,000)
Interest and fees paid on long-term debt	(5,372,310)	-	(5,372,310)
Payments to paying agent for refunded bond issuance	(15,558,021)	-	(15,558,021)
Bond proceeds net of issuance costs	15,519,915	-	15,519,915
Intergovernmental receipts for capital construction	-	149,660	149,660
Developers contributions	3,694,506	-	3,694,506
Net cash (used) by capital and related financing activities	<u>(13,553,691)</u>	<u>6,725</u>	<u>(13,546,966)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	(31,502,700)	-	(31,502,700)
Proceeds from sale and maturities of investment securities	40,371,430	-	40,371,430
Interest on investments	198,218	1,574	199,792
Net cash provided by investing activities	<u>9,066,948</u>	<u>1,574</u>	<u>9,068,522</u>
Net increase in cash and cash equivalents	14,464,409	1,261,731	15,726,140
Cash and cash equivalents, October 1	<u>29,223,282</u>	<u>4,566,923</u>	<u>33,790,205</u>
Cash and cash equivalents, September 30	<u>\$ 43,687,691</u>	<u>\$ 5,828,654</u>	<u>\$ 49,516,345</u>
Classified as:			
Current assets	\$ 16,888,744	\$ 5,828,654	\$ 22,717,398
Restricted assets	<u>26,798,947</u>	<u>-</u>	<u>26,798,947</u>
Total	<u>\$ 43,687,691</u>	<u>\$ 5,828,654</u>	<u>\$ 49,516,345</u>

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

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer	Other Enterprise Funds	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 10,107,867	\$ 1,255,451	\$ 11,363,318
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	10,126,659	41,537	10,168,196
Amortization	161,649	-	161,649
Change in assets and liabilities:			
(Increase) decrease in-			
Receivables - utility bills	(1,531,756)	-	(1,531,756)
Receivables - other	12,588	406,322	418,910
Prepaid expenses and other assets	9,824	(350)	9,474
Inventories	22,890	-	22,890
Increase (decrease) in-			
Accounts payable	99,505	310,724	410,229
Accrued liabilities	(345,939)	(34,033)	(379,972)
Liability for compensated absences	29,257	(30,332)	(1,075)
Deposits	(17,401)	-	(17,401)
Total adjustments	<u>8,567,276</u>	<u>693,868</u>	<u>9,261,144</u>
Net cash provided by operating activities	\$ 18,675,143	\$ 1,949,319	\$ 20,624,462

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 \$4,725,763.

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



PROGRESS IN MOTION

**Combining Statement of Net Assets
Component Units
September 30, 2011**

	Community Development	Economic Development	Charitable Foundation	Total
ASSETS				
Current:				
Cash and cash equivalents	\$ 5,535,478	\$ 11,496,313	\$ 18,767	\$ 17,050,558
Investments	999,300	1,999,000	-	2,998,300
Receivables -				
Sales tax	1,981,687	1,981,687	-	3,963,374
Other	29,497	1,318	-	30,815
Intergovernmental receivable	1,000,000	-	-	1,000,000
Prepaid expenses	-	24,086	-	24,086
Notes receivable	-	2,788,803	-	2,788,803
Deferred cost	300,131	244,097	-	544,228
Total current assets	<u>9,846,093</u>	<u>18,535,304</u>	<u>18,767</u>	<u>28,400,164</u>
Non-current:				
Notes receivable	300,000	-	-	300,000
Capital assets, net of accumulated depreciation	71,787,565	29,449,214	-	101,236,779
Restricted assets:				
Cash and cash equivalents	-	1,975,126	-	1,975,126
Total non-current assets	<u>72,087,565</u>	<u>31,424,340</u>	<u>-</u>	<u>103,511,905</u>
Total assets	<u>81,933,658</u>	<u>49,959,644</u>	<u>18,767</u>	<u>131,912,069</u>
LIABILITIES				
Current:				
Accounts payable	254,544	1,389,470	-	1,644,014
Accrued liabilities	-	14,921	-	14,921
Liability for compensated absences	-	55,281	-	55,281
Accrued interest payable	235,230	321,044	-	556,274
Deposits	63,237	-	-	63,237
Unearned revenue	19,966	-	-	19,966
Notes payable	17,257,539	397,218	-	17,654,757
Bonds payable	-	302,979	-	302,979
Total current liabilities	<u>17,830,516</u>	<u>2,480,913</u>	<u>-</u>	<u>20,311,429</u>
Non-current:				
Liability for compensated absences	-	39,474	-	39,474
Notes payable	38,565,215	14,338,888	-	52,904,103
Bonds payable	-	10,187,082	-	10,187,082
Total non-current liabilities	<u>38,565,215</u>	<u>24,565,444</u>	<u>-</u>	<u>63,130,659</u>
Total liabilities	<u>56,395,731</u>	<u>27,046,357</u>	<u>-</u>	<u>83,442,088</u>
NET ASSETS				
Invested in capital assets, net of related debt	15,964,811	4,289,775	-	20,254,586
Restricted for debt service reserve	-	1,654,082	-	1,654,082
Unrestricted	9,573,116	16,969,430	18,767	26,561,313
Total net assets	<u>\$ 25,537,927</u>	<u>\$ 22,913,287</u>	<u>\$ 18,767</u>	<u>\$ 48,469,981</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, 2011

Functions/Programs:	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Component units:				
Community Development	\$ 6,749,894	\$ 632,314	\$ -	\$ -
Economic Development	9,106,594	-	8,336	-
Charitable Foundation	606	-	1,344	-
Total component units	\$ 15,857,094	\$ 632,314	\$ 9,680	\$ -

General revenues:
Sales taxes
Miscellaneous
Investment income
Total general revenues

Change in net assets

Net assets, beginning
Net assets, ending

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

Net (Expense) Revenue and Changes in Net Assets

Component Units

Community Development	Economic Development	Charitable Foundation	Total
\$ (6,117,580)	\$ -	\$ -	\$ (6,117,580)
-	(9,098,258)	-	(9,098,258)
-	-	738	738
<u>\$ (6,117,580)</u>	<u>\$ (9,098,258)</u>	<u>\$ 738</u>	<u>\$ (15,215,100)</u>
10,926,143	10,926,143	-	21,852,286
178	26,363	-	26,541
9,861	61,258	-	71,119
<u>10,936,182</u>	<u>11,013,764</u>	<u>-</u>	<u>21,949,946</u>
4,818,602	1,915,506	738	6,734,846
20,719,325	20,997,781	18,029	41,735,135
<u>\$ 25,537,927</u>	<u>\$ 22,913,287</u>	<u>\$ 18,767</u>	<u>\$ 48,469,981</u>



PROGRESS IN MOTION

CITY OF FRISCO, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Financial Statement Presentation

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

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

revised budgets for governmental funds with actual results.

B. Reporting Entity

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

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

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

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

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

C. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-

type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (General Government, Public Safety, Public Works, and Culture/Recreation) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment, and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property taxes, sales taxes, franchise taxes, intergovernmental revenues, and interest income).

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

D. Measurement Focus and Basis of Accounting

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

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

compensated absences and claims and judgments, are recorded only when the obligation has matured and is due and payable shortly after year end.

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

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

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

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

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual

funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

The following funds are used by the City of Frisco:

1. **Governmental Funds:**

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

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

2. **Proprietary Funds:**

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

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

E. Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government. Cash in all funds, excluding the City's payroll account, lockbox operations, and police seizure accounts, is combined into one bank account in

order to maximize investment opportunities. Although individual funds may experience temporary overdraft liabilities, a positive balance is maintained in combined cash.

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

F. Inventories and Prepaid Items

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

G. Interfund Transactions and Receivables and Payables

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

H. Capital Assets

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

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

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

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

The costs of normal maintenance and repairs that do not materially add to the value of the asset or significantly extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related assets, as applicable.

I. Compensated Absences

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

J. Federal and State Grants

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

K. Long-term Debt

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

recognized when incurred.

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

L. Retirement Plans

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

M. Fund Equity

In order to comply with the Governmental Accounting Standards Board's (GASB) Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*, the fund balance section of the balance sheets of the governmental funds has been modified. The new components of the fund balance 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 that requires formal action at the same level to remove. For the City, the City Council is the highest level of decision making.
- Assigned fund balance consists of amounts where the:
 - Intended use is established by the body designated for that purpose (City Council),
 - Intended use is established by official designated for that purpose. For the City, the City Manager, Assistant City Manager and Director of Financial Services are the designated officials.
- Unassigned fund balance (residual net resources) is the total fund balance in the general fund in excess of nonspendable, restricted, committed and assigned.

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

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

N. Use of Estimates

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

O. Restricted Resources

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

P. Encumbrances

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

Q. Adopted Accounting Pronouncements

In 2011, the City adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions ("GASB 54"). This statement adds clarity and consistency to fund balance classifications and categories, making the statements more useful by more clearly presenting available resources. Before GASB 54, fund balances were classified as Reserved or Unreserved/Undesignated and the classification did not differentiate among the various constraints for use. As described in Note M, fund balance classifications under GASB 54 are nonspendable, restricted, committed, assigned and unassigned. GASB 54 fund type definitions changes the presentation of the following Special Revenue funds, which had previously been reported as part of the Other Governmental Funds, as they do not meet the definition of Special Revenue fund type and are now reported in the General fund:

Special Events – this fund was used to account for contributions received for special events

Workforce Housing – this fund was used to account for the City's matching funds to obtain grant dollars and other contributions to improve the quality and quantity of housing opportunities for Frisco and Frisco ISD workforce housing.

Downtown Improvement – this fund was used to account for transactions related to the improvement and revitalization of the downtown area.

Arts Fund - this was used to account for the preservation and promotion of arts assets for the City.

Insurance Reserve - This fund was used to account for revenues to fund the City's insurance stop loss reimbursements.

Due to these changes, the following are the reclassified beginning fund balances:

	General Fund	Other Governmental Funds
Balance as previously reported	\$22,849,131	\$17,838,332
Special Events	52,886	(52,886)
Workforce Housing	594,536	(594,536)
Downtown Improvement	27,213	(27,213)
Arts	273,652	(273,652)
Insurance Reserve	<u>1,959,173</u>	<u>(1,959,173)</u>
Reclassified beginning fund balance	<u>\$25,756,591</u>	<u>\$14,930,872</u>

GASB Statement No. 59, Financial Instruments Omnibus, is intended to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This statement is effective currently and was adopted by the City.

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

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

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

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources

Deferred Inflows of Resources, and Net Position standardizes the presentation of deferred outflows and deferred inflows of resources and their effects on a government's net position. This statement is effective for financial statements beginning after December 15, 2011. The impact of this statement on the City's financial statements has not yet been determined.

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

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

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

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains the “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$500,808,024 difference are as follows:

Bonds and certificates of obligation payable	\$480,220,000
Deferred loss on advanced refunding of bonds	(7,751,304)
Bond discount (to be amortized as interest expense)	(125,392)
Bond premiums (to be amortized over the life of the bonds)	18,814,635
Accrued interest payable	2,946,466
Compensated absences	<u>6,703,619</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$500,808,024</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of the \$687,741 difference are as follows:

Capital outlay	\$ 37,211,097
Developers' contributions	6,968,281
Book value of capital assets disposed/transferred	(2,667,446)
Depreciation expense	<u>(40,824,191)</u>
Net adjustment to increase <i>net changes in fund balance</i>	<u>\$ 687,741</u>
– <i>total governmental funds to arrive at changes in</i>	
<i>Net assets 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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$16,540,100 difference are as follows:

Debt issued or incurred:	
Premium amortization	\$ 2,435,456
Discount amortization	(5,753)
Bond issuance cost amortization	(299,192)
Amortization on loss of refunding of debt	(391,965)
Component unit note repayments	(2,685,000)
Bonds issued and refunded	(8,041,902)
Principal repayments:	
Bonds	24,810,000
Sales tax grant payables	<u>718,456</u>
Net adjustment to increase <i>net changes in fund balances</i>	<u>\$ 16,540,100</u>
– <i>total governmental funds to arrive at changes in net</i>	
<i>assets of governmental activities</i>	

Another element of that reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$63,600 difference are as follows:

Decrease in accrued interest on bonds	\$ 199,658
Increase in compensated absences	<u>(136,058)</u>
Net adjustment to increase <i>net changes in fund balances</i>	<u>\$ 63,600</u>
– <i>total governmental funds to arrive at changes in net</i>	
<i>assets of governmental activities</i>	

NOTE 3. LEGAL COMPLIANCE – BUDGETS

Budgetary Information

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

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

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by U.S. government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were insured up to \$250,000 or collateralized as required by State statutes at September 30, 2011. Also, as our depository bank participates in the Federal Deposit Insurance Corporation's (FDIC) Temporary Liquidity Guarantee Program (TLGP), all non-interest-bearing accounts are fully guaranteed by the FDIC through December 31, 2011. At year-end, the carrying amount of the City's demand deposits was a balance of \$64,423 - bank balance, \$12,147,849. The cash on hand carrying amount totaled \$9,362. The carrying amount of the component unit's demand deposits was \$(382,423) - bank balance, \$18,767. 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 \$12,088,760. The collateral is held in the City's name by the Federal Reserve

Bank of New York and the Texas Independent Banker, agents of the City's financial institution.

Investments – State statutes, city policies, and city resolutions authorize the City's investments. The Director of Financial Services and the Assistant Director of Financial Services are authorized by the City Council to invest all available funds consistent with the investment policy. The City is authorized to invest in United States obligations or its agencies and instrumentalities, direct obligations of the State of Texas or its agencies and instrumentalities, other obligations backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, obligations of states, agencies, counties, cities, and other political subdivisions of any State having an investment rating of not less than "A" or its equivalent, fully collateralized repurchase agreements, certificates of deposit issued by a depository institution that has its main office or branch office in the State of Texas, money market mutual funds regulated by the Securities and Exchange Commission with a dollar weighted average portfolio maturity of 90 days or less, and local government investment pools organized and operating in compliance with the Inter-local Cooperation Act. As of September 30, 2011, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity Days
Primary Government		
General Fund		
Federal Agency Notes	\$ 15,493,110	554
Certificates of Deposit	1,000,000	199
TexPool	9,265,430	44
TexStar	6,982,664	40
Wells Fargo Choice IV	9,828,585	40
CIP Funds		
Federal Agency Notes	50,071,360	517
TexPool	19,890,147	44
TexStar	61,991,369	40
Other Funds		
Federal Agency Notes	9,995,700	493
TexPool	25,725,510	44
TexStar	<u>13,041,650</u>	<u>40</u>
Total Primary Government	<u>\$223,285,525</u>	<u>208</u>
Component Units		
Community Development		
Federal Agency Notes	\$ 999,300	665
TexPool	5,592,716	44
TexStar	342,544	40
Economic Development		
Federal Agency Notes	1,999,000	490
TexPool	5,245,102	44
TexStar	<u>8,227,745</u>	<u>40</u>
Total Component Units	<u>\$ 22,406,407</u>	<u>110</u>
Total Government	<u>\$235,863,347</u>	<u>199</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, 2011, 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 the local banks that maintain the demand deposits. The City's investments in U.S. Agency securities (FHLB, FNMA, FHLMC, and FFCB) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Services. The City's investments in local government investment pools (TexPool and TexStar) are in compliance with the Public Funds Investment Act and rated AAAM by Standard & Poors.

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

NOTE 5. RECEIVABLES

Receivables at September 30, 2011, for the government's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following:

Governmental	General	TIRZ #1	Capital Projects	Debt Service Fund	Other Governmental Funds	Total
Property tax	\$ 710,882	\$ -	\$ -	\$576,992	\$ -	\$ 1,287,874
Sales tax	3,963,374	-	-	-	-	3,963,374
Franchise tax	3,500,399	-	-	-	76,327	3,576,726
Occupancy tax	-	-	-	-	290,717	290,717
Mixed beverage tax	103,770	-	-	-	-	103,770
Accrued interest	13,332	-	50,648	-	4,272	68,252
Grants	-	-	-	-	191,237	191,237
Assessments	-	-	-	-	2,992,237	2,992,237
Other	<u>1,843,834</u>	<u>188,334</u>	<u>1,877,874</u>	<u>-</u>	<u>259,937</u>	<u>4,169,979</u>
Gross receivables	10,135,591	188,334	1,928,522	576,992	3,814,727	16,644,166
Less: allowance	<u>(1,294,936)</u>	<u>-</u>	<u>-</u>	<u>(28,850)</u>	<u>-</u>	<u>(1,323,786)</u>
Net receivables	<u>\$8,840,655</u>	<u>\$188,334</u>	<u>\$1,928,522</u>	<u>\$548,142</u>	<u>\$3,814,727</u>	<u>\$15,320,380</u>

Business-type Activities	Water and Sewer	Other Business-type Activities	Total
Utility Bills	\$ 9,564,571	\$ -	\$ 9,564,571
Accrued interest	31,809	-	31,809
Other	<u>634,450</u>	<u>30,735</u>	<u>665,185</u>
Gross receivables	10,230,830	30,735	10,261,565
Less: allowance	<u>(956,457)</u>	<u>-</u>	<u>(956,457)</u>
Net Receivables	<u>\$ 9,274,373</u>	<u>\$ 30,735</u>	<u>\$ 9,305,108</u>

Component Units	Community Development Corporation	Economic Development Corporation	Total
Sales taxes	\$1, 981,687	\$1,981,687	\$3,963,374
Accrued interest	722	1,318	2,040
Other	<u>1,028,775</u>	<u>-</u>	<u>28,775</u>
Gross receivables	3,011,184	1,983,005	3,994,189
Less: allowance	<u>-</u>	<u>-</u>	<u>-</u>
Net receivables	<u>\$3,011,184</u>	<u>\$1,983,005</u>	<u>\$3,994,189</u>

The Proprietary Fund accounts receivable includes unbilled charges for services rendered at September 30, 2011.

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, 2011, the balance of the note receivable from the Frisco Community Development Corporation was \$40,565,000, and the balance of the note receivable from the Frisco Economic Development Corporation was \$3,230,000 for a total of \$43,795,000.

Notes Receivable Component Units

In March 2006, the Frisco Community Development Corporation entered into an agreement to loan a developer \$300,000 to purchase land. The interest rate on the note is 5.00%. Annual payments of \$1 are due for a period of ten years, and

an eleventh and final installment of all accrued and unpaid interest, together with principal is due on the tenth anniversary date. If the developer completes certain performance requirements, the entire balance of principal plus accrued interest will be forgiven on the due date of the eleventh installment or March 28, 2016 and it will only be recognized at the government-wide level. As of September 30, 2011, the note had a balance of \$300,000 and accrued interest of \$82,884.

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 5 years. During FY2011, the performance documentation was not received and no credits were awarded to forgive the loan. The balance of the loan at September 30, 2011 was \$213,000.

On December 19, 2008 the Frisco Economic Development Corporation entered into an Amended Performance Agreement and Promissory Note for \$680,000 in property improvements. An additional \$380,000 in property improvements increased the Note on May 3, 2010. The note balance was \$680,000 as of September 30, 2011. On December 29, 2011, the Note was extended to mature on January 31, 2013, with a 5% per annum interest rate.

On July 31, 2009 the Frisco Economic Development Corporation entered into a Performance Agreement and Promissory Note for up to a maximum of \$525,000 for a sanitary sewer infrastructure improvement. Performance credits are to be applied as loan forgiveness, when proper documentation is provided to the City. As of September 30, 2011, \$525,000 had been provided.

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

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. The balance of the loan at September 30, 2011 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 balance of the loan at September 30, 2011 was \$300,000.

NOTE 6. CAPITAL ASSETS

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

Governmental	Balance 9/30/2010	Additions	Retirements/ Transfers Other Deductions	Balance 9/30/2011
Capital assets, not being depreciated:				
Land	\$ 222,546,821	\$ 1,253,724	\$ -	\$ 223,800,545
Construction-in-progress	<u>75,768,858</u>	<u>29,149,868</u>	<u>(51,640,450)</u>	<u>53,278,276</u>
Total capital assets, not being depreciated	<u>298,315,679</u>	<u>30,403,592</u>	<u>(51,640,450)</u>	<u>277,078,821</u>
Capital assets, being depreciated:				
Machinery and equipment	36,459,759	4,759,045	(219,870)	40,998,934
Buildings and improvements	325,486,726	8,688,130	-	334,174,856
Improvements other than buildings	<u>678,888,793</u>	<u>50,207,189</u>	<u>(898,866)</u>	<u>728,197,116</u>
Total capital assets being depreciated	<u>1,040,835,278</u>	<u>63,654,364</u>	<u>(1,118,736)</u>	<u>1,103,370,906</u>
Less accumulated depreciated:				
Machinery and equipment	(21,290,908)	(3,213,230)	213,161	(24,290,977)
Buildings and improvements	(61,070,026)	(13,491,024)	-	(74,561,050)
Improvements other than Buildings	<u>(173,827,327)</u>	<u>(24,119,937)</u>	<u>-</u>	<u>(197,947,264)</u>
Total accumulated depreciation	<u>(256,188,261)</u>	<u>(40,824,191)</u>	<u>213,161</u>	<u>(296,799,291)</u>
Total capital assets, being depreciated, net	<u>784,647,017</u>	<u>22,830,173</u>	<u>(905,575)</u>	<u>806,571,615</u>
Governmental activities capital assets, net	<u>\$1,082,962,696</u>	<u>\$ 53,233,765</u>	<u>\$ (52,546,025)</u>	<u>\$1,083,650,436</u>
Business-type Activities	Balance 9/30/2010	Additions	Retirements/ Transfers Other Deductions	Balance 9/30/2011
Capital assets, not being depreciated:				
Land	\$ 9,263,471	\$ 18,000	\$ -	\$ 9,281,471
Construction-in-progress	<u>17,144,602</u>	<u>3,904,338</u>	<u>(14,135,545)</u>	<u>6,913,395</u>
Total capital assets, not being depreciated	<u>26,408,073</u>	<u>3,922,338</u>	<u>(14,135,545)</u>	<u>16,194,866</u>
Capital assets, being depreciated:				
Machinery and equipment	4,403,724	663,773	(174,718)	4,892,779
Buildings and improvements	10,012,991	89,649	-	10,102,640
Improvements other than buildings	<u>285,884,539</u>	<u>18,869,762</u>	<u>-</u>	<u>304,754,301</u>
Total capital assets being depreciated	<u>300,301,254</u>	<u>19,623,184</u>	<u>(174,718)</u>	<u>319,749,720</u>
Less accumulated depreciated:				
Machinery and equipment	(3,305,669)	(412,224)	164,284	(3,553,609)
Buildings and improvements	(2,958,987)	(452,256)	-	(3,411,243)
Improvements other than Buildings	<u>(69,725,053)</u>	<u>(9,303,716)</u>	<u>-</u>	<u>(79,028,769)</u>
Total accumulated depreciation	<u>(75,989,709)</u>	<u>(10,168,196)</u>	<u>164,284</u>	<u>(85,993,621)</u>
Total capital assets, being depreciated, net	<u>224,311,545</u>	<u>9,454,988</u>	<u>(10,434)</u>	<u>233,756,099</u>
Business-type activities capital assets, net	<u>\$ 250,719,618</u>	<u>\$ 13,377,326</u>	<u>\$ (14,145,979)</u>	<u>\$ 249,950,965</u>

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

Governmental activities

General government	\$ 5,579,728
Public safety	4,048,855
Public works	21,189,754
Culture and recreation	<u>10,005,854</u>
Total depreciation expense governmental activities	<u>\$40,824,191</u>

Business-type activities

Water & sewer	\$10,126,659
Stormwater Drainage	1,937
Environmental services	<u>39,600</u>
Total depreciation expense business-type activities	<u>\$10,168,196</u>

Frisco Economic Development Corporation	Balance 9/30/2010	Additions	Retirements/ Transfers Other Deductions	Balance 9/30/2011
Capital assets, not being depreciated:				
Land	\$19,922,109	\$ -	\$ -	\$19,922,109
Construction-in-progress	-	451,093	-	451,093
Total capital assets not being depreciated	<u>19,922,109</u>	<u>451,093</u>	<u>-</u>	<u>20,373,202</u>
Capital assets being depreciated:				
Machinery and equipment	435,837	77,001	-	512,838
Buildings and improvements	<u>9,153,008</u>	<u>-</u>	<u>-</u>	<u>9,153,008</u>
Total capital assets being depreciated	9,588,845	77,001	-	9,665,846
Less: accumulated depreciation	<u>(126,237)</u>	<u>(463,597)</u>	<u>-</u>	<u>(589,834)</u>
Total capital assets, being depreciated, net	<u>9,462,608</u>	<u>(386,596)</u>	<u>-</u>	<u>9,076,012</u>
FEDC capital assets, net	<u>\$29,384,717</u>	<u>\$ 64,497</u>	<u>\$ -</u>	<u>\$29,449,214</u>
Frisco Community Development Corporation	Balance 9/30/2010	Additions	Retirements/ Transfers Other Deductions	Balance 9/30/2011
Capital assets, not being depreciated:				
Land	\$37,761,523	\$ 20,011,668	\$ -	\$57,773,191
Construction-in-progress	<u>2,842,951</u>	<u>294,586</u>	<u>(2,853,481)</u>	<u>284,056</u>
Total capital assets not being depreciated	<u>40,604,474</u>	<u>20,306,254</u>	<u>(2,853,481)</u>	<u>58,057,247</u>
Capital assets, being depreciated:				
Machinery and equipment	26,465	-	-	26,465
Buildings and improvements	6,158,832	2,880,055	(1,000,000)	8,038,887
Improvements other than buildings	<u>18,569,865</u>	<u>14,793</u>	<u>-</u>	<u>18,584,658</u>
Total capital assets being depreciated	24,755,162	2,894,848	(1,000,000)	26,650,010
Less: accumulated depreciation	<u>(10,957,916)</u>	<u>(1,961,776)</u>	<u>-</u>	<u>(12,919,692)</u>
Total capital assets being depreciated, net	<u>13,797,246</u>	<u>933,072</u>	<u>(1,000,000)</u>	<u>13,730,318</u>
FCDC capital assets, net	<u>\$54,401,720</u>	<u>\$21,239,326</u>	<u>\$(3,853,481)</u>	<u>\$71,787,565</u>

In addition to construction in progress, the City had active construction projects with commitments or binding contracts as of September 30, 2011. The construction commitments or binding contracts totaled \$13,006,282 for the governmental capital assets; and \$3,840,279 for the business-type activities;

NOTE 7. NOTES PAYABLE

The following schedule summarizes notes payable as of September 30, 2011:

Frisco Community Development Corporation	Balance 9/30/2010	Additions	Deletions	Balance 9/30/2011
Note payable to City	\$43,287,736	\$ 755,952	\$3,220,934	\$40,822,754
Note payable to bank	-	15,000,000	-	15,000,000
Total	<u>\$43,287,736</u>	<u>\$15,755,952</u>	<u>\$3,220,934</u>	<u>\$55,822,754</u>

Frisco Economic Development Corporation	Balance 9/30/2010	Additions	Deletions	Balance 9/30/2011
Note payable to City	\$ 3,403,938	\$ -	\$ 228,619	\$ 3,175,319
Note payable to bank	11,707,309	-	146,522	11,560,787
Total	<u>\$15,111,247</u>	<u>\$ -</u>	<u>\$ 375,141</u>	<u>\$14,736,106</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, 2011, the balance of the note payable to the City from the Community Development Corporation was \$40,822,754. This includes \$40,565,000 in the note balance, \$588,756 of note premium, and \$331,002 of deferred loss from advanced refunding of debt. The balance of the note payable to the City from the Economic Development Corporation was \$3,175,319. This includes \$3,230,000 in the note balance and \$68,425 of premiums and \$123,106 of deferred loss from advanced refunding of debt. At September 30, 2011, the total notes payable to the City from the component units was \$43,998,073.

NOTE 8. LONG-TERM DEBT

General obligation bonds and certificates of obligation mature annually in varying amounts through 2033. The interest for these bonds are payable semi-annually with interest rates ranging from 2% to 6%. The City is in compliance with related bond covenants.

In July 2011, the city issued general obligation refunding and improvement bonds, series 2011, in the amount of \$123,430,000 with a premium of \$14,871,529 and original issue discount of (\$50,185). Proceeds from the sale of the refunding bonds

\$115,740,000 were used to advance refund a portion of the City's outstanding debt, including \$715,000 in combination tax and revenue certificates of obligation, series 2001; \$1,280,000 in general obligation bonds, series 2001; \$1,920,000 in combination tax and revenue certificates of obligation, series 2001A; \$54,585,000 in general obligation bonds, series 2003; and \$62,765,000 in combination tax and revenue certificates of obligation, series 2003A.

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 2012 through February 2023. The advance refunding was undertaken to reduce total debt service payments by \$11,589,640, and resulted in an economic gain of \$9,759,397. An accounting loss of \$5,045,270 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, 2011, the amount of the defeased debt outstanding, but removed from long-term debt was \$121,265,000.

Proceeds from the sale of the improvement bonds \$7,690,000 will be used for constructing, improving and equipping fire department facilities, acquisitions and installation of warning sirens and acquisition of firefighting equipment.

During the year ended September 30, 2011, the following changes occurred in the long-term liabilities:

Governmental Activities	Balance 9/30/2010	Increases	Decreases	Balance 9/30/2011	Amounts due within one year
Compensated absences	\$ 6,567,561	\$ 4,122,347	\$ 3,986,289	\$ 6,703,619	\$ 3,968,205
General obligation bonds	245,633,284	-	71,026,099	174,607,185	12,384,805
General obligation – refunding bonds	77,156,307	118,214,871	3,011,612	192,359,566	8,091,608
Certificates of obligation	187,333,338	-	63,142,150	124,191,188	8,198,848
Grants payable	718,457	-	718,457	-	-
Total governmental activities	<u>\$517,408,947</u>	<u>\$122,337,218</u>	<u>\$141,884,607</u>	<u>\$497,861,558</u>	<u>\$32,643,466</u>
Business-type Activities	Balance 9/30/2010	Increases	Decreases	Balance 9/30/2011	Amounts due within one year
Compensated absences	\$ 1,011,393	\$ 529,023	\$ 592,694	\$ 947,722	\$ 622,972
General obligation – refunding bonds	13,677,521	14,991,204	837,106	27,831,619	2,066,770
Certificates of obligation	104,891,088	-	20,679,503	84,211,585	5,021,030
General obligation refunding bonds Frisco MUD#1	604,412	-	84,773	519,639	78,741
Total business-type activities	<u>120,184,414</u>	<u>15,520,227</u>	<u>22,194,076</u>	<u>113,510,565</u>	<u>7,789,513</u>
Total primary government	<u>\$637,593,361</u>	<u>\$137,857,445</u>	<u>\$164,078,683</u>	<u>\$611,372,123</u>	<u>\$40,432,979</u>

Component Units	Balance 9/30/2010	Increases	Decreases	Balance 9/30/2011	Amounts due within one year
Compensated absences	\$ 92,941	\$ 50,088	\$ 48,274	\$ 94,755	\$ 55,281
Sales tax revenue bonds	10,778,040	-	287,979	10,490,061	302,979
Notes payable – bank	11,707,309	15,000,000	146,522	26,560,787	15,151,523
Notes payable – City	46,691,674	755,952	3,449,553	43,998,073	2,503,234
Grants payable	718,456	-	718,456	-	-
Total component units	<u>\$ 69,988,420</u>	<u>\$15,806,040</u>	<u>\$ 4,650,784</u>	<u>\$ 81,143,676</u>	<u>\$18,013,017</u>

Debt service requirements of the general obligation bonds and certificates of obligation for the governmental activities for the years subsequent to September 30, 2011, are as follows:

Fiscal Year Ending September 30	Principal Requirements	Interest Requirements	Total Requirements
2012	\$ 25,905,000	\$ 27,651,909	\$ 53,556,909
2013	27,605,000	26,445,912	54,050,912
2014	28,410,000	22,343,152	50,753,152
2015	29,605,000	20,847,052	50,452,052
2016	30,950,000	19,199,956	50,149,956
2017-2021	169,790,000	68,738,559	238,528,559
2022-2026	132,450,000	23,684,483	156,134,483
2027-2031	27,375,000	5,395,019	32,770,019
2032-2033	8,130,000	461,551	8,591,551
Total	480,220,000	214,767,593	694,987,593
Plus: Unamortized bond premium	18,814,635	-	18,814,635
Less: Unamortized (loss) on bond refunding	(7,751,304)	-	(7,751,304)
Unamortized bond discount	(125,392)	-	(125,392)
Net debt service requirements	<u>\$491,157,939</u>	<u>\$214,767,593</u>	<u>\$705,925,532</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, 2011, are as follows:

Fiscal Year Ending September 30	Principal Requirements	Interest Requirements	Total Requirements
2012	\$ 6,850,000	\$ 5,023,510	\$ 11,873,510
2013	6,770,000	4,729,622	11,499,622
2014	6,935,000	4,427,893	11,362,893
2015	7,240,000	4,116,243	11,356,243
2016	7,555,000	3,772,492	11,327,492
2017-2021	39,185,000	13,556,353	52,741,353
2022-2026	33,340,000	4,517,701	37,857,701
2027	3,375,000	84,374	3,459,374
Total	111,250,000	40,228,188	151,478,188
Plus: Unamortized bond premium	2,420,422	-	2,420,422
Less: Unamortized bond discount	(4,877)	-	(4,877)
Unamortized (loss) on bond refunding	(1,102,701)	-	(1,102,701)
Net debt service requirements	<u>\$112,562,844</u>	<u>\$ 40,228,188</u>	<u>\$152,791,032</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, 2011, are as follows:

Notes to the Basic Financial Statements (continued)
September 30, 2011

Fiscal Year Ending September 30	Principal Requirements	Interest Requirements	Total Requirements
2012	\$ 705,000	\$ 1,378,103	\$ 2,083,103
2013	760,000	1,344,672	2,104,672
2014	11,867,740	1,015,569	12,883,309
2015	655,000	686,939	1,341,939
2016	695,000	650,884	1,345,884
2017-2021	4,135,000	2,633,731	6,768,731
2022-2026	3,150,000	1,572,796	4,722,796
2027-2030	<u>3,340,000</u>	<u>437,218</u>	<u>3,777,218</u>
Total	25,307,740	9,719,912	35,027,652
Plus: Unamortized bond premium	68,425	-	68,425
Less: Unamortized (loss) on bond refunding	(130,060)	-	(130,060)
Unamortized bond discount	<u>(19,939)</u>	<u>-</u>	<u>(19,939)</u>
Net debt service requirements	<u>\$ 25,226,166</u>	<u>\$ 9,719,912</u>	<u>\$ 34,946,078</u>

Debt service requirements of notes payable for the Community Development Corporation component unit for the years subsequent to September 30, 2011, are as follows:

Fiscal Year Ending September 30	Principal Requirements	Interest Requirements	Total Requirements
2012	17,165,000	\$ 1,796,122	\$ 18,961,122
2013	2,240,000	1,700,193	3,940,193
2014	2,755,000	1,592,831	4,347,831
2015	2,860,000	1,473,819	4,333,819
2016	2,975,000	1,341,411	4,316,411
2017-2021	15,430,000	4,605,547	20,035,547
2022-2026	<u>12,140,000</u>	<u>1,097,052</u>	<u>13,237,052</u>
Total	<u>55,565,000</u>	<u>13,606,975</u>	<u>69,171,975</u>
Plus: Unamortized bond premium	588,756	-	588,756
Less: Unamortized (loss) on bond refunding	<u>(331,002)</u>	<u>-</u>	<u>(331,002)</u>
Net debt service requirements	<u>\$ 55,822,754</u>	<u>\$ 13,606,975</u>	<u>\$ 69,429,729</u>

NOTE 9. GRANTS PAYABLE

Stonebriar Mall Development Agreement

In order to induce the construction of a shopping mall within the city limits of the City of Frisco, Texas, the City, FCDC and FEDC agreed to pay a developer grants of money, not to exceed \$24,224,000 and \$5,000,000, for the *Mall Anchor grant* and *Supplemental Mall Anchor grant*, respectively. The grants represented one-half of the inducement cost or funds paid by the developer to induce Mall Anchors and Supplemental Mall Anchors to locate at the Mall. The mall developer defined specific stores as Mall Anchors and Supplemental Mall Anchors which includes Mall Anchor Successors and Supplemental Mall Anchor Successors that lease or purchase 75,000 or more square feet of retail space at the Mall. The Mall opened for business on August 4, 2000.

The original grant agreement established for the Mall Anchors and Supplemental Mall Anchors was paid in full on March 1, 2011.

An additional grant, which was the third and final grant, was to be paid beginning the first quarter after the final payment was made for the Mall Anchor grant. The grant payments were to be based upon sales tax collected. There is no fixed payment amount for this grant. The obligation to pay the additional grant was paid in full on March 1, 2011.

Retail 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, FCDC and FEDC 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 Anchor stores or major retailers within a specified time period, all of which have been met during the 2011 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, FCDC and FEDC will each pay one-third of 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 \$21,748 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 \$504,404 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 \$235,950 during the current year for this grant.

Medical Complex Agreements

The City has an agreement with a medical complex to rebate to the owner 100% of incremental City property taxes on the medical complex for ten years, subject to a \$1,650,000 rebate cap. The City rebated \$254,067 in property tax for the year ended September 30, 2011. The cumulative amount rebated through September 30, 2011 was \$1,445,123.

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, 2011, the City rebated a total of \$220,000 for the property tax increment payment for 2009 and 2010. The cumulative amount rebated through September 30, 2011 was \$299,844.

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 by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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 2010	Plan Year 2011
Employee deposit rate	7.0%	7.0%
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, 2011, the City's annual pension cost of

\$5,924,665 or 11.38% of the covered payroll of \$52,065,400 for TMRS was equal to the City's required and actual contributions. The required contribution for fiscal year 2011 was determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

<i>Valuation Date</i>	<i>12/31/2008</i>	<i>12/31/2009</i>	<i>12/31/2010 – Prior to Restructuring</i>	<i>12/31/2010 - Restructured</i>
<i>Actuarial Cost Method</i>	<i>Projected Unit Credit</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>Level Percent of Payroll</i>
<i>GASB 25 Equivalent Single Amortization Period</i>	<i>29 years; closed period</i>	<i>28.1 years; closed period</i>	<i>27.4 years; closed period</i>	<i>27.3 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>30 years</i>
<i>Asset Valuation Method</i>	<i>Amortized Cost</i>	<i>10 year Smoothed market</i>	<i>10-year Smoothed market</i>	<i>10-year Smoothed market</i>
<i>Actuarial Assumptions:</i>				
<i>Investment Rate of Return*</i>	<i>7.5%</i>	<i>7.5%</i>	<i>7.5%</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>Varies by age and service</i>
<i>*Includes Inflation at</i>	<i>3.00%</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>	<i>2.1%</i>

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

<u>Annual Pension Costs</u>	
Annual Required Contribution (ARC)	\$ 5,924,665
Annual Pension Cost (APC)	5,924,665
Contributions Made	<u>(5,924,665)</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
9/30/09	\$ 4,718,048	100%	\$0
9/30/10	\$ 5,084,436	100%	\$0
9/30/11	\$ 5,924,665	100%	\$0

Funding Status and Funding Progress:

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

The funded status as of December 31, 2010, under the two separate actuarial valuations, 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)	(7)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2010 ¹	\$64,826,760	\$93,757,830	69.1 %	\$28,931,070	\$48,752,744	59.3 %
12/31/2010 ²	\$69,546,617	\$100,523,839	69.2 %	\$30,977,222	\$48,752,744	63.5 %

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

(2) Actuarial valuation performed under the new fund structure

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 2011, the City participated in a modified self-insurance program for Employee Benefits. Group medical benefits were administered by PEBC, Public Employee Benefits Corporation, operated through the North Central Texas Council of Governments until December 31, 2010. Beginning January 1, 2011, this program was 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 2011 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, 2011 totaled \$1,779,986. 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

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

All interfund receivables and payables are considered short-term and, at September 30, 2011, consisted of the following:

Due To	Due From Non-major Governmental	Total
General Fund	\$ 140,450	\$ 140,450
TIRZ #1	280,056	280,056
Capital Projects	250,000	250,000
Non-Major Governmental	388,223	388,223
Total	<u>\$1,058,729</u>	<u>\$1,058,729</u>

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

<u>Transfer from</u>						
Transfer to	General Fund	TIRZ #1	Capital Projects	Non-major Governmental	Non-major Proprietary	Total
General Fund	\$ -	\$ -	\$59,267	\$ 151,438	\$517,878	\$ 728,583
TIRZ #1	-	-	-	1,567,306	-	1,567,306
Capital projects	23,290	500,000	-	913,393	-	1,436,683
Debt service	-	15,461,855	730,673	893,510	-	17,086,038
Non-major governmental	1,521,317	100,000	160,203	213,396	-	1,994,916
Water and sewer	-	-	-	-	178,009	178,009
Total	<u>\$1,544,607</u>	<u>\$16,061,855</u>	<u>\$950,143</u>	<u>\$3,739,043</u>	<u>\$695,887</u>	<u>\$22,991,535</u>

<u>Transfer from fund</u>	<u>Transfer to fund</u>	<u>Amount</u>
General Fund:		
Grants matching funds	Non-Major Governmental Funds – Grants	\$ 136,115
Capital outlay-FISD Project Safer	Capital Projects	23,290
Capital reserves	Non-Major Governmental Funds – Capital Reserves	1,385,202
TIRZ #1 Fund:		
Debt service funding requirements	Debt Service	15,461,855
Superdome capital outlay	Non-major Governmental Funds – Superdome	100,000
Capital outlay- Museum	Capital Projects	500,000
Non-major governmental funds:		
Debt service funding requirements	TIRZ #1	1,567,306
Grant funding for capital outlay	Capital Projects	250,000
Debt service funding requirements	Debt Service	893,510
Court warrant officer funding	General Fund	108,000
PEG Fund	Non-Major Governmental	213,396
Loan Star Grant	General Fund	31,054
Frisco Square	General Fund	12,384
Capital Outlay	Capital Projects	663,393
Capital Projects Fund:		
Operating capital for SAFER	General Fund	59,267
Debt service to close out bond funds	Debt Service	160,203
PID to close out bond funds	Non-Major Governmental Funds – PID Fund	730,673
Proprietary funds:		
G&A for Environmental Services Fund	General Fund	397,878
Reimbursement for study	Water and Sewer Fund	157,013
G&A for Stormwater Drainage Fund	General Fund	120,000
Reimbursement for study	Water and Sewer Fund	20,996
Total		<u>\$ 22,991,535</u>

NOTE 14. OPERATING LEASE COMMITMENTS

The City entered into rental agreements in excess of one year during prior fiscal years. During fiscal year 2011, the City entered into additional agreements in excess of one year. The following commitments remain:

<u>FY</u>	<u>At September 30</u>
2012	\$112,707
2013	\$102,326
2014	\$ 42,691

Rent paid under operating leases was approximately \$118,741 for the year ended September 30, 2011.

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, 2011 is \$48,180,000. 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, 2011.

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. SUBSEQUENT EVENTS

In December 2011, the City of Frisco Community Development Corporation refinanced a Notes Payable with North Dallas Bank and Trust in the amount of \$15,000,000. Proceeds from the refinancing were used to pay off a Note with GE Capital for land purchase.

NOTE 18. 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.

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>
2002	12/31/2001	\$ 7,693	\$ 10,485	\$ 2,792	73.4%
2003	12/31/2002	10,453	14,335	3,882	72.9%
2004	12/31/2003	14,135	20,559	6,424	68.8%
2005	12/31/2004	18,599	24,508	5,909	75.9%
2006	12/31/2005	23,723	30,823	7,100	77.0%
2007	12/31/2006	29,466	38,253	8,787	77.0%
2008	12/31/2007	36,863	58,136	21,273	63.4%
2009	12/31/2008	45,052	69,433	24,381	64.9%
2010	12/31/2009	54,167	80,539	26,372	67.3%
(1) 2011	12/31/2010	69,547	100,524	30,977	69.2%

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

Covered Payroll (d)	UAAL as a Percentage of Covered Payroll (c/d)	Annual Required Contributions	Actual Contributions	Percent Contributed
\$ 13,332	20.9%	\$ 1,308	\$ 1,308	100%
16,876	23.0%	1,688	1,688	100%
20,805	30.9%	2,024	2,024	100%
26,760	22.1%	2,578	2,578	100%
29,079	24.4%	3,083	3,083	100%
33,553	26.2%	3,536	3,536	100%
44,156	48.2%	4,300	4,300	100%
47,557	51.3%	4,718	4,718	100%
47,732	55.3%	5,084	5,084	100%
48,753	63.5%	5,925	5,925	100%



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, 2011**

	Budgeted Amounts		Actual on a GAAP Basis	Adjustments- Budgetary Basis	Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final				
REVENUES:						
Intergovernmental	\$ -	\$ 14,000,000	\$ 13,910,428	\$ -	\$ 13,910,428	\$ (89,572)
Investment earnings	100,000	300,000	232,556	-	232,556	(67,444)
Contributions, donations & grants	63,807	38,864,884	912,476	-	912,476	(37,952,408)
Payments from component units	250,000	250,000	1,343,423	-	1,343,423	1,093,423
Total revenues	<u>413,807</u>	<u>53,414,884</u>	<u>16,398,883</u>	<u>-</u>	<u>16,398,883</u>	<u>(37,016,001)</u>
EXPENDITURES:						
Capital outlay	1,546,579	139,801,796	35,498,307	(11,780,432)	23,717,875	116,083,921
Debt service	-	-	71,751	-	71,751	(71,751)
Total expenditures	<u>1,546,579</u>	<u>139,801,796</u>	<u>35,570,058</u>	<u>(11,780,432)</u>	<u>23,789,626</u>	<u>116,012,170</u>
Deficiency of revenues under expenditures	<u>(1,132,772)</u>	<u>(86,386,912)</u>	<u>(19,171,175)</u>	<u>(11,780,432)</u>	<u>(7,390,743)</u>	<u>78,996,169</u>
OTHER FINANCING SOURCES (USES):						
Bonds issued	-	8,000,000	7,690,000	-	7,690,000	(310,000)
Premium on bonds issued	-	-	421,030	-	421,030	421,030
Discount on bonds issued	-	-	(50,185)	-	(50,185)	(50,185)
Transfers in	773,290	1,273,290	1,436,683	-	1,436,683	163,393
Transfers out	<u>(690,517)</u>	<u>(850,705)</u>	<u>(950,143)</u>	<u>-</u>	<u>(950,143)</u>	<u>99,438</u>
Total other financing sources (uses)	<u>82,773</u>	<u>8,422,585</u>	<u>8,547,385</u>	<u>-</u>	<u>8,547,385</u>	<u>323,676</u>
Net change in fund balances	(1,049,999)	(77,964,327)	(10,623,790)	11,780,432	1,156,642	79,120,969
Fund balances, October 1	<u>80,786,088</u>	<u>80,786,088</u>	<u>80,786,088</u>	<u>(24,786,714)</u>	<u>55,999,374</u>	<u>(24,786,714)</u>
Fund balances, September 30	<u>\$ 79,736,089</u>	<u>\$ 2,821,761</u>	<u>\$ 70,162,298</u>	<u>\$ (13,006,282)</u>	<u>\$ 57,156,016</u>	<u>\$ 54,334,255</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, 2011**

	Net Change in Fund Balances
GAAP basis	\$ (10,623,790)
Expenditures:	
Increase due to encumbrances from prior year	24,786,714
Decrease due to encumbrances from current year	<u>(13,006,282)</u>
Budgetary basis	<u>\$ 1,156,642</u>

**Debt Service Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2011**

	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	\$ 25,936,506	\$ 26,331,389	\$ 26,407,127	\$ -	\$ 26,407,127	\$ 75,738
Rents	1,040,370	970,545	970,545	-	970,545	-
Investment earnings	20,000	8,565	9,840	-	9,840	1,275
Payment from component units	4,746,551	4,694,801	4,733,325	-	4,733,325	38,524
Total revenues	<u>31,743,427</u>	<u>32,005,300</u>	<u>32,120,837</u>	<u>-</u>	<u>32,120,837</u>	<u>115,537</u>
EXPENDITURES:						
Debt service	49,783,451	48,880,676	49,672,649	-	49,672,649	(791,973)
Total expenditures	<u>49,783,451</u>	<u>48,880,676</u>	<u>49,672,649</u>	<u>-</u>	<u>49,672,649</u>	<u>(791,973)</u>
Deficiency of revenues under expenditures	<u>(18,040,024)</u>	<u>(16,875,376)</u>	<u>(17,551,812)</u>	<u>-</u>	<u>(17,551,812)</u>	<u>(676,436)</u>
OTHER FINANCING SOURCES (USES):						
Refunding bonds issued	-	101,180,000	101,855,000	-	101,855,000	675,000
Premium on bonds issued	-	12,633,015	12,717,218	-	12,717,218	84,203
Payment to refunded debt escrow agent	-	(113,091,804)	(113,810,055)	-	(113,810,055)	(718,251)
Transfers in	17,049,149	17,005,365	17,086,038	-	17,086,038	80,673
Total other financing sources (uses)	<u>17,049,149</u>	<u>17,726,576</u>	<u>17,848,201</u>	<u>-</u>	<u>17,848,201</u>	<u>121,625</u>
Net change in fund balances	(990,875)	851,200	296,389	-	296,389	(554,811)
Fund balances, October 1	<u>3,156,010</u>	<u>3,156,010</u>	<u>3,156,010</u>	<u>-</u>	<u>3,156,010</u>	<u>-</u>
Fund balances, September 30	<u>\$ 2,165,135</u>	<u>\$ 4,007,210</u>	<u>\$ 3,452,399</u>	<u>\$ -</u>	<u>\$ 3,452,399</u>	<u>\$ (554,811)</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, 2011**

Special Revenue

	Hotel/Motel Tax	Panther Creek PID	Superdrome	Grants	CDBG
ASSETS					
Cash and cash equivalents	\$ 244,038	\$ 126,901	\$ 189,559	\$ -	\$ -
Investments	-	-	1,497,600	-	-
Receivables (net of allowance for uncollectibles):					
Franchise tax	-	-	-	-	-
Occupancy tax	290,717	-	-	-	-
Assessments	-	2,992,237	-	-	-
Grants	-	-	-	164,455	26,782
Other	257,512	-	504	-	-
Prepays	101,971	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 894,238</u>	<u>\$ 3,119,138</u>	<u>\$ 1,687,663</u>	<u>\$ 164,455</u>	<u>\$ 26,782</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 42,075	\$ -	\$ -	\$ 50,326	\$ 435
Accrued liabilities	11,748	-	-	-	-
Unearned revenue	-	2,992,237	-	26	-
Monies held in escrow	-	-	-	-	-
Due to other funds	530,056	-	-	114,103	26,347
Total liabilities	<u>583,879</u>	<u>2,992,237</u>	<u>-</u>	<u>164,455</u>	<u>26,782</u>
Fund balances:					
Unspendable	101,971	-	-	-	-
Restricted	208,388	126,901	1,687,663	-	-
Committed	-	-	-	-	-
Total fund balances	<u>310,359</u>	<u>126,901</u>	<u>1,687,663</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 894,238</u>	<u>\$ 3,119,138</u>	<u>\$ 1,687,663</u>	<u>\$ 164,455</u>	<u>\$ 26,782</u>

Traffic Safety	Frisco Square MMD	Court Fees	PEG Cable	Capital Projects		Total Non-major Governmental Funds
				Capital Reserve	Impact Fees	
\$ 86,353	\$ -	\$ 493,046	\$ -	\$ 1,942,596	\$ 10,131,179	\$ 13,213,672
-	-	-	-	499,900	4,998,800	6,996,300
-	-	-	76,327	-	-	76,327
-	-	-	-	-	-	290,717
-	-	-	-	-	-	2,992,237
-	-	-	-	-	-	191,237
2,425	-	-	-	368	3,400	264,209
5,000	-	-	-	-	-	106,971
-	-	-	388,223	-	-	388,223
<u>\$ 93,778</u>	<u>\$ -</u>	<u>\$ 493,046</u>	<u>\$ 464,550</u>	<u>\$ 2,442,864</u>	<u>\$ 15,133,379</u>	<u>\$ 24,519,893</u>
\$ 39,879	\$ -	\$ 15,855	\$ -	\$ 194,295	\$ -	\$ 342,865
-	-	-	-	-	-	11,748
-	-	-	-	-	-	2,992,263
-	-	-	-	45,695	545,382	591,077
-	-	-	-	388,223	-	1,058,729
<u>39,879</u>	<u>-</u>	<u>15,855</u>	<u>-</u>	<u>628,213</u>	<u>545,382</u>	<u>4,996,682</u>
5,000	-	-	-	-	-	106,971
48,899	-	477,191	464,550	-	14,587,997	17,601,589
-	-	-	-	1,814,651	-	1,814,651
<u>53,899</u>	<u>-</u>	<u>477,191</u>	<u>464,550</u>	<u>1,814,651</u>	<u>14,587,997</u>	<u>19,523,211</u>
<u>\$ 93,778</u>	<u>\$ -</u>	<u>\$ 493,046</u>	<u>\$ 464,550</u>	<u>\$ 2,442,864</u>	<u>\$ 15,133,379</u>	<u>\$ 24,519,893</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the year ended September 30, 2011

	<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	2,998,817	-	-	-	-
Special assessments	-	251,350	-	-	-
Fines	-	-	-	-	-
Intergovernmental	283,509	-	-	8,540	-
Charges for services	4,678	-	-	-	-
Contributions, donations & grants	281,538	-	-	965,762	360,969
Investment earnings	102	115,146	6,361	-	-
Payments from component units	297,306	-	-	-	-
Miscellaneous	1,455	-	-	-	5,713
Total revenues	<u>3,867,405</u>	<u>366,496</u>	<u>6,361</u>	<u>974,302</u>	<u>366,682</u>
EXPENDITURES:					
Current:					
General government	-	-	-	80,345	366,682
Public safety	-	-	-	393,343	-
Public works	-	-	-	48,425	-
Culture and recreation	1,833,845	-	80,004	19,497	-
Capital outlay	-	-	-	537,753	-
Total expenditures	<u>1,833,845</u>	<u>-</u>	<u>80,004</u>	<u>1,079,363</u>	<u>366,682</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,033,560</u>	<u>366,496</u>	<u>(73,643)</u>	<u>(105,061)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	160,203	100,000	136,115	-
Transfers out	<u>(1,817,306)</u>	<u>(402,532)</u>	<u>-</u>	<u>(31,054)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,817,306)</u>	<u>(242,329)</u>	<u>100,000</u>	<u>105,061</u>	<u>-</u>
Net change in fund balances	216,254	124,167	26,357	-	-
Fund balances, beginning	<u>94,105</u>	<u>2,734</u>	<u>1,661,306</u>	<u>-</u>	<u>-</u>
Fund balances, ending	<u>\$ 310,359</u>	<u>\$ 126,901</u>	<u>\$ 1,687,663</u>	<u>\$ -</u>	<u>\$ -</u>

				Capital Projects		Total Non-major Governmental Funds
Traffic Control	Frisco Square MMD	Court Fees	PEG Cable	Capital Reserve	Impact Fees	
\$ -	\$ -	\$ -	\$ 288,525	\$ -	\$ -	\$ 288,525
-	-	-	-	-	-	2,998,817
-	-	-	-	-	3,575,106	3,826,456
116,824	-	200,631	-	-	-	317,455
-	-	-	-	-	-	292,049
-	-	-	-	-	-	4,678
-	490,978	-	-	-	-	2,099,247
82	-	625	-	7,030	37,270	166,616
-	-	-	-	-	-	297,306
-	-	-	-	-	-	7,168
<u>116,906</u>	<u>490,978</u>	<u>201,256</u>	<u>288,525</u>	<u>7,030</u>	<u>3,612,376</u>	<u>10,298,317</u>
-	-	71,601	9,349	-	-	527,977
96,345	-	-	-	-	-	489,688
25,000	-	-	-	-	-	73,425
-	-	-	-	-	-	1,933,346
-	-	7,406	28,022	354,234	-	927,415
<u>121,345</u>	<u>-</u>	<u>79,007</u>	<u>37,371</u>	<u>354,234</u>	<u>-</u>	<u>3,951,851</u>
<u>(4,439)</u>	<u>490,978</u>	<u>122,249</u>	<u>251,154</u>	<u>(347,204)</u>	<u>3,612,376</u>	<u>6,346,466</u>
-	-	-	213,396	1,385,202	-	1,994,916
-	(503,362)	(108,000)	-	(213,396)	(663,393)	(3,739,043)
-	(503,362)	(108,000)	213,396	1,171,806	(663,393)	(1,744,127)
(4,439)	(12,384)	14,249	464,550	824,602	2,948,983	4,602,339
<u>58,338</u>	<u>12,384</u>	<u>462,942</u>	<u>-</u>	<u>990,049</u>	<u>11,639,014</u>	<u>14,920,872</u>
<u>\$ 53,899</u>	<u>\$ -</u>	<u>\$ 477,191</u>	<u>\$ 464,550</u>	<u>\$ 1,814,651</u>	<u>\$ 14,587,997</u>	<u>\$ 19,523,211</u>

**Hotel/Motel Tax Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2011**

	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	\$ 2,781,154	\$ 2,901,822	\$ 2,998,817	\$ -	\$ 2,998,817	\$ 96,995
Intergovernmental	-	283,509	283,509	-	283,509	-
Charges for service	1,000	-	4,678	-	4,678	4,678
Grant income/contributions	30,000	135,511	281,538	-	281,538	146,027
Investment earnings	600	200	102	-	102	(98)
Payments from component units	-	297,306	297,306	-	297,306	-
Miscellaneous	-	-	1,455	-	1,455	1,455
Total revenues	<u>2,812,754</u>	<u>3,618,348</u>	<u>3,867,405</u>	<u>-</u>	<u>3,867,405</u>	<u>249,057</u>
EXPENDITURES:						
Current:						
Culture and recreation	<u>1,187,748</u>	<u>1,749,096</u>	<u>1,833,845</u>	<u>-</u>	<u>1,833,845</u>	<u>(84,749)</u>
Total expenditures	<u>1,187,748</u>	<u>1,749,096</u>	<u>1,833,845</u>	<u>-</u>	<u>1,833,845</u>	<u>(84,749)</u>
Excess of revenues over expenditures	<u>1,625,006</u>	<u>1,869,252</u>	<u>2,033,560</u>	<u>-</u>	<u>2,033,560</u>	<u>164,308</u>
OTHER FINANCING USES:						
Transfers in	250,000	-	-	-	-	-
Transfers out	<u>(1,817,306)</u>	<u>(1,817,306)</u>	<u>(1,817,306)</u>	<u>-</u>	<u>(1,817,306)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,567,306)</u>	<u>(1,817,306)</u>	<u>(1,817,306)</u>	<u>-</u>	<u>(1,817,306)</u>	<u>-</u>
Net change in fund balances	57,700	51,946	216,254	-	216,254	164,308
Fund balances, October 1	<u>94,105</u>	<u>94,105</u>	<u>94,105</u>	<u>-</u>	<u>94,105</u>	<u>-</u>
Fund balances, September 30	<u>\$ 151,805</u>	<u>\$ 146,051</u>	<u>\$ 310,359</u>	<u>\$ -</u>	<u>\$ 310,359</u>	<u>\$ 164,308</u>

**Panther Creek PID Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2011**

	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	\$ 402,282	\$ 180,000	\$ 251,350	\$ -	\$ 251,350	\$ 71,350
Investment earnings	250	100,250	115,146	-	115,146	14,896
Total revenues	<u>402,532</u>	<u>280,250</u>	<u>366,496</u>	<u>-</u>	<u>366,496</u>	<u>86,246</u>
OTHER FINANCING USES:						
Transfers in	-	160,188	160,203	-	160,203	(15)
Transfers out	<u>(402,532)</u>	<u>(402,532)</u>	<u>(402,532)</u>	<u>-</u>	<u>(402,532)</u>	<u>-</u>
Net change in fund balances	-	37,906	124,167	-	124,167	86,261
Fund balances, October 1	<u>2,734</u>	<u>2,734</u>	<u>2,734</u>	<u>-</u>	<u>2,734</u>	<u>-</u>
Fund balances, September 30	<u>\$ 2,734</u>	<u>\$ 40,640</u>	<u>\$ 126,901</u>	<u>\$ -</u>	<u>\$ 126,901</u>	<u>\$ 86,261</u>

**Superdrome Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2011**

	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	\$ 54,000	\$ 9,000	\$ 6,361	\$ -	\$ 6,361	\$ (2,639)
Total revenues	<u>54,000</u>	<u>9,000</u>	<u>6,361</u>	<u>-</u>	<u>6,361</u>	<u>(2,639)</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	(26,004)	(71,004)	(73,643)	-	(73,643)	(2,639)
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	73,996	28,996	26,357	-	26,357	(2,639)
Fund balances, October 1	<u>1,661,306</u>	<u>1,661,306</u>	<u>1,661,306</u>	<u>-</u>	<u>1,661,306</u>	<u>-</u>
Fund balances, September 30	<u>\$ 1,735,302</u>	<u>\$ 1,690,302</u>	<u>\$ 1,687,663</u>	<u>\$ -</u>	<u>\$ 1,687,663</u>	<u>\$ (2,639)</u>

**Grants Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2011**

	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	\$ -	\$ -	\$ 8,540	\$ -	\$ 8,540	\$ 8,540
Grant income	1,315,000	2,071,527	965,762	-	965,762	(1,105,765)
Total revenues	<u>1,315,000</u>	<u>2,071,527</u>	<u>974,302</u>	<u>-</u>	<u>974,302</u>	<u>(1,097,225)</u>
EXPENDITURES:						
Current:						
General government	625,000	625,000	80,345	-	80,345	544,655
Public safety	705,475	876,047	393,343	-	393,343	482,704
Public works	-	50,000	48,425	-	48,425	1,575
Culture and recreation	37,000	37,000	19,497	-	19,497	17,503
Capital Outlay	-	538,968	537,753	-	537,753	1,215
Total expenditures	<u>1,367,475</u>	<u>2,127,015</u>	<u>1,079,363</u>	<u>-</u>	<u>1,079,363</u>	<u>1,047,652</u>
Deficiency of revenues under expenditures	<u>(52,475)</u>	<u>(55,488)</u>	<u>(105,061)</u>	<u>-</u>	<u>(105,061)</u>	<u>(49,573)</u>
OTHER FINANCING SOURCES:						
Transfers in	52,475	80,488	136,115	-	136,115	(55,627)
Transfers out	-	(25,000)	(31,054)	-	(31,054)	6,054
Total other financing sources (uses)	<u>52,475</u>	<u>55,488</u>	<u>105,061</u>	<u>-</u>	<u>105,061</u>	<u>(49,573)</u>
Net change in fund balances	-	-	-	-	-	-
Fund balances, October 1	-	-	-	-	-	-
Fund balances, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CDBG Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2011**

	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	\$ 504,244	\$ 256,512	\$ 360,969	\$ -	\$ 360,969	\$ 104,457
Miscellaneous	-	-	5,713	-	5,713	5,713
Total revenues	<u>504,244</u>	<u>256,512</u>	<u>366,682</u>	<u>-</u>	<u>366,682</u>	<u>110,170</u>
EXPENDITURES:						
Current:						
General government	504,244	256,512	366,682	-	366,682	(110,170)
Total expenditures	<u>504,244</u>	<u>256,512</u>	<u>366,682</u>	<u>-</u>	<u>366,682</u>	<u>(110,170)</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>

**Traffic Safety Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2011**

	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	\$ -	\$ 150,000	\$ 116,824	\$ -	\$ 116,824	\$ (33,176)
Interest	-	-	82	-	82	82
Total revenues	-	150,000	116,906	-	116,906	(33,094)
EXPENDITURES:						
Current:						
Public safety	-	99,838	96,345	-	96,345	3,493
Public works	-	44,000	25,000	-	25,000	19,000
Total expenditures	-	143,838	121,345	-	121,345	22,493
Excess (deficiency) of revenues over (under) expenditures	-	6,162	(4,439)	-	(4,439)	(10,601)
Net change in fund balances	-	6,162	(4,439)	-	(4,439)	(10,601)
Fund balances, October 1	58,338	58,338	58,338	-	58,338	-
Fund balances, September 30	\$ 58,338	\$ 64,500	\$ 53,899	\$ -	\$ 53,899	\$ (10,601)

**Frisco Square MMD Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2011**

	Budgeted Amounts		Actual on a	Adjustments-	Actual on a	Variance with
	Original	Final	GAAP	Budgetary	Budgetary	Final Budget -
			Basis	Basis	Basis	Positive
						(Negative)
REVENUES:						
Contributions, donations & grants	\$ 490,978	\$ 490,978	\$ 490,978	\$ -	\$ 490,978	\$ -
Total revenues	<u>490,978</u>	<u>490,978</u>	<u>490,978</u>	<u>-</u>	<u>490,978</u>	<u>-</u>
Excess of revenues over expenditures	<u>490,978</u>	<u>490,978</u>	<u>490,978</u>	<u>-</u>	<u>490,978</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):						
Transfers out	(490,978)	(503,362)	(503,362)	-	(503,362)	-
Total other financing sources (uses)	<u>(490,978)</u>	<u>(503,362)</u>	<u>(503,362)</u>	<u>-</u>	<u>(503,362)</u>	<u>-</u>
Net change in fund balances	-	(12,384)	(12,384)	-	(12,384)	-
Fund balances, October 1	<u>12,384</u>	<u>12,384</u>	<u>12,384</u>	<u>-</u>	<u>12,384</u>	<u>-</u>
Fund balances, September 30	<u>\$ 12,384</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, 2011**

	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	\$ 196,000	\$ 196,500	\$ 200,631	\$ -	\$ 200,631	\$ 4,131
Investment earnings	1,000	1,000	625	-	625	(375)
Total revenues	197,000	197,500	201,256	-	201,256	3,756
EXPENDITURES:						
Current:						
General government	63,564	93,708	71,601	-	71,601	22,107
Capital Outlay	-	7,406	7,406	-	7,406	-
Total expenditures	63,564	101,114	79,007	-	79,007	22,107
Excess of revenues over expenditures	133,436	96,386	122,249	-	122,249	25,863
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	25,436	(11,614)	14,249	-	14,249	25,863
Fund balances, October 1	462,942	462,942	462,942	-	462,942	-
Fund balances, September 30	\$ 488,378	\$ 451,328	\$ 477,191	\$ -	\$ 477,191	\$ 25,863

PEG Cable Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2011

	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	\$ -	\$ 300,000	\$ 288,525	\$ -	\$ 288,525	\$ (11,475)
Investment earnings	-	4,000	-	-	-	(4,000)
Total revenues	-	304,000	288,525	-	288,525	(15,475)
EXPENDITURES:						
Current:						
General government	-	-	9,349	-	9,349	(9,349)
Capital Outlay	-	36,529	28,022	-	28,022	8,507
Total expenditures	-	36,529	37,371	-	37,371	(842)
Excess of revenues over expenditures	-	267,471	251,154	-	251,154	(16,317)
OTHER FINANCING USES:						
Transfers in	-	213,396	213,396	-	213,396	-
Total other financing sources (uses)	-	213,396	213,396	-	213,396	-
Net change in fund balances	-	480,867	464,550	-	464,550	(16,317)
Fund balances, October 1	-	-	-	-	-	-
Fund balances, September 30	\$ -	\$ 480,867	\$ 464,550	\$ -	\$ 464,550	\$ (16,317)

**Capital Reserve Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2011**

	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	\$ 329,875	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	6,000	3,600	7,030	-	7,030	3,430
Total revenues	<u>335,875</u>	<u>3,600</u>	<u>7,030</u>	<u>-</u>	<u>7,030</u>	<u>3,430</u>
EXPENDITURES:						
Capital outlay	<u>302,961</u>	<u>496,936</u>	<u>354,234</u>	<u>-</u>	<u>354,234</u>	<u>142,702</u>
Total expenditures	<u>302,961</u>	<u>496,936</u>	<u>354,234</u>	<u>-</u>	<u>354,234</u>	<u>142,702</u>
Excess (deficiency) of revenues over (under) expenditures	<u>32,914</u>	<u>(493,336)</u>	<u>(347,204)</u>	<u>-</u>	<u>(347,204)</u>	<u>146,132</u>
OTHER FINANCING USES:						
Transfers in	-	1,385,202	1,385,202	-	1,385,202	-
Transfers out	-	(213,396)	(213,396)	-	(213,396)	-
Total other financing sources (uses)	<u>-</u>	<u>1,171,806</u>	<u>1,171,806</u>	<u>-</u>	<u>1,171,806</u>	<u>-</u>
Net change in fund balances	32,914	678,470	824,602	-	824,602	146,132
Fund balances, October 1	<u>990,049</u>	<u>990,049</u>	<u>990,049</u>	<u>-</u>	<u>990,049</u>	<u>-</u>
Fund balances, September 30	<u>\$ 1,022,963</u>	<u>\$ 1,668,519</u>	<u>\$ 1,814,651</u>	<u>\$ -</u>	<u>\$ 1,814,651</u>	<u>\$ 146,132</u>

**Impact Fees Fund Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Fiscal Year Ended September 30, 2011**

	Budgeted Amounts		Actual on a GAAP Basis	Adjustments- Budgetary Basis	Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final				
REVENUES:						
Special assessments	\$ -	\$ 2,556,366	\$ 3,575,106	\$ -	\$ 3,575,106	\$ 1,018,740
Investment earnings	-	43,000	37,270	-	37,270	(5,730)
Total revenues	-	2,599,366	3,612,376	-	3,612,376	1,013,010
 OTHER FINANCING USES:						
Transfers out	-	(500,000)	(663,393)	-	(663,393)	(163,393)
Total other financing sources (uses)	-	(500,000)	(663,393)	-	(663,393)	(163,393)
 Net change in fund balances	-	2,099,366	2,948,983	-	2,948,983	849,617
 Fund balances, October 1	11,639,014	11,639,014	11,639,014	-	11,639,014	-
Fund balances, September 30	\$ 11,639,014	\$ 13,738,380	\$ 14,587,997	\$ -	\$ 14,587,997	\$ 849,617

NON-MAJOR PROPRIETARY FUNDS

Proprietary funds charge customers directly for certain services it provides.

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

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

Statement of Net Assets
Non-major Proprietary Funds
September 30, 2011

	Business-type Activities Enterprise Funds		
	Stormwater Drainage	Environmental Services	Non-major Proprietary Fund Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 985,136	\$ 4,843,518	\$ 5,828,654
Receivables - (net of allowance for uncollectibles):			
Other	-	30,735	30,735
Prepays	-	350	350
Total current assets	<u>985,136</u>	<u>4,874,603</u>	<u>5,859,739</u>
Noncurrent assets:			
Capital assets:			
Buildings and improvements	-	116,284	116,284
Improvements other than buildings	-	92,190	92,190
Machinery and equipment	44,831	216,169	261,000
Accumulated depreciation	<u>(1,937)</u>	<u>(174,794)</u>	<u>(176,731)</u>
Total capital assets (net of accumulated depreciation)	<u>42,894</u>	<u>249,849</u>	<u>292,743</u>
Total noncurrent assets	<u>42,894</u>	<u>249,849</u>	<u>292,743</u>
Total assets	<u><u>\$ 1,028,030</u></u>	<u><u>\$ 5,124,452</u></u>	<u><u>\$ 6,152,482</u></u>

	Business-type Activities Enterprise Funds		
	Stormwater Drainage	Environmental Services	Non-major Proprietary Fund Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 81,990	\$ 744,492	\$ 826,482
Accrued liabilities	8,455	11,573	20,028
Liability for compensated absences	23,760	43,954	67,714
	<u>114,205</u>	<u>800,019</u>	<u>914,224</u>
Noncurrent liabilities:			
Liability for compensated absences	10,422	22,082	32,504
	<u>10,422</u>	<u>22,082</u>	<u>32,504</u>
Total noncurrent liabilities	<u>10,422</u>	<u>22,082</u>	<u>32,504</u>
Total liabilities	<u>124,627</u>	<u>822,101</u>	<u>946,728</u>
NET ASSETS			
Invested in capital assets, net of related debt	42,894	249,849	292,743
Unrestricted	<u>860,509</u>	<u>4,052,502</u>	<u>4,913,011</u>
Total	<u>903,403</u>	<u>4,302,351</u>	<u>5,205,754</u>
Total net assets	<u>\$ 903,403</u>	<u>\$ 4,302,351</u>	<u>\$ 5,205,754</u>



PROGRESS IN MOTION

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Non-major Proprietary Funds
For the Fiscal Year Ended September 30, 2011

	Business-type Activities Enterprise Funds		Non-major
	Stormwater Drainage	Environmental Services	Proprietary Fund Total
OPERATING REVENUES:			
Charges for sales and services:			
Sanitation charges	\$ -	\$ 9,693,578	\$ 9,693,578
Stormwater drainage fees	1,317,238	-	1,317,238
Miscellaneous	-	11,420	11,420
Total operating revenues	<u>1,317,238</u>	<u>9,704,998</u>	<u>11,022,236</u>
OPERATING EXPENSES:			
Cost of sales and services	-	7,871,684	7,871,684
Administration	955,018	898,546	1,853,564
Depreciation	<u>1,937</u>	<u>39,600</u>	<u>41,537</u>
Total operating expenses	<u>956,955</u>	<u>8,809,830</u>	<u>9,766,785</u>
Operating income	<u>360,283</u>	<u>895,168</u>	<u>1,255,451</u>
NONOPERATING REVENUES:			
Interest revenue	1,071	503	1,574
Contributions, grants	-	96,646	96,646
Total nonoperating revenues	<u>1,071</u>	<u>97,149</u>	<u>98,220</u>
Income before transfers	361,354	992,317	1,353,671
TRANSFERS:			
Transfers out	<u>(140,996)</u>	<u>(554,891)</u>	<u>(695,887)</u>
Total transfers	<u>(140,996)</u>	<u>(554,891)</u>	<u>(695,887)</u>
Change in net assets	220,358	437,426	657,784
Total net assets, beginning	<u>683,045</u>	<u>3,864,925</u>	<u>4,547,970</u>
Total net assets, ending	<u>\$ 903,403</u>	<u>\$ 4,302,351</u>	<u>\$ 5,205,754</u>

Statement of Cash Flows
Non-major Proprietary Funds
For the Fiscal Year Ended September 30, 2011

	Business-type Activities Enterprise Funds		
	Stormwater Drainage	Environmental Services	Non-major Proprietary Fund Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,317,238	\$ 10,099,900	\$ 11,417,138
Cash payments to suppliers for goods and services	(582,656)	(7,787,798)	(8,370,454)
Cash payments to employees for services	(435,912)	(672,873)	(1,108,785)
Other receipts	-	11,420	11,420
Net cash provided by operating activities	<u>298,670</u>	<u>1,650,649</u>	<u>1,949,319</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers made to other funds	(140,996)	(554,891)	(695,887)
Net cash provided/(used) by noncapital financing activities	<u>(140,996)</u>	<u>(554,891)</u>	<u>(695,887)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(44,831)	(98,104)	(142,935)
Intergovernmental receipts for capital construction	-	149,660	149,660
Net cash (used) by capital and related financing activities	<u>(44,831)</u>	<u>51,556</u>	<u>6,725</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	<u>1,071</u>	<u>503</u>	<u>1,574</u>
Net cash provided by investing activities	<u>1,071</u>	<u>503</u>	<u>1,574</u>
Net increase in cash and cash equivalents	113,914	1,147,817	1,261,731
Cash and cash equivalents, October 1	<u>871,222</u>	<u>3,695,701</u>	<u>4,566,923</u>
Cash and cash equivalents, September 30	<u>\$ 985,136</u>	<u>\$ 4,843,518</u>	<u>\$ 5,828,654</u>
Classified as:			
Current assets	<u>\$ 985,136</u>	<u>\$ 4,843,518</u>	<u>\$ 5,828,654</u>
Total	<u>\$ 985,136</u>	<u>\$ 4,843,518</u>	<u>\$ 5,828,654</u>

	Business-type Activities Enterprise Funds		
	Stormwater Drainage	Environmental Services	Non-major Proprietary Fund Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 360,283	\$ 895,168	\$ 1,255,451
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,937	39,600	41,537
Change in assets and liabilities:			
(Increase) decrease in-			
Receivables - other	-	406,322	406,322
Prepaid expenses and other assets	-	(350)	(350)
Increase (decrease) in-			
Accounts payable	(35,876)	346,600	310,724
Accrued liabilities	(10,298)	(23,735)	(34,033)
Liability for compensated absences	(17,376)	(12,956)	(30,332)
Deposits	-	-	-
Total adjustments	(61,613)	755,481	693,868
Net cash provided by operating activities	\$ 298,670	\$ 1,650,649	\$ 1,949,319



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, 2011**

	Community Development Corporation	Economic Development Corporation	Charitable Foundation	Total Component Units
ASSETS				
Cash and cash equivalents	\$ 5,535,478	\$ 11,496,313	\$ 18,767	\$ 17,050,558
Investments	999,300	1,999,000	-	2,998,300
Receivables (net of allowances for uncollectibles):				
Sales tax	1,981,687	1,981,687	-	3,963,374
Other	29,497	1,318	-	30,815
Intergovernmental receivable	1,000,000	-	-	1,000,000
Prepays	-	24,086	-	24,086
Notes receivable	-	2,788,803	-	2,788,803
Restricted assets:				
Cash and cash equivalents	-	1,975,126	-	1,975,126
Total assets	<u>\$ 9,545,962</u>	<u>\$ 20,266,333</u>	<u>\$ 18,767</u>	<u>\$ 29,831,062</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 254,544	\$ 1,389,471	\$ -	\$ 1,644,015
Accrued liabilities	-	14,921	-	14,921
Deposits	63,237	-	-	63,237
Unearned revenue	19,966	-	-	19,966
Total liabilities	<u>337,747</u>	<u>1,404,392</u>	<u>-</u>	<u>1,742,139</u>
Fund balances:				
Non spendable	-	24,086	-	24,086
Restricted for debt service	-	1,975,126	-	1,975,126
Unassigned	9,208,215	16,862,729	18,767	26,089,711
Total fund balances	<u>9,208,215</u>	<u>18,861,941</u>	<u>18,767</u>	<u>28,088,923</u>
Total liabilities and fund balances	<u>\$ 9,545,962</u>	<u>\$ 20,266,333</u>	<u>\$ 18,767</u>	<u>\$ 29,831,062</u>

Statement of Revenues, Expenditures, and Changes in Fund Balances
Component Units
For the Fiscal Year Ended September 30, 2011

	<u>Community Development Corporation</u>	<u>Economic Development Corporation</u>	<u>Charitable Foundation</u>	<u>Total Component Units</u>
REVENUES:				
Taxes:				
Sales	\$ 10,926,143	\$ 10,926,143	\$ -	\$ 21,852,286
Investment earnings	9,861	61,258	-	71,119
Contributions and donations	-	8,336	1,344	9,680
Rents	632,314	-	-	632,314
Miscellaneous	178	26,363	-	26,541
Total revenues	<u>11,568,496</u>	<u>11,022,100</u>	<u>1,344</u>	<u>22,591,940</u>
EXPENDITURES:				
Current:				
General government	2,240,787	7,204,362	-	9,445,149
Culture and recreation	-	-	606	606
Capital outlay	20,347,620	528,094	-	20,875,714
Debt service:				
Principal retirement	2,774,228	1,029,228	-	3,803,456
Interest and fiscal charges	2,631,267	1,416,917	-	4,048,184
Total expenditures	<u>27,993,902</u>	<u>10,178,601</u>	<u>606</u>	<u>38,173,109</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(16,425,406)</u>	<u>843,499</u>	<u>738</u>	<u>(15,581,169)</u>
 OTHER FINANCING SOURCES (USES):				
Proceeds from loans	15,000,000	-	-	15,000,000
Proceeds from issuance of debt	675,000	-	-	675,000
Premium on debt issued	84,203	-	-	84,203
Payment to refunded note escrow agent	(718,251)	-	-	(718,251)
Proceeds from sale of assets	1,000,000	-	-	1,000,000
Total other financing sources	<u>16,040,952</u>	<u>-</u>	<u>-</u>	<u>16,040,952</u>
Net change in fund balances	(384,454)	843,499	738	459,783
 Fund balances, beginning	<u>9,592,669</u>	<u>18,018,442</u>	<u>18,029</u>	<u>27,629,140</u>
Fund balances, ending	<u>\$ 9,208,215</u>	<u>\$ 18,861,941</u>	<u>\$ 18,767</u>	<u>\$ 28,088,923</u>

**Reconciliation of the Balance Sheet of Component Units
to the Statement of Net Assets
September 30, 2011**

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

Total fund balances per balance sheet	\$ 28,088,923
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	101,236,779
Other assets are not available to pay for current-period expenditures	844,228
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	10,490,061
Notes payable	70,558,859
Accrued interest payable	556,274
Compensated absences	94,755
Total long-term liabilities	<u>81,699,949</u> (81,699,949)
Total net assets - component units	<u>\$ 48,469,981</u>

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Component Units
to the Statement of Activities
For the Year Ended September 30, 2011**

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

Net change in fund balances - total component units	\$ 459,783
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.	18,450,341
Revenues in the fund statements that are not reported in the statement of activities. This adjustment reflects the book value of assets sold during the year.	(1,000,000)
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.	(11,232,691)
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.	57,413
Change in net assets of component units	<u>\$ 6,734,846</u>

Statistical Section



"The Three Muses of Frisco" by Michael Pavlovsky



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

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

*9/30/2003 GASB 34 implementation - prior years not calculated

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 615,420,114	\$ 643,480,213	\$ 671,496,754	\$ 692,866,635	\$ 695,681,506	\$ 703,694,806
9,555,354	110,245	1,853,404	2,212,955	3,639,371	3,058,450
<u>17,126,933</u>	<u>33,040,763</u>	<u>37,781,532</u>	<u>50,009,668</u>	<u>51,210,647</u>	<u>53,739,744</u>
<u>642,102,401</u>	<u>676,631,221</u>	<u>711,131,690</u>	<u>745,089,258</u>	<u>750,531,524</u>	<u>760,493,000</u>
144,054,388	149,242,962	149,162,147	166,215,616	172,641,414	173,946,035
4,180,849	7,484,394	9,609,318	9,649,359	10,271,078	11,751,675
<u>19,876,778</u>	<u>17,654,124</u>	<u>23,909,576</u>	<u>17,281,722</u>	<u>16,064,340</u>	<u>27,891,529</u>
<u>168,112,015</u>	<u>174,381,480</u>	<u>182,681,041</u>	<u>193,146,697</u>	<u>198,976,832</u>	<u>213,589,239</u>
759,474,502	792,723,175	820,658,901	859,082,251	868,322,920	877,640,841
13,736,203	7,594,639	11,462,722	11,862,314	13,910,449	14,810,125
<u>37,003,711</u>	<u>50,694,887</u>	<u>61,691,108</u>	<u>67,291,390</u>	<u>67,274,987</u>	<u>81,631,273</u>
<u>\$ 810,214,416</u>	<u>\$ 851,012,701</u>	<u>\$ 893,812,731</u>	<u>\$ 938,235,955</u>	<u>\$ 949,508,356</u>	<u>\$ 974,082,239</u>

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

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

*9/30/2003 GASB 34 implementation - prior years not calculated

2007	2008	2009	2010	2011
\$ 29,994,595	\$ 32,031,040	\$ 33,435,845	\$ 39,103,949	\$ 39,620,057
28,864,662	36,029,122	37,753,602	39,622,158	40,962,287
20,105,809	24,949,230	25,695,126	26,125,366	27,636,526
9,208,157	18,364,488	21,064,820	22,620,217	25,458,162
21,350,184	21,952,776	24,946,889	23,020,033	22,215,090
<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>
36,848,896	43,797,287	45,525,827	48,130,980	47,539,765
6,482,619	7,298,630	7,922,296	8,662,866	9,766,785
-	-	-	-	-
<u>43,331,515</u>	<u>51,095,917</u>	<u>53,448,123</u>	<u>56,793,846</u>	<u>57,306,550</u>
<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>
\$ 11,708,064	\$ 15,355,136	\$ 13,222,484	\$ 15,049,663	\$ 13,195,345
1,998,036	2,576,479	1,573,803	1,498,179	2,245,461
-	37,598	-	-	20,938
1,291,128	3,651,915	4,083,430	4,009,097	4,320,363
2,302,584	563,840	1,906,180	3,135,919	3,297,331
<u>21,907,728</u>	<u>31,671,071</u>	<u>40,895,760</u>	<u>15,462,749</u>	<u>22,940,561</u>
<u>39,207,540</u>	<u>53,856,039</u>	<u>61,681,657</u>	<u>39,155,607</u>	<u>46,019,999</u>
30,224,108	34,290,262	37,939,611	44,165,615	52,679,778
7,865,780	8,579,038	9,109,124	10,474,914	11,022,236
-	-	-	-	-
71,500	-	10,700	84,020	111,317
<u>8,580,354</u>	<u>12,681,427</u>	<u>15,667,028</u>	<u>7,857,024</u>	<u>8,420,269</u>
<u>46,741,742</u>	<u>55,550,727</u>	<u>62,726,463</u>	<u>62,581,573</u>	<u>72,233,600</u>
<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>
\$ (70,315,867)	\$ (79,470,617)	\$ (81,214,625)	\$ (111,336,116)	\$ (109,872,123)
3,410,227	4,454,810	9,278,340	5,787,727	14,927,050
<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>
\$ 49,160,038	\$ 58,304,707	\$ 61,909,279	\$ 65,648,801	\$ 64,673,844
18,988,310	19,794,826	18,753,757	20,068,824	21,852,287
6,018,858	6,892,396	6,707,813	7,198,697	8,367,733
2,624,159	3,030,953	2,759,301	3,063,544	3,519,660
16,661,958	19,083,975	19,119,575	19,604,935	20,389,441
10,041,364	7,099,229	3,251,634	629,661	512,756
-	-	-	-	-
<u>1,350,000</u>	<u>(235,000)</u>	<u>385,309</u>	<u>563,920</u>	<u>517,878</u>
<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>
-	-	110,000	242,151	97,000
4,154,026	3,604,751	1,462,625	324,377	106,235
55,212	5,000	-	39,800	-
<u>(1,350,000)</u>	<u>235,000</u>	<u>(385,309)</u>	<u>(563,920)</u>	<u>(517,878)</u>
<u>2,859,238</u>	<u>3,844,751</u>	<u>1,187,316</u>	<u>42,408</u>	<u>(314,643)</u>
<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>
34,528,820	34,500,469	31,672,043	5,442,266	9,961,476
6,269,465	8,299,561	10,465,656	5,830,135	14,612,407
<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>



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

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

*9/30/2003 GASB 34 implementation - prior years not calculated

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General fund				
Non spendable	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-
Reserved	352,256	329,336	364,469	467,494
Unreserved/Unassigned	<u>16,395,167</u>	<u>17,810,069</u>	<u>18,141,517</u>	<u>22,155,131</u>
Total general fund	<u>16,747,423</u>	<u>18,139,405</u>	<u>18,505,986</u>	<u>22,622,625</u>
 All other governmental funds				
Reserved	27,930,002	15,732,945	119,401,949	66,056,426
Unreserved, reported in:				
Special revenue funds	1,328,730	4,140,786	1,708,168	2,865,902
Capital project funds	43,831,776	181,877,071	67,610,681	87,722,925
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>\$ 73,090,508</u>	<u>\$ 201,750,802</u>	<u>\$ 188,720,798</u>	<u>\$ 156,645,253</u>

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

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

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010*</u>	<u>2011 **</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 469,884
-	-	-	-	2,553,709	2,013,924
708,600	1,271,021	725,711	579,841	713,228	-
<u>21,685,496</u>	<u>21,301,441</u>	<u>23,356,833</u>	<u>24,526,272</u>	<u>22,489,654</u>	<u>25,386,041</u>
<u>22,394,096</u>	<u>22,572,462</u>	<u>24,082,544</u>	<u>25,106,113</u>	<u>25,756,591</u>	<u>27,869,849</u>
38,022,656	36,281,543	59,450,155	22,839,763	25,867,177	-
2,031,763	3,151,419	3,986,611	4,760,856	7,508,535	-
110,481,371	111,387,226	101,301,111	91,421,584	68,304,669	-
-	-	-	-	-	343,449
-	-	-	-	-	3,452,399
-	-	-	-	-	79,585,306
-	-	-	-	-	3,013,592
-	-	-	-	-	1,814,651
-	-	-	-	-	2,552,517
-	-	-	-	-	4,928,511
<u>\$ 150,535,790</u>	<u>\$ 150,820,188</u>	<u>\$ 164,737,877</u>	<u>\$ 119,022,203</u>	<u>\$ 101,680,381</u>	<u>\$ 95,690,425</u>

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

	Fiscal				
	2002	2003	2004	2005	2006
Revenues					
Taxes					
Property	\$ 16,137,694	\$ 18,618,168	\$ 28,654,717	\$ 32,464,771	\$ 40,106,497
Sales	9,393,201	12,037,581	13,137,975	14,847,090	17,992,638
Franchise	2,346,814	3,775,702	3,973,444	4,316,321	5,515,545
Hotel/motel	735,539	887,061	1,050,188	1,343,131	2,026,326
Other	216,910	260,769	316,471	280,761	371,015
Licenses and permits	6,950,947	8,069,308	9,247,051	10,257,085	10,873,516
Public safety	1,272,828	1,129,180	1,443,744	1,502,237	1,650,490
Intergovernmental	5,937,230	12,993,910	10,593,779	10,214,773	12,128,338
Charges for services	324,277	1,349,437	2,181,420	2,538,854	3,406,470
Fines	588,719	819,951	797,130	934,317	1,391,461
Special assessments	3,349,252	1,704,027	4,033,411	2,458,738	6,716,984
Rents	-	-	-	-	-
Investment earnings	2,317,850	1,526,677	2,649,441	5,570,513	8,961,266
Contributions and donations	4,004,156	5,993,891	494,825	25,160,535	16,533,635
Payments from component units	547,310	-	3,790,224	2,633,326	6,916,727
Miscellaneous	931,507	869,309	3,923,241	4,205,644	5,273,987
Total revenues	<u>55,054,234</u>	<u>70,034,971</u>	<u>86,287,061</u>	<u>118,728,096</u>	<u>139,864,895</u>
Expenditures					
Current:					
General government	15,441,093	15,533,716	16,153,108	19,800,354	24,763,382
Public safety	10,343,563	13,240,048	15,228,290	17,547,756	22,208,711
Public works	2,436,197	2,722,869	3,114,277	3,541,999	4,900,857
Culture & recreation	2,334,728	3,065,134	3,683,294	4,236,467	5,278,501
Payments to component units	-	-	-	-	10,103,418
Capital outlay	52,956,434	81,383,430	62,944,186	130,924,773	102,551,930
Debt Service:					
Principal retirement	3,536,612	3,492,320	10,034,417	11,230,123	15,513,701
Interest and fiscal charges	7,308,246	9,136,489	17,192,597	18,512,899	21,361,575
Total expenditures	<u>94,356,873</u>	<u>128,574,006</u>	<u>128,350,169</u>	<u>205,794,371</u>	<u>206,682,075</u>
Excess (deficiency) of revenues over (under) expenditures	(39,302,639)	(58,539,035)	(42,063,108)	(87,066,275)	(66,817,180)
Other financing sources (uses)					
Bonds issued	77,533,947	188,555,331	27,142,511	73,019,497	60,436,784
Refunding bonds issued	-	-	4,741,767	7,850,000	-
Premium on bonds issued	-	-	-	-	-
Discount on bonds issued	-	-	-	-	-
Payment to refunded debt escrow	-	-	(3,881,604)	(8,485,187)	-
Notes issued	-	-	-	-	-
Proceeds from sale of assets	-	-	595,859	-	42,404
Transfers in	16,246,659	15,157,840	26,345,290	25,560,975	39,521,069
Transfers out	(16,724,991)	(15,121,860)	(25,544,138)	(23,837,916)	(39,521,069)
Total other financing sources (uses)	<u>77,055,615</u>	<u>188,591,311</u>	<u>29,399,685</u>	<u>74,107,369</u>	<u>60,479,188</u>
Net change in fund balances	<u>\$ 37,752,976</u>	<u>\$ 130,052,276</u>	<u>\$ (12,663,423)</u>	<u>\$ (12,958,906)</u>	<u>\$ (6,337,992)</u>
Debt service as a percentage of noncapital expenditures	26%	27%	42%	40%	35%

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

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Hotel/motel
2002	\$ 16,137,694	\$ 9,393,201	\$ 2,346,814	\$ 735,539
2003	18,618,168	12,037,581	3,775,702	887,061
2004	28,654,717	13,137,975	3,973,444	1,050,188
2005	32,464,771	14,847,090	4,316,321	1,343,131
2006	40,106,497	17,992,638	5,515,545	2,026,326
2007	48,919,082	18,988,310	6,018,858	2,257,756
2008	57,670,279	19,794,826	6,892,396	2,601,775
2009	62,431,502	18,753,757	6,984,008	2,345,312
2010	65,260,020	20,068,824	7,198,697	2,607,869
2011	65,225,685	21,852,287	8,040,529	2,998,817

Year					
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	48,919,082	\$ 57,670,279	\$ 62,431,502	\$ 65,260,020	\$ 65,225,685
	18,988,310	19,794,826	18,753,757	20,068,824	21,852,287
	6,018,858	6,892,396	6,984,008	7,198,697	8,040,529
	2,257,756	2,601,775	2,345,312	2,607,869	2,998,817
	366,403	429,178	413,989	455,675	520,843
	7,147,717	6,074,099	3,906,925	5,015,450	5,639,747
	1,998,036	2,576,479	1,547,934	1,467,233	1,776,904
	12,904,324	13,620,779	23,414,535	17,838,372	30,553,540
	4,043,473	6,899,517	7,468,145	9,262,788	4,589,867
	1,808,002	2,130,759	3,160,308	2,322,987	2,409,391
	4,407,098	5,754,513	4,179,588	2,992,455	3,826,456
	-	-	-	-	5,125,754
	10,109,906	7,112,564	3,265,769	651,464	526,553
	2,370,703	5,544,704	1,185,489	4,710,837	3,134,166
	3,767,180	5,463,196	3,710,160	3,447,798	8,044,723
	<u>5,958,013</u>	<u>5,661,793</u>	<u>5,761,700</u>	<u>4,527,655</u>	<u>208,477</u>
	<u>131,064,861</u>	<u>148,226,857</u>	<u>148,529,121</u>	<u>147,828,124</u>	<u>164,473,739</u>
	26,899,968	28,699,100	30,584,122	32,993,441	31,330,645
	26,476,558	31,932,293	32,886,018	34,967,535	36,820,094
	5,633,499	6,651,888	6,456,242	6,176,062	6,283,161
	6,674,557	10,587,558	12,234,850	12,382,180	14,616,069
	7,460,043	-	-	4,612,589	-
	71,214,884	83,384,202	61,701,918	32,685,414	38,217,173
	19,273,917	21,074,352	22,828,537	23,641,668	25,528,456
	<u>22,617,004</u>	<u>25,783,542</u>	<u>27,005,575</u>	<u>25,350,941</u>	<u>24,934,400</u>
	<u>186,250,430</u>	<u>208,112,935</u>	<u>193,697,262</u>	<u>172,809,830</u>	<u>177,729,998</u>
	(55,185,569)	(59,886,078)	(45,168,141)	(24,981,706)	(13,256,259)
	46,117,957	74,470,000	-	3,950,000	7,690,000
	46,530,000	-	-	24,680,000	101,855,000
	-	1,316,019	-	1,424,113	13,138,248
	-	(320,615)	-	(6,777)	(50,185)
	(47,765,554)	-	-	(27,586,336)	(113,810,055)
	7,550,834	-	-	5,187,549	-
	1,865,096	83,445	90,727	77,893	38,675
	25,504,304	20,361,365	20,729,438	22,618,138	22,813,526
	<u>(24,154,304)</u>	<u>(20,596,365)</u>	<u>(20,344,129)</u>	<u>(22,054,218)</u>	<u>(22,295,648)</u>
	<u>55,648,333</u>	<u>75,313,849</u>	<u>476,036</u>	<u>8,290,362</u>	<u>9,379,561</u>
\$	<u>462,764</u>	\$ <u>15,427,771</u>	\$ <u>(44,692,105)</u>	\$ <u>(16,691,344)</u>	\$ <u>(3,876,698)</u>
	36%	38%	38%	35%	36%

	<u>Other</u>	<u>Total</u>
\$	216,910	\$ 28,830,158
	260,769	35,579,281
	316,471	47,132,795
	280,761	53,252,074
	371,015	66,012,021
	366,403	76,550,409
	429,178	87,388,454
	413,989	90,928,568
	455,675	95,591,085
	520,843	98,638,161

**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>
2002	\$ 2,679,097	\$ 1,420,415	\$ 30,087	\$ 285,467	\$ 4,415,066
2003	3,425,195	1,683,849	27,567	360,294	5,496,905
2004	4,264,348	1,891,481	3,718	416,511	6,576,058
2005	5,060,546	2,268,377	3,347	448,381	7,780,651
2006	6,097,876	2,569,023	5,819	539,767	9,212,485
2007	7,457,781	3,009,908	7,147	621,632	11,096,468
2008	8,809,276	3,442,164	9,174	719,491	12,980,105
2009	9,455,918	4,162,002	9,877	788,019	14,415,816
2010	9,604,450	4,401,646	6,973	835,611	14,848,680
2011	9,854,038	4,235,693	6,780	731,659	14,828,170

<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>
\$ 118,504	\$ 4,296,562	\$ 0.36700	\$ 4,296,562	100%
159,199	5,337,706	0.33705	5,337,706	100%
206,114	6,369,944	0.43200	6,369,944	100%
302,774	7,477,877	0.42296	7,477,877	100%
413,075	8,799,410	0.44489	8,799,410	100%
496,520	10,599,948	0.45000	10,599,948	100%
549,478	12,430,627	0.45000	12,430,627	100%
792,275	13,623,541	0.45000	13,623,541	100%
954,862	13,893,818	0.46500	13,893,818	100%
1,036,907	13,791,263	0.46500	13,791,263	100%

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>
2002	0.254520	0.112480	0.36700	0.197370	0.052630	0.2500	1.1600	0.2800	1.4400
2003	0.241559	0.095491	0.33705	0.196100	0.053900	0.2500	1.2375	0.2600	1.4975
2004	0.225954	0.206046	0.43200	0.199630	0.050370	0.2500	1.2775	0.2400	1.5175
2005	0.221720	0.201240	0.42296	0.196050	0.053950	0.2500	1.2775	0.2800	1.5575
2006	0.221721	0.223172	0.44489	0.199680	0.050320	0.2500	1.3200	0.3100	1.6300
2007	0.226370	0.223630	0.45000	0.194690	0.050310	0.2450	1.2100	0.3700	1.5800
2008	0.233152	0.216848	0.45000	0.191640	0.053369	0.2450	0.9600	0.3900	1.3500
2009	0.240721	0.209279	0.45000	0.184260	0.058240	0.2425	1.0000	0.3700	1.3700
2010	0.261882	0.203118	0.46500	0.187080	0.055420	0.2425	1.0000	0.3900	1.3900
2011	0.261732	0.203268	0.46500	0.176050	0.063950	0.2400	1.0000	0.4200	1.4200

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>
2002	0.254520	0.112480	0.36700	0.210540	0.038430	0.24897	1.1600	0.2800	1.4400
2003	0.241559	0.095491	0.33705	0.213430	0.033740	0.24717	1.2375	0.2600	1.4975
2004	0.225954	0.206046	0.43200	0.219080	0.035720	0.25480	1.2775	0.2400	1.5175
2005	0.221720	0.201240	0.42296	0.204810	0.041670	0.24648	1.2775	0.2800	1.5575
2006	0.221721	0.223172	0.44489	0.192790	0.039130	0.23192	1.3200	0.3100	1.6300
2007	0.226370	0.223630	0.45000	0.183830	0.052060	0.23589	1.2100	0.3700	1.5800
2008	0.233152	0.216848	0.45000	0.184430	0.051340	0.23577	0.9600	0.3900	1.3500
2009	0.240721	0.209279	0.45000	0.187730	0.062070	0.24980	1.0000	0.3700	1.3700
2010	0.261882	0.203118	0.46500	0.199900	0.074000	0.27390	1.0000	0.3900	1.3900
2011	0.261732	0.203268	0.46500	0.205657	0.071700	0.27736	1.0000	0.4200	1.4200

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	0.0128	0.0928	1.4529	0.3080	1.7609	2.14984	2.47074
0.0800	0.0119	0.0919	1.5000	0.3199	1.8199	2.17645	2.49885
0.0800	0.0119	0.0919	1.5000	0.4515	1.9515	2.29143	2.72543
0.0800	0.0106	0.0906	1.5000	0.4753	1.9753	2.32111	2.73892
0.0800	0.0094	0.0894	1.3700	0.4300	1.8000	2.41432	2.58432
0.0800	0.0077	0.0877	1.1700	0.5000	1.6700	2.36268	2.45268
0.0800	0.0070	0.0870	1.1700	0.5000	1.6700	2.13199	2.45199
0.0800	0.0065	0.0865	1.1500	0.4900	1.6400	2.14899	2.41899
0.0800	0.0063	0.0863	1.1300	0.5000	1.6300	2.18380	2.42380
0.0800	0.0063	0.0863	1.1700	0.5000	1.6700	2.21130	2.46130

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	1.274800	0.436400	1.71120	2.05597	2.38597	2.32717
1.500000	0.270000	1.77000	1.349000	0.381000	1.73000	2.08172	2.35422	2.31422
1.500000	0.270000	1.77000	1.470000	0.350000	1.82000	2.20430	2.45680	2.50680
1.500000	0.270000	1.77000	1.490000	0.350000	1.84000	2.22694	2.43944	2.50944
1.330000	0.310000	1.64000	1.361000	0.379000	1.74000	2.30681	2.31681	2.41681
1.040000	0.330000	1.37000	1.030000	0.430000	1.46000	2.26589	2.05589	2.14589
1.040000	0.340000	1.38000	1.040000	0.490000	1.53000	2.03577	2.06577	2.21577
1.040000	0.368700	1.40870	1.040000	0.500000	1.54000	2.06980	2.10850	2.23980
1.040000	0.386700	1.42670	1.040000	0.500000	1.54000	2.12890	2.16560	2.27890
1.040000	0.386700	1.42670	1.040000	0.500000	1.54000	2.16236	2.16906	2.28236



PROGRESS IN MOTION

Principal Taxpayers
Current Year and Nine Years Ago
September 30, 2011
(Unaudited)

<u>Taxpayer</u>	2011			2002		
	<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	\$ 226,514,276	1	1.67%	\$ 138,027,924	1	3.21%
BPR Shopping Center LP	116,000,000	2	0.86%	101,583,029	2	2.37%
Tenet Frisco Ltd	82,472,724	3	0.61%			
HRT Properties of Texas LTD	78,149,637	4	0.58%			
Hall Office Portfolio DB LLC	52,000,000	5	0.38%	22,389,333	10	0.52%
Specified Properties	51,051,750	6	0.38%	-		
HR Acquisition of San Antonio LTD	49,008,267	7	0.36%			
Wells Core Reit - 7624/7668 Warren LLC	43,900,000	8	0.32%			
IKEA Property Inc.	40,680,000	9	0.30%	-		
CRP Cypress Lake LP	38,444,846	10	0.28%	-		
Texas Utilities Electric, Co.	-			26,521,726	3	0.62%
DRJ Frisco Lands LP				25,136,865	4	0.59%
Conine- St Charles Ltd	-			24,268,023	5	0.56%
Vintage Legacy Lakes National				23,676,182	6	0.55%
RJW Interests LP	-			23,354,758	7	0.54%
Sedona Springs 1 Ltd	-			23,285,385	8	0.54%
FPC Vineyards Apartments LTD				22,913,000	9	0.53%
	<u>\$ 778,221,500</u>		<u>5.74%</u>	<u>\$ 431,156,225</u>		<u>6.74%</u>

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>	
2002	\$ 16,088,608	\$ 15,860,706	98.6%	\$ 226,626
2003	18,301,462	18,054,281	98.6%	245,753
2004	28,218,654	28,011,225	99.3%	203,117
2005	32,012,029	31,741,805	99.2%	247,673
2006	39,779,023	39,304,506	98.8%	431,196
2007	48,536,512	47,643,803	98.2%	822,550
2008	57,086,399	55,805,155	97.8%	1,188,008
2009	62,013,959	61,279,520	98.8%	642,825
2010	65,218,703	64,473,212	99.4%	212,251
2011	64,129,371	63,720,218	99.4%	-

(1) Includes Rollback Tax Collections each year:

2002	330,993
2003	320,355
2004	734,533
2005	405,206
2006	622,976
2007	778,465
2008	1,081,586
2009	693,764
2010	233,345
2011	970,168

Total Collections to Date		
	<u>Amount</u>	<u>Percentage to Levy</u>
\$	16,087,332	100.0%
	18,300,034	100.0%
	28,214,342	100.0%
	31,989,478	99.9%
	39,735,702	99.9%
	48,466,353	99.9%
	56,993,163	99.8%
	61,922,345	99.9%
	64,473,212	99.4%
	63,720,218	99.4%

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

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

*9/30/2003 GASB 34 implementation - prior years not calculated

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

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

<u>Fiscal Year</u>	<u>Population</u>	(1)	<u>Assessed Value</u>	(2)	<u>General Obligation Bonded Debt</u>	(3)	<u>Less Debt Service Funds</u>
2002	50,550		4,296,619,568		46,361,800		188,903
2003	61,175		5,337,706,413		134,602,600		278,714
2004	71,952		6,369,944,302		161,719,038		1,188,845
2005	80,520		7,477,576,864		216,819,890		1,137,861
2006	90,598		8,799,410,369		258,584,999		1,447,884
2007	97,280		10,557,426,103		316,545,000		2,408,479
2008	101,524		12,448,613,236		330,070,000		3,897,639
2009	106,036		13,591,826,586		317,120,000		3,582,382
2010	116,989		13,958,027,112		305,430,000		3,156,010
2011	122,822		13,660,904,974		344,165,000		3,452,399

(1) Population estimate as of September 30

(2) Original Certified Taxable Value

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

<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt per Capita</u>
46,172,897	1.07	913
134,323,886	2.52	2,196
160,530,193	2.52	2,231
215,682,029	2.88	2,679
257,137,115	2.92	2,838
314,136,521	2.98	3,229
326,172,361	2.62	3,213
313,537,618	2.31	2,957
302,273,990	2.17	2,584
340,712,602	2.49	2,774

Computation of Direct and Overlapping Bonded Debt
General Obligation Bonds
September 30, 2011
(Unaudited)

<u>Jurisdiction</u>	<u>General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to Government</u>	<u>Amount Applicable to Government</u>
Direct debt:			
City of Frisco, Texas	\$ 344,165,000	100.00%	\$ 344,165,000
Total direct debt	<u>344,165,000</u>		<u>344,165,000</u>
Overlapping debt: (1)			
Collin County	379,701,582	11.87%	45,070,578
Collin County College District	41,748,370	11.87%	4,955,532
Denton County	464,829,690	9.15%	42,531,917
Frisco Independent School District	1,214,241,194	73.07%	887,246,040
Lewisville Independent School District	956,713,706	3.46%	33,102,294
Little Elm Independent School District	130,470,660	4.88%	6,366,968
Prosper Independent School District	<u>230,883,736</u>	<u>9.61%</u>	<u>22,187,927</u>
Total overlapping debt	<u>3,418,588,938</u>		<u>1,041,461,256</u>
Total direct and overlapping debt	<u>\$ 3,762,753,938</u>		<u>\$ 1,385,626,256</u>

(1) Information obtained from the Municipal Advisory Council of Texas, September 2011 Report.

Computation of Legal Debt Margin
September 30, 2011
(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 2011 was established at \$0.465 per \$100 of assessed valuation based on 100% of appraised value.

Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>(1) Population</u>	<u>Personal Income (,000)</u>	<u>(2) Per Capita Income</u>	<u>(2) Median Age</u>	<u>(3) School Enrollment</u>	<u>(4) Unemployment Rate</u>
2002	50,550	1,723,199	34,089	30.9	11,005	7.8%
2003	61,175	2,436,172	39,823	30.9	13,280	7.0%
2004	71,952	2,989,462	41,548	30.9	16,279	6.0%
2005	80,520	2,920,863	36,275	33.8	19,678	3.6%
2006	90,598	3,559,233	39,286	33.2	23,713	3.3%
2007	97,280	4,106,772	42,216	33.5	27,207	3.9%
2008	101,524	4,042,381	39,817	31.7	30,761	4.9%
2009	106,036	4,430,820	41,786	33.2	33,895	7.9%
2010	116,989	5,961,993	40,185	32.8	37,269	8.1%
2011	122,822	4,673,131	38,048	33.9	40,122	8.0%

Data Sources

- (1) City of Frisco (Population) as of October 1, 2011
- (2) U.S. Census 2010 (Revised Per Capita Income 2010 & 2011 Estimate)
- (3) Frisco Independent School District (School Enrollment), October 2011
- (4) Texas Workforce Commission (Unemployment Rate) - September 2011

Principal Employers
Current Year and Nine Years Ago
September 30, 2011
(Unaudited)

<u>Employer</u>	<u>2011</u>			<u>2002</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	5,000	1	11.41%	390	1	5.31%
T-Mobile USA	1,500	2	3.42%	-		-
City of Frisco	1,101	3	2.51%	153	2	2.08%
Mario Sinacola & Sons Excavating	603	4	1.38%	-		-
Collin County College - Preston Ridge	550	5	1.25%	-		-
Amerisource Bergen Specialty Group	500	6	1.14%	-		-
CLA USA, Inc	450	7	1.03%	-		-
IKEA Frisco	400	8	0.91%	-		-
Market Street	300	9	0.68%	-		-
Tenet Texas RBO	300	10	0.68%	-		-
SuperTarget	259	11	0.59%	-		-
Rodman Paving	-		-	100	5	1.36%
Pacific Dunlop/GNB	-		-	148	3	2.02%
Hutson Industries	-		-	135	4	1.84%
P.C. Dynamics	-		-	91	6	1.24%
Home Interiors and Gifts	-		-	60	7	0.82%
Total	<u>10,963</u>		<u>25.01%</u>	<u>1,077</u>		<u>14.67%</u>

Source: North Central Texas Council of Governments website, Frisco ISD Communications, City of Frisco, Texas CO Official Statement, Series 2000

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

Function	Employees as of September 30									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General government	94	104	117	134	155	180	193	193	194	197
Public safety										
Police										
Officers	67	76	84	95	109	127	147	149	150	146
Civilians	22	24	24	26	31	49	49	49	49	58
Fire										
Firefighters and officers	69	78	84	96	108	128	142	142	142	140
Civilians	4	5	8	8	8	11	12	11	11	13
Highways and streets										
Engineering	27	26	26	29	34	43	46	46	46	46
Maintenance	32	34	39	41	41	47	49	49	49	49
Culture and recreation	56	72	78	87	125	255	367	367	366	355
Environmental services	4	5	6	6	6	10	12	12	12	12
Water	31	33	38	46	54	59	63	63	63	63
Sewer	11	11	13	13	13	16	16	16	16	16
Stormwater	0	0	0	0	0	0	0	0	4	6
Total	417	468	517	581	684	925	1,096	1,097	1,102	1,101

Operating Indicators by Function
Last Ten Fiscal Years
(Unaudited)

Function	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General government										
Building permits issued										
Residential	2,706	2,788	3,206	3,641	3,624	1,962	1,293	1,296	2,179	1,322
Commercial	210	277	314	306	356	321	358	289	278	328
Planning and development cases processed	326	366	376	415	407	362	288	159	171	236
Police										
Physical arrests	1,079	1,229	1,413	1,511	1,886	2,141	2,235	2,088	2,934	3,381
Traffic violations	7,486	9,659	11,521	6,883	11,713	11,006	13,154	14,229	12,078	15,783
Parking violations	1,421	163	181	327	342	237	319	412	589	913
Fire protection										
Number of calls answered	3,937	4,483	4,759	5,460	6,399	6,447	6,779	7,351	7,178	8,186
Inspections	1,727	2,278	2,384	2,639	2,879	3,261	4,766	4,638	4,648	4,886
Inspections - SAFER Program	-	-	-	-	-	-	-	-	2,075.00	2,443
Highways and streets										
Street resurfacing (square yards)	NA	NA	13,661	9,078	20,030	5,307	11,291	3,013	14,808	1,500
Street curb miles swept	4,839	6,106	6,020	2,498	8,558	9,300	10,945	13,889	7,887	7,896
Environmental services										
Solid waste collected (tons)	41,675	47,069	53,038	49,954	67,962	74,668	78,427	76,934	74,548	76,209
Recycled materials collected (tons)	2,010	2,386	3,439	7,105	11,601	12,409	13,770	14,136	14,605	14,556
Culture and recreation										
Library materials circulation	77,456	94,658	128,259	191,612	244,507	690,062	778,374	1,118,394	1,175,383	1,266,866
Parks acreage	870	870	870	993	993	1,314	1,333	1,348	1,374	1,348
Athletic facilities and pavilion rental (visits)	222,190	279,057	343,027	400,045	459,330	528,229	608,500	766,404	743,731	756,317
Water										
New connections	3,390	3,299	3,626	3,193	3,814	2,239	3,282	1,009	1,344	1,408
Average daily consumption (million gallons/day)	13.50	16.20	15.30	19.90	25.62	17.95	23.90	22.3	22.6	27.7
Sewer										
Average daily wastewater flow (million gallon/day)	-	-	6.16	6.49	7.18	9.06	9.17	9.1	10.3	9.4

Sources: Various government departments

Note: Fire Protection Inspections do not include 498 automatic sprinkler inspections and 25 foster care, adoption or home daycare inspections

City of Frisco

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

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government										
Sports Complexes Supported	4	5	5	6	7	7	7	7	7	7
Museums, Art Gallery Supported**	-	-	1	1	1	1	1	1	1	1
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol and Traffic Dedicated Vehicles	16	18	21	24	26	35	40	40	41	35
Fire Stations	4	4	4	4	5	5	6	6	6	6
Highways and streets										
Streets (miles)	847	984	1,039	1,175	1,254	1,331	1,139	1,158	1,177	1,196
Streetlights	-	-	-	-	5,845	6,179	6,827	6,967	7,094	7,350
Traffic signals	11	14	25	31	35	46	49	53	61	86
Culture and recreation										
Parks acreage										
Parks developed	179	185	273	352	388	452	602	636	636	646
Parks undeveloped	620	614	599	610	605	862	731	712	738	702
Swimming pools	2	2	2	2	2	2	3	2	1	1
Recreation centers	1	1	1	1	1	1	1	1	1	1
Community centers	2	2	2	2	2	2	2	2	2	2
Tennis courts	6	6	6	6	4	4	4	6	6	6
Soccer fields	16	16	16	16	17	27	31	35	35	35
Baseball fields	10	10	10	10	14	14	19	19	19	19
Water										
Customers/Accounts*	-	-	25,578	29,027	33,329	35,709	37,153	38,029	39,695	41,079
Water lines (miles)	392	444	500	510	569	609	649	712	733	746
Fire hydrants	3,812	4,500	5,010	5,128	5,664	6,136	6,555	7,349	7,783	7,892
Maximum daily capacity (millions of gallons)	28.4	35.4	32.8	40.5	41.2	46.0	63.0	93.0	133.0	134.0
Sewer										
Sanitary sewers (miles)	344	386	411	420	458	465	508	531	560	569
Storm sewers (miles)	239	278	299	305	342	371	402	459	485	330

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

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

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

Streetlight statistics from the GIS mapping database.

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