



Comprehensive Annual Financial Report

Year Ended September 30, 2006

City of Round Rock, Texas



ROUND ROCK, TEXAS
PURPOSE. PASSION. PROSPERITY.

CITY OF ROUND ROCK, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2006

ELECTED OFFICIALS

Nyle Maxwell, Mayor
Alan McGraw, Mayor Pro-tem
Rufus Honeycutt, Council Member
Joe Clifford, Council Member
Scott Rhode, Council Member
Carlos T. Salinas, Council Member
Ted Williamson, Council Member

MANAGEMENT STAFF

James R. Nuse, City Manager
David Kautz, Assistant City Manager/Chief Financial Officer

OFFICIAL ISSUING REPORT

David Kautz, Assistant City Manager/Chief Financial Officer



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INTRODUCTORY SECTION





ROUND ROCK, TEXAS

PURPOSE. PASSION. PROSPERITY.

November 26, 2006

Honorable Mayor and Members of the
City Council
City of Round Rock, Texas

The Comprehensive Annual Financial Report of the City of Round Rock, Texas for the fiscal year ended September 30, 2006, is submitted herewith. The City's Finance Department prepared this report. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects and that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The City Charter requires an annual audit of the books of account, financial records and transactions of all departments of the City by independent certified public accountants selected by the City Council.

Brockway, Gersbach, McKinnon & Niemeier, P.C., Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Round Rock's financial statements for the year ended September 30, 2006. The independent auditors' report is located at the front of the financial section of this report.

The Comprehensive Annual Financial Report is divided into three sections. The Introductory Section includes the transmittal letter and an organization chart. The Financial Section includes the independent auditors' opinion, management's discussion and analysis (MD&A), the basic financial statements with notes thereto and combining and individual fund statements and schedules. The MD&A is a narrative introduction, overview and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors. The newly revised statistical section includes five categories of unaudited data presented on a multi-year basis. The categories include financial trends, revenue capacity, debt capacity, demographic and economic information and operating information.

Mayor
Nyle Maxwell

Mayor Pro-tem
Alan McGraw

Councilmembers
Rufus Honeycutt
Joe Clifford
Carlos T. Salinas
Scott Rhode
Ted Williamson

City Manager
James R. Nuse, P.E.

City Attorney
Stephan L. Sheets

City of Round Rock Profile

The City of Round Rock, Texas, established in 1851, is a municipal corporation incorporated under Article XI, Section 5 of the Constitution of the State of Texas (Home Rule Amendment). The City operates under a Council-Manager form of government with six council members and a mayor. The City Manager is appointed by the City Council and is responsible to them for managing and administering all City affairs.

The Assistant City Manager/Chief Financial Officer and the Finance Director are appointed by the City Manager. The Finance Director is responsible for supervising the operations of the Finance Department. This Department maintains all accounting records of the City.

The financial reporting entity (the government) includes all the funds of the primary government (the City of Round Rock as legally defined) as well as its component unit. Component units are legally separate entities for which the primary government is financially accountable. The City provides a full range of services, which includes police and fire protection, parks and library, public health and social services, planning and zoning and general administrative services. In addition, the City owns and operates a waterworks and sewer utility system. These activities are included in the accompanying financial statements.

Blended component units, although legally separate entities, are in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, Round Rock Transportation System Development Corporation revenues are reported in a special revenue fund of the City while capital improvements are reported in a capital project fund of the City.

Annual budgets are legally adopted for the General Fund, Special Revenue Funds, Debt Service Fund and the Proprietary Funds. Capital Projects Funds have no binding annual budget. Project-length financial plans are adopted for all capital projects; accordingly, no comparison of budget to actual is presented in the financial statements.

Budgetary control is maintained at the department level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of balances are not released until additional appropriations are made available. The City had no material encumbrances as of September 30, 2006.

Significant Local Economic Events

As indicated in the body of this report, the City's financial condition remains healthy and has continued to improve year after year. The City's strong financial position is a result of prudent fiscal management as well as growth in the local economy experienced over the past several years. It is important to keep in mind the fact that Round Rock is located in the Austin-Round Rock Metropolitan Statistic Area (MSA) and within Williamson County. This area of Central Texas has been one of the fastest growing areas in the nation. In March 2001, the 2000 census data was released and indicated that Round Rock, with a population listed at 61,136 had nearly doubled in size during the previous decade. Furthermore, the population growth was evidence that Round Rock was the fastest growing community when compared to cities that had at least 30,000 people in the 1990 census. Another way of looking at the information is that Round Rock grew by almost 100% from 1990 to 2000. Correspondingly, Williamson County, in which Round Rock is the largest city, grew by 79% over this period of time. The County was also one of five counties statewide responsible for 80% of all net migration into Texas for this period. As of the end of fiscal year 2006, Round Rock's population was estimated at 89,800.

In concert with these local growth statistics, Austin ranked fifth among the fastest-growing U.S. cities for the time period noted above. Clearly, this kind of growth sets the stage for not only economic opportunities like job creation and sales tax generation, but also increased demands for City services and infrastructure. Many of the issues Round Rock faces continue to be *regional* issues such as population growth, traffic concerns, road construction and water/wastewater availability, as such, Round Rock makes efforts to address these issues both at the local and regional level. To adequately prepare for the effect of this activity on the City, much effort goes into planning and funding infrastructure and service programs. Strategic planning, biennial budgeting and multi-year capital improvement project programming have become important tools in planning for the financial impact of a fast-growing community.

In 1998, Round Rock entered the ranks of the 20 largest sales tax producing cities in Texas. In 2000, the City led the state's largest cities in sales tax growth, a strong indicator of the vibrant economic activity present in the region over the past several years. As with the national economy, this activity has slowed down somewhat. In fiscal year 2002, the City experienced its first sales tax receipt shortfall in more than a decade.

After a decline from 2001 to 2002, sales tax receipts subsequent to fiscal year 2002 rebounded strongly, reflecting a recovering economy. Sales tax receipts for fiscal year 2006 were \$5,162,451 over fiscal year 2005. This figure represents an increase of 12%. Over the past 5 years, sales tax has increased 55% or an average growth rate of 9.2% per year. The sales tax revenue category produced 63% of the total revenue available to the City's general fund for this year, while the property tax levy produced 15.6%. Because of reliance on the sales tax, funding for operations is more sensitive to cyclical economic changes. While no adverse economic change is foreseen, financial operations are managed prudently and in anticipation of these economic influences.

Round Rock continues to see a healthy trend in single-family building permits issued with 1,403 permits issued in 2006. This compares to 1,332 permits issued in 2005 and 1,317 issued in 2004. Building activity is expected to remain strong, fueled by in-migration to the community while job creation will continue its healthy growth trends. The current unemployment rate in Round Rock is 3.3% and remains lower than the Austin metro and statewide rates of 3.8% and 4.7%, respectively.

Dell Computer has been in Round Rock since 1994 and continues to be a strong economic force in the community. Latest figures show Dell to be up 6% in revenues compared to the prior year.

Retail activity in Round Rock continues to see strength and expansion including the opening of Round Rock Premium Outlets in August 2006. The outlet center provides over 430,000 square feet of retail space containing 130 stores in an outdoor village setting, a movie theater and a planned hotel. From 5 to 7 million shoppers are expected to visit the outlet center annually. Swedish furniture maker IKEA also opened its third Texas store in Round Rock in November 2006. These major destination retail hubs located in north Round Rock on Interstate 35 provide continued expansion and diversification of Round Rock's economy.

Another recent growth related expansion includes a new 2 million square foot planned mixed use development along State Highway 45 at the southwest corner of La Frontera at the southern end of Round Rock. The majority of the project will be office space but will also include some retail and multi-family. The mixed use development will aid in job growth and accommodate spin-off expansions related to the recent Dell expansion (500 engineering jobs) and business growth in general.

Round Rock is also continuing to see significant growth in the health care industry. St. David's Round Rock Medical Center, originally constructed in 1983, completed a \$58 million expansion in April of 2006 which almost doubled its size. In addition to the new patient tower, the expanded facility includes a full-service cardiovascular center and new intensive care unit. Since 2000, the hospital has spent approximately \$98 million on renovations and facility expansions.

Scott & White, a major regional health care organization, will expand its operations in Round Rock by developing an \$81 million Scott & White University Medical Campus in north Round Rock. This complex includes a Scott & White Clinic and private physician medical office building which opened in October 2006 and a 76-bed hospital and diagnostic center which are scheduled to open in 2007.

The Seton Family of Hospitals has also begun construction on Seton Medical Center Williamson. The 360,000 square foot facility, scheduled to open in early 2008, will be constructed on 74 acres in north Round Rock. The facility is planned to be state of the art in design, technology and delivery of complex care. The first phase of the campus will include a 181-bed hospital, ambulatory surgery center and a diagnostic and imaging center. It will also include the first of several medical office buildings. By 2020, the hospital is expected to expand to approximately 350 beds. The medical center will be a hub for new major growth and economic development in the region. In the initial years of operation, the medical center will generate more than 1,400 new jobs and provide an estimated total positive economic impact of more than \$190 million.

The City recognizes that a highly educated workforce is an important component of a well-rounded economic foundation. The City was instrumental in successfully obtaining state legislation for funding of the first permanent building for the Round Rock Higher Education Center (RRHEC) in northeast Round Rock. The campus opened in the fall of 2005. In conjunction with Texas State University-San Marcos, it is anticipated that the new campus will become a full-service college including a planned nursing school strategically located in close proximity to the growing health care facilities in north Round Rock.

The local hotel/motel industry continues to be a particularly vibrant industry for Round Rock. In 1996, the City had 2 hotels with a total of 181 rooms. At the end of fiscal 2006, 21 hotels with 2,057 rooms were open for business maintaining occupancy rates exceeding 70%. This strong industry bodes well for the hotel occupancy tax collections that support local tourism events and debt service for the Dell Diamond/United Heritage Convention Center complex. To ensure continued development and success of Round Rock's tourism industry, in 2004 the City created a convention and visitor's bureau (CVB) to market the City's tourism efforts as well as continue to implement the City's long-range tourism plan. With several area sports facilities in place and statewide events being planned, Round Rock is marketing its tourism brand as the "Sports Capital of Texas". Tourism is expected to become an expanded component of the City's overall economic development strategy.

In conjunction with the "Sports Capital of Texas" theme, the success of the City's AAA minor league baseball team, the Round Rock Express, continues to draw a regional fan base and national exposure for Round Rock.

In November 2001, an \$89.8 million General Obligation bond authorization for streets, public safety, parks and general improvements was passed by more than a 2-1 margin, or 70%. These capital projects will be financed and constructed over a span of 6-8 years and represent a significant upgrade and expansion of the City's infrastructure. The City has issued \$54 million of the authorization and many of the improvements are well underway. The remaining \$34.8 million is expected to be issued in the spring of 2007.

To continue to meet the projected service demands of existing and new customers, the water and wastewater utility faces a significant capital improvement program. The City recently updated its 2005 utility rate study conducted by an independent rate consulting firm. Findings from the study indicated the water and wastewater utility to be in good financial health. However, in order to fund the capital improvement program and to meet increasing system demand, small, multi-year rate increases are projected. Even with these projected increases, Round Rock water and wastewater rates continue to be among the lowest in the region.

In August of 1997 voters of Round Rock approved an increase in the local sales and use tax rate of $\frac{1}{2}$ of 1%. This increase in the sales and use tax rate went into effect January 1, 1998 and the proceeds are to be used for streets, roads, drainage and other related transportation system improvements, including the payment of maintenance expenses associated with such authorized projects. The additional revenues are not part of the operating budget but are budgeted and spent by a non-profit industrial development corporation established expressly to oversee the above purposes with the approval of the City Council. Collections for the past year exceeded \$16.2 million. Next year, revenue from this sales tax source is estimated to be higher than last year. These funds will help provide major improvements to the City's transportation system, significantly benefiting the local and regional economy.

Because traffic congestion is one of the central problems of Round Rock and the region, road projects are a high priority. Project completions scheduled over the next several months will bring significant improvement to local and commuter traffic, thereby helping to protect the region's economic well being. Work on Texas State Highway 45, a major highway project funded by state and local funds, is underway. This extremely important road project adjacent to Dell Computer and the La Frontera development will be completed in phases. The frontage roads in Round Rock were completed in 2002 and major structural components of the main lanes are well underway. Many other local road projects, also funded with local and state funds, are in planning or construction phases. Total current expenditure estimates for these various projects approximate \$400 million. The local portion, \$100 million, is funded largely by the one-half percent sales tax mentioned earlier. The City's road development is closely following the Comprehensive Transportation Master Plan which developed a short-term (10 year), a long-term (20 year) and ultimate term (build-out) transportation plans to serve the community needs. These efforts, along with the development of funding sources for transportation improvements, discussed above, are indicative of the City's commitment to preserving its economic base and quality of life.

Relevant Financial Policies

Accounting System and Controls

It is the policy of the City to maintain a General Fund balance equivalent to at least three months of operations. Working capital in the Water/Wastewater Utility Fund is also maintained at a minimum of three months of operations. Balances in excess of the above levels are earmarked for future uses or reduced to the target levels over an appropriate length of time.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Cash Management

The City's cash management and investment policy emphasizes the goals of maintaining safety and liquidity. The primary objective of all investment activity is the preservation of capital and the safety of principal in the overall portfolio. Each investment transaction shall seek to ensure first that capital losses are avoided, whether they result from securities defaults or erosion of market value. The investment portfolio will also remain sufficiently liquid to meet the cash flow requirements that might be reasonably anticipated. Liquidity is achieved by matching investment maturities with anticipated cash flow requirements, investing in securities with active secondary markets and maintaining appropriate portfolio diversification.

Risk Management

The City is a member of the Texas Municipal League's Intergovernmental Risk Pool. The Pool was created for the purpose of providing coverage against risks, which are inherent in operating a political subdivision. The City pays annual premiums to the Pool for liability, property and workers' compensation coverage.

Long-Term Financial Planning

An underlying budgetary influence is the City's business model. More than 60% of the General Fund revenue is provided by the sales tax. A half-cent component of the two-cent local sales tax rate exists for the sole purpose of reducing the property tax rate. The result is a heavy reliance upon the sales tax as a revenue source for operations and reduced reliance upon the property tax. The sales tax is a less stable revenue source than the property tax but provides more discretion to the taxpayer. Because of this revenue makeup, the City tends to carry higher fund balances, estimate sales tax revenue conservatively and introduce new programs somewhat more cautiously until projected revenue levels are established. The City is also more attentive to the health of its economy because of the reliance upon commerce to produce the sales tax.

The City recognizes its reliance on sales tax revenue and continues to take measures to effectively manage this significant revenue source. A financial management policy was enacted by the City in fiscal year 2005. It is designed to reduce operational reliance on sales tax generated from Dell Computer and to redirect some of those funds for long-term capital improvement projects thus reducing the amount of debt to be issued. This long-term approach to property tax rate management will allow the City to continue to benefit from the presence of Dell in the community for years to come. In addition, the City proactively monitors legislation at both the state and federal levels that may affect the collection of sales tax.

In addition, the City is taking a proactive approach to the financial planning for its future operations by developing a comprehensive 10-year operations plan. This plan identifies future service levels for the City's core functions defined as legislative and regulatory, police, fire, emergency medical response, open space and park facilities, recreation, library, urban infrastructure and water/wastewater utilities. Through this process, costs associated with maintaining a certain level of service will be estimated, public input will be sought and options on how to control costs and develop revenue sources to pay for services will be explored. The final result will provide the City with a comprehensive tool for the City's future financial planning.

Prospects for the Future

A growing population directly influences the housing industry and, ultimately, the property tax base. A significant trend in the number of housing starts has prevailed for the past several years and is expected to continue into the near future. It is important to note that Round Rock's extra-territorial jurisdiction (ETJ) contains over 9,000 acres of undeveloped property which will influence the demand for City services into the future.

The City of Round Rock is proud of its progressive and achievement-oriented history. However, the City continues to place strong emphasis on long-range planning and development so that traditional and future services for its citizens are provided at the highest level of reliability and quality. For the next fiscal year and into the near future, programs designed to effectively manage growth and stimulate economic activity will be continued.

As stated earlier, the local region and Round Rock saw rapid, unprecedented growth over the past decade. Population growth projections are expected to remain strong as the area economy continues to rebound. Correspondingly, the City's infrastructure, streets, utility systems and service delivery must be rapidly developed to serve a growing population. For the past several years, infrastructure expansions have concentrated on water and wastewater facilities. Streets and transportation improvements will continue to be a priority in the future as the City manages the significant growth discussed above.

As we look to the future, there are several key initiatives in process now that will shape the development of Round Rock for the next decade. For example, the first building of a planned full-service university campus has opened. The community development and opportunities presented by this type of institution are virtually unlimited. Not only will this campus shape the physical development of the northeast area of the City but also will influence knowledge and creativity in the community and will ensure continued success for Round Rock.

Economic development and diversification continues to be the City's top strategic priority. Two years ago, the City and the Round Rock Chamber of Commerce partnered to update the City's economic development program to identify how to enhance the City's image as a premier location for high growth industries. Efforts to implement the marketing plan were successful and we are now entering the next phase of the program. The City and the Round Rock Chamber of Commerce have now entered into an expanded economic development agreement that establishes a commission charged with overseeing the economic development efforts in the city. It also provides for the creation of an economic development work plan and increased funding for the economic development effort. This reinvigorated partnership is expected to yield a new, inspired approach to economic development for Round Rock.

With the City's natural commercial attractiveness, a strong economic development plan and a rebounding economy, the future of the community is bright.

Awards and Acknowledgements

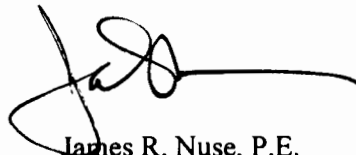
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Round Rock, Texas for its comprehensive annual financial report for the fiscal year ended September 30, 2005. This was the twentieth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, the City of Round Rock also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning October 1, 2005. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide and a communications device.

The presentation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the Department who assisted and contributed to its presentation. Acknowledgement is also given to Brockway, Gersbach, McKinnon & Niemeier, P.C. for their valuable assistance in production of the report. We would also like to thank the Mayor and Council members for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

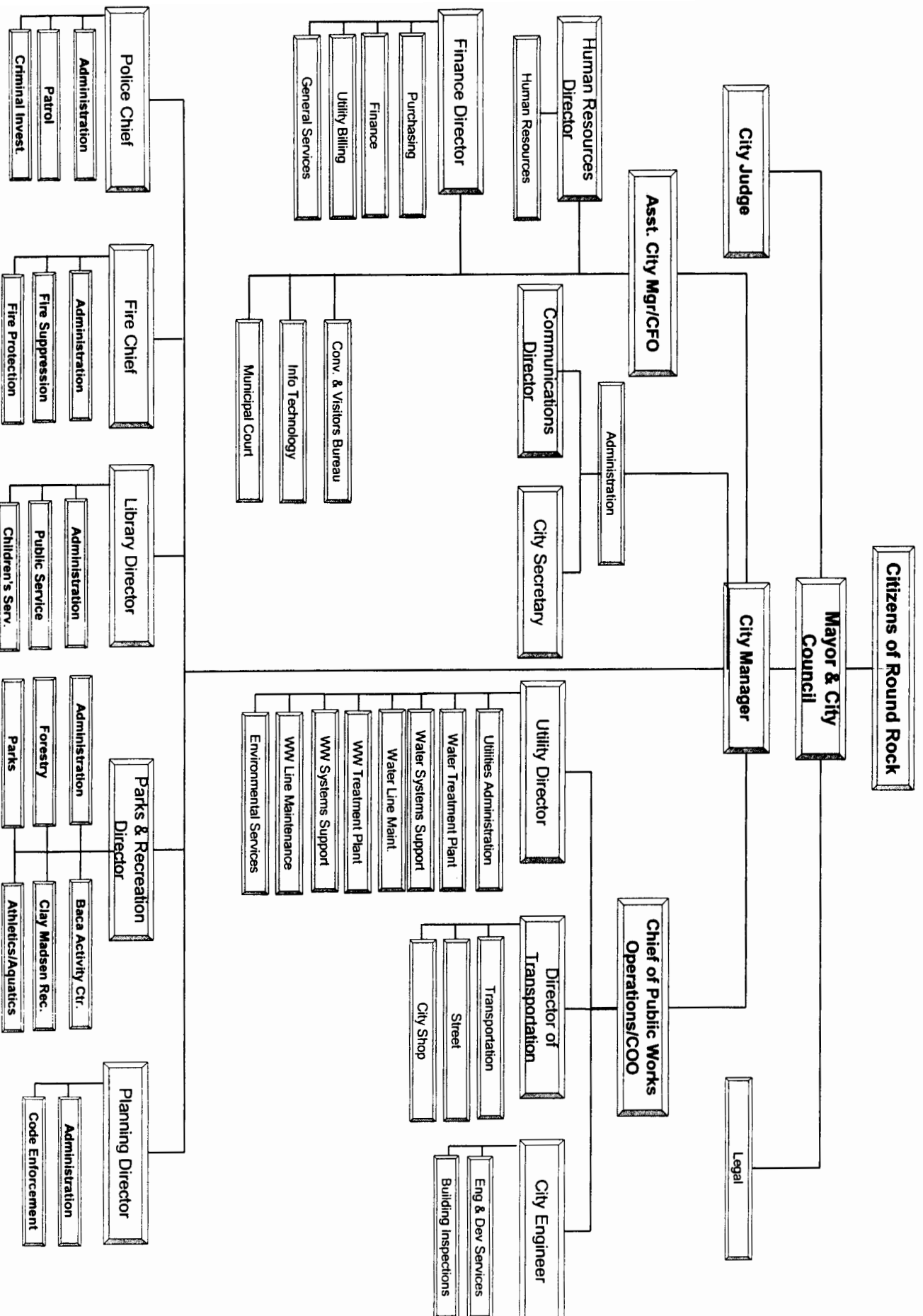
A handwritten signature in black ink, appearing to read 'J. Nuse', with a long horizontal stroke extending to the right.

James R. Nuse, P.E.
City Manager

A handwritten signature in black ink, appearing to read 'D. Kautz', with a large loop at the beginning and a stylized end.

David Kautz, CGFO
Assistant City Manager/
Chief Financial Officer

City Organization Chart





Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Round Rock
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2005

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



President

Executive Director



FINANCIAL SECTION





BROCKWAY, GERSBACH, MCKINNON & NIEMEIER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

The Honorable Mayor and
City Council
City of Round Rock, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Round Rock, Texas as of and for the year ended September 30, 2006, 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 Round Rock'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 test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Round Rock, Texas as of September 30, 2006, and the respective changes in financial position, and, where applicable cash flows, thereof and the respective budgetary comparisons for the general fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 26, 2006, on our consideration of the City of Round Rock'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction in assessing the results of our audit.

**Independent Auditors' Report
(continued)**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Round Rock's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory and statistical section of this report 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.

Brockway Andrew McSimmon, CPA, Nimmer PC

November 26, 2006

**City of Round Rock, Texas
Management's Discussion and Analysis
September 30, 2006**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Round Rock's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2006. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

HIGHLIGHTS OF THE FINANCIAL STATEMENTS

- The assets of the City of Round Rock exceeded its liabilities at the close of the most recent fiscal year by \$ 612,097,455 (*net assets*). Of this amount, \$ 119,276,379 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to its citizens and creditors.
- The City's total net assets increased by \$ 54,357,909. Approximately 33.1 percent of this increase is a result of contributions from developers.
- As of the close of the current fiscal year, the City of Round Rock's governmental funds reported combined ending fund balances of \$ 141,411,073, an increase of \$ 2,793,024 in comparison with the prior year. Approximately 47 percent of the total fund balance amount, \$ 66,886,985, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 32,472,684, or 49.8 percent of the total general fund expenditures.
- The City of Round Rock's total debt decreased by \$ 774,012 during the current fiscal year. The decrease was due to regularly scheduled debt principal retirement net of the issuance of \$ 6.2 million in State infrastructure bank debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Round Rock's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains 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 Round Rock's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference 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 Round Rock is improving or deteriorating.

**City of Round Rock, Texas
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OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

Governmental funds - *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Round Rock maintains 27 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, the Round Rock Transportation System Development Corporation (RRTSDC) revenue and project funds, the self-financed construction fund and the 2004 General Obligation Bond fund, all of which are considered to be major funds. Data from the other 21 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in the report.

**City of Round Rock, Texas
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OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Proprietary funds - The City of Round Rock maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer utility and for its golf course. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its self-funded health insurance program. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer utility and for the golf course. The water and sewer utility is considered a major fund of the City. Since the golf course fund is the only remaining enterprise fund, it is being presented as a major fund even though it does not meet the criteria of a major fund established in GASB Statement Number 34. The internal service fund is a single presentation in the proprietary fund financial statements.

Fiduciary fund - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Encino Plaza Public Improvement District agency fund is reported in the statement of fiduciary net assets. The resources accounted for in this fund are excluded from the government-wide financial statements because these funds are not available to finance the City's operations. Consequently, the City is responsible for ensuring that these resources are used only for their intended purpose.

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

The combining statements referred to earlier in connection with nonmajor governmental funds and individual fund schedules are presented immediately following the notes to the financial statements.

Additional information on capital assets used in the operation of governmental funds is provided following the individual fund schedules.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the City of Round Rock, assets exceeded liabilities by \$ 612,097,455 as of September 30, 2006.

The largest portion of the City's net assets (65.7%) reflects its investments in capital assets (e.g., land, buildings and improvements, improvements other than buildings, machinery and equipment and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in 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.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

An additional portion of the City's net assets (14.8%) represents resources that are subject to external restriction on how they may be utilized. The remaining balance of unrestricted net assets \$ 119,276,379 may be used to meet the City's ongoing obligations to citizens and creditors.

As of September 30, 2006 and 2005, the City was able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

The following table provides a comparative summary of the City's net assets as of September 30, 2006 and 2005.

Net Assets (in 000's)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 162,365	\$ 154,938	\$ 65,717	\$ 59,272	\$ 228,082	\$ 214,210
Capital assets	379,703	353,386	184,271	166,966	563,973	520,352
Total assets	542,068	508,325	249,988	226,237	792,056	734,562
Long term liabilities	162,522	163,022	1,373	1,339	163,896	164,361
Other liabilities	13,281	10,008	2,782	2,453	16,063	12,462
Total liabilities	175,803	173,030	4,155	3,792	179,958	176,823
Net assets:						
Invested in capital assets, net of related debt	218,160	191,410	184,271	166,696	402,431	358,105
Restricted	72,856	77,453	17,534	20,737	90,390	98,190
Unrestricted	75,249	66,432	44,027	35,012	119,276	101,444
Total net assets	\$ 366,265	\$ 335,295	\$ 245,832	\$ 222,445	\$ 612,097	\$ 557,740

Analysis of Changes in Net Assets

The following table summarizes the changes in the City's net assets from its activities for the fiscal year ended September 30, 2006 with comparisons to the previous year.

City of Round Rock, Texas
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GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Changes in Net Assets (in 000's)						
	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for services	\$ 7,942	\$ 7,009	\$ 31,042	\$ 27,589	\$ 38,984	\$ 34,598
Operating grants and contributions	1,058	626	-	-	1,058	626
Capital grants and contributions	12,548	14,436	2,310	1,187	14,859	15,623
General revenues:						
Property taxes	21,632	20,487	-	-	21,632	20,487
Franchise taxes	4,990	4,489	-	-	4,990	4,489
Sales tax	64,936	58,053	-	-	64,936	58,053
Hotel occupancy tax	2,269	1,905	-	-	2,269	1,905
Public service taxes	228	213	-	-	228	213
Impact fees	-	-	9,261	8,649	9,261	8,649
Grants and contributions not restricted to specific programs	-	-	8,135	6,166	8,135	6,166
Investment earnings	7,233	3,932	2,364	998	9,597	4,930
Miscellaneous	122	206	49	29	171	235
Total Revenues	<u>122,958</u>	<u>111,354</u>	<u>53,161</u>	<u>44,618</u>	<u>176,119</u>	<u>155,972</u>
Expenses:						
General government	21,635	20,282	-	-	21,635	20,282
Public safety	27,724	22,762	-	-	27,724	22,762
Public works	24,804	20,919	-	-	24,804	20,919
Culture and recreation	11,714	10,921	-	-	11,714	10,921
Interest on long-term debt	7,950	8,359	-	-	7,950	8,359
Water and sewer utility	-	-	27,783	25,052	27,783	25,052
Golf course	-	-	150	216	150	216
Total Expenses	<u>93,827</u>	<u>83,244</u>	<u>27,933</u>	<u>25,267</u>	<u>121,761</u>	<u>108,511</u>
Increases in net assets before transfers	29,130	28,110	25,227	19,351	54,358	47,461
Transfers	1,840	2,752	(1,840)	(2,752)	-	-
Increase in net assets	30,971	30,863	23,387	16,598	54,358	47,461
Net assets, at beginning of the year	<u>335,295</u>	<u>304,432</u>	<u>222,445</u>	<u>205,847</u>	<u>557,740</u>	<u>510,279</u>
Net assets, at the end of the year	<u>\$ 366,265</u>	<u>\$ 335,295</u>	<u>\$ 245,832</u>	<u>\$ 222,445</u>	<u>\$ 612,097</u>	<u>\$ 557,740</u>

**City of Round Rock, Texas
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GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental activities

Governmental activities increased the City's net assets by \$ 30,970,634 or 57 percent of the total growth in the net assets of the City over the prior year. Key factors for the increase are as follows:

- Developer contributions of subdivision improvements approximated \$ 9.8 million and are included in program revenues of public works activities.
- Amounts received for property taxes increased from last year by 5.6 percent primarily due to increased debt service requirements on recently issued bonds. Other factors included the addition of new property, an increase in assessed valuations and continued aggressive collection efforts.
- Sales taxes increased by about 11.9 percent over the prior year as a result of strong population and economic growth along with an improving technology sector and additional major retail outlets.

Overall, general revenues, while not shown by program, are used to fund governmental program activities citywide. Of these, sales taxes are the largest single source of funds comprising 52.8 percent of total revenues, while property taxes make up 17.6 percent of total revenues.

Expenses for governmental activities for the City totaled \$ 93,827,468 for the year ended September 30, 2006. Significant factors include the following:

- General government costs reflect a continuing multi-year economic development agreement with Dell Computer Corp. The City and Dell have developed a revenue sharing agreement whereby Dell and the City share sales tax generated by taxable computer sales within the state. Additional costs of general government operations include primarily personnel costs and professional services.
- Public safety program costs including police and fire department activities totaled almost \$ 28 million, or over 29 percent of total expenses for governmental activities. Most significant are personnel costs which totaled \$ 21.9 million.
- Public works program costs totaling \$ 24.8 million reflect primarily depreciation charges on infrastructure along with expansion of the City's street maintenance and improvement programs and significant personnel costs.

Business-type activities

Business-type activities increased the City's net assets by \$ 23,387,275 or 43 percent of the total growth in the net assets of the City over the prior year. Key factors for the increase follow.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The City's water and sewer utility continues to show improvement in the number of customers and operating revenues. Comparative data for the past two fiscal years are presented as follows:

	<u>2006</u>	<u>2005</u>
Operating revenues	\$ 30,566,103	\$ 27,161,741
Operating income	\$ 2,366,423	\$ 1,977,057
Income available for debt service	\$ 12,023,158	\$ 9,744,891
Annual debt service	\$ 284,310	\$ 1,016,058
Coverage	42.29	9.59

The City recently completed an update to its comprehensive utility rate study. Findings from the study indicated the water/wastewater utility to be in good financial health. However, in order to fund the capital improvement program and to meet increasing system demand and operational cost pressures, multiple-year rate increases will be necessary. This fiscal year saw a 5% utility rate increase effective in January 2006. Even with the rate increases, Round Rock water and wastewater rates continue to be among the lowest in the region.

The rate adjustment, growth in the customer base, adequate system capacity and increased consumption levels combined to provide strong revenue growth over the prior year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

For the fiscal year ended September 30, 2006, the City's governmental funds reported combined ending fund balances of \$141,411,073. Approximately 47 percent of this total amount (\$ 66,886,985) constitutes unreserved fund balance and is available for spending at the City's discretion. The remainder of fund balances is reserved to indicate that it is not available for new spending because it has already been committed to 1) pay debt service (\$ 3,200,508), 2) fund authorized capital projects (\$ 70,912,738), or 3) a variety of other restricted purposes (\$ 410,842).

The general fund is the chief operating fund of the City. At the close of the current fiscal year, fund balance of the general fund reached \$32,472,684, all of which was unreserved. Unreserved fund balance represented 49.8 percent of total general fund expenditures.

The fund balance of the general fund increased by \$ 3,767,667 during the current fiscal year. The primary reasons for the increase mirror those highlighted in the analysis of governmental activities in the government-wide statements.

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FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

The debt service fund had a total fund balance of \$ 3,200,508 at the end of the fiscal year, all of which is reserved for the payment of debt service. The net increase in fund balance during the year was minimal (\$ 600,154). Debt service expenditure requirements decreased by \$ 1,089,619 during the fiscal year and were adequately funded by the debt service portion of the property tax.

The fund balance of the RRTSDC revenue fund was \$ 42,565,420, an increase of \$ 6,256,210 over the prior year. The increase reflects sales tax collections dedicated to transportation system improvements and related maintenance and debt service costs.

The RRTSDC project fund, the self-financed construction fund and the 2004 general obligation bond fund had a combined total fund balance at year-end of \$40,740,352. The collective decrease of \$ 5,253,048 occurred as a result of transfers in for funding of scheduled project construction activity and the related project expenditures.

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

Unrestricted net assets of the water and sewer utility totaled \$ 42,484,833 at September 30, 2006. The total growth in net assets for the utility was \$ 22,564,808. The unrestricted net assets represented 17.8 percent of the utility's total net assets. Other factors concerning the finances of the proprietary funds have already been addressed in the discussion of the government-wide financial statements and business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget for the general fund were a net increase in appropriations of \$ 6,722,000 or 9.5 percent. The amendment was primarily to reallocate available cash to fund specified capital purchases totaling \$ 7,900,000.

Funding sources for the above items were provided by revenue budget amendments netting a total of \$ 6,722,000 along with various operational savings. Sales tax revenue amendments were the primary source of additional revenues as described previously.

Overall, actual revenues and financing sources exceeded budgetary estimates and expenditures including transfers were less than budgeted amounts, thus eliminating any need to draw upon existing fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City of Round Rock's investment in capital assets for its governmental and business-type activities as of September 30, 2006, amounted to \$ 563,973,431 (net of accumulated depreciation). This investment includes land, buildings and improvements, improvements other than buildings (including infrastructure), machinery and equipment and construction in progress.

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CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Major capital asset events during the year ended September 30, 2006, included the following:

- Work was completed on the new Allen R. Baca Center for Senior and Community Activities at a total cost of \$ 4.5 million.
- The new Rock 'N River Family Aquatic Center was completed and opened in June 2006; total cost was \$ 3.2 million.
- Work continued on the new police station; total cost is estimated at \$ 21.5 million; construction in progress had reached \$ 7.6 million at year-end. Completion is expected for fall 2007.
- Work began on Fire Stations 2 and 7 at a total estimated cost of \$ 3.95 million. Both stations are expected to open in mid 2007.
- Various park improvement projects are underway at a total estimated cost of \$ 3.1 million and are in various stages of completion.
- Major arterial and road projects are underway and are in various stages of completion; construction in progress at year-end approximated \$ 30.6 million.
- Various street, sidewalk and drainage improvement projects were underway with completions totaling \$ 17.8 million and construction in progress at \$ 5.6 million at year-end.
- Developers contributed infrastructure improvements for governmental activities of \$ 9.8 million and \$ 8.1 million for water and sewer system infrastructure improvements.
- Construction of the east side water main transmission line continues at an estimated cost of \$8.1 million and was approximately 7% complete at year-end.
- Construction of raw water delivery system improvements was begun at an estimated cost of \$ 13.5 million and was approximately 7% complete at year-end.
- Various major water line projects are underway with completions totaling \$ 9.9 million and construction in progress at \$ 4.3 million at year-end.
- Phase 4 of the sanitary sewer evaluation and rehabilitation program was completed at a cost of \$ 3.1 million. Phases 5 and 6 are underway at a total estimated cost of \$ 5.4 million.
- Construction of a major wastewater interceptor is underway at total estimated cost of \$ 11.2 million and is scheduled for completion in late 2007.

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CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

	Capital Assets (in 000's)					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Land	\$ 19,948	\$ 19,890	\$ 2,545	\$ 2,545	\$ 22,493	\$ 22,435
Buildings and Improvements	57,126	49,219	21,778	21,778	78,904	70,997
Improvements Other Than Buildings	392,557	362,610	194,207	171,005	586,764	533,615
Machinery and Equipment	35,461	32,429	6,804	6,432	42,265	38,861
Accumulated Depreciation	(170,664)	(150,683)	(53,831)	(46,675)	(224,495)	(197,358)
Construction in Progress	<u>45,274</u>	<u>39,921</u>	<u>12,768</u>	<u>11,880</u>	<u>58,042</u>	<u>51,801</u>
Total	<u>\$ 379,703</u>	<u>\$ 353,386</u>	<u>\$ 184,271</u>	<u>\$ 166,966</u>	<u>\$ 563,973</u>	<u>\$ 520,352</u>

Additional information on the City of Round Rock's capital assets can be found in Note IV(C) to the financial statements.

Long-Term Debt

At the end of the current fiscal year, the City of Round Rock had total debt outstanding of \$ 158,058,618. Of this amount, \$ 97,988,000 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt (i.e., revenue bonds and bank loans) is secured solely by specified revenue sources.

The City of Round Rock's total debt decreased by \$ 774,012 during the current fiscal year. The net decrease is due to regularly scheduled debt principal retirements of \$ 6,975,389 along with the issuance of \$ 6,201,377 in State infrastructure bank debt for major transportation system improvements.

**City of Round Rock, Texas
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CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

	Long-Term Debt (in 000's)					
	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 95,020	\$ 98,680	\$ -	\$ -	\$ 95,020	\$ 98,680
Certificates of obligation	2,968	3,471	-	-	2,968	3,471
Hotel tax revenue bonds	8,450	8,500	-	-	8,450	8,500
Sales tax revenue bonds	21,610	22,600	-	-	21,610	22,600
State infrastructure bank loans	30,011	25,312	-	-	30,011	25,312
Water and wastewater revenue bonds	-	-	-	270	-	270
Total	<u>\$ 158,059</u>	<u>\$ 158,563</u>	<u>\$ -</u>	<u>\$ 270</u>	<u>\$ 158,059</u>	<u>\$ 158,833</u>

The City of Round Rock's bond ratings of AA- and Aa3 with stable outlooks from Standard & Poor's and Moody's respectively were recently affirmed.

There is no direct debt limitation in the City Charter or under state law. The City operates under a Home Rule Charter (Article XI, Section 5, Texas Constitution), approved by the voters, that limits the maximum tax rate, for all City purposes to \$ 2.50 per \$ 100 assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for general obligation debt service. Assuming the maximum tax rate for debt service of \$ 1.50 on the January 1, 2005 certified assessed valuation of \$ 5,773,482,582 at 100% collection, tax revenue of \$ 86,602,239 would be produced. This revenue could service the debt on \$ 1,034,929,880 issued as 20-year serial bonds at 5.50% (with level debt service payment). The resulting legal debt margin is \$ 945,900,841.

The City had authorized but unissued general obligation bonds totaling \$ 34,800,000 at September 30, 2006.

Additional information on the City's long-term debt can be found in Note IV(E) to the financial statements.

**City of Round Rock, Texas
Management's Discussion and Analysis
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ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The development of the City's budget is guided by several factors including the City's strategic plan, prevailing economic conditions and by the continuing need to provide basic and improved customer services for a growing population. The fiscal year 2006-2007 budget plan adopted by the City Council adheres to the City's financial policies and preserves the City's strong financial position while providing excellent levels of service.

Revenue assumptions for fiscal year 2006-2007 are expected to generally follow the growth curve of job creation, population growth, retail sales activity and housing starts. Some specific revenues, such as property tax revenue and sales tax revenue, are forecast using historical results or specific calculations.

Major new programs in the general fund continue to focus on public safety and transportation. The new programs include the addition of 22.5 new full-time equivalent positions. Of that number, 17 positions are for public safety personnel including 4 new police officers, 8 new firefighters and 5 public safety support positions. To address transportation concerns, additional funding for the street maintenance program is included. Other new programs include a part-time library aide to enhance children's programming at the library; an administrative support position for the finance department; a human resources assistant; and a public works programs administrator position to provide strategic planning and oversee the management of the City's capital projects.

The following items highlight other priorities in the City's effort to develop the general fund operating budget:

- The continuing street maintenance program;
- Fleet and equipment replacement;
- Storm sewer management program;
- Specialized transit services.

Faced with a significant capital improvement program, increased operating costs and increasing system demand, the utility budget includes an average 3% utility rate increase to be implemented in January 2007. The City is currently in the process of updating the comprehensive rate study previously completed in 2003. Results of this update are expected to indicate continued scheduled rate increases to fund future capital improvement projects.

Additionally, the City is discussing a regional water project that will provide treated water from Lake Travis to the cities of Round Rock, Leander and Cedar Park. This regional approach is expected to provide significant cost savings for the construction as well as economies of scale for the ongoing operations as one plant will be constructed to serve all three communities. The first phase of this project is expected to be completed by 2010 and future financial requirements of this project are incorporated in the City's utility rate planning model. While details of the financing are still under development, it is anticipated that the utility system will need to issue debt to fund this project in 2007.

The City's water and sewer utility expenditures are largely driven by the needs of a growing industrial and residential customer base as well as aging utility plants and lines. New expenditures are necessitated by the increase in water costs and additional water supply reserves. Additionally, cost increases are expected in pumping costs, materials and supplies.

The Brazos River Authority has constructed a 30 mile pipeline from Lake Stillhouse to Lake Georgetown for the benefit of the City of Round Rock and others. The Brazos River Authority owns, operates and maintains the water line. The 2006-2007 budget includes capital and operating costs associated with this regional water line.

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ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (CONTINUED)

Like the water system mentioned above, the wastewater system costs are reflective of expansions required to meet the needs of a larger, growing population. Of particular significance this year, the wastewater treatment plant budget reflects a continuation of facilities construction and operation by the Lower Colorado River Authority/Brazos River Authority Alliance. Nine years ago the City sold its wastewater treatment plants to the Alliance. The Alliance operates and expands the plants as necessary to accommodate a regional treatment concept, which currently includes the cities of Round Rock, Austin, and Cedar Park. The Fern Bluff and Brushy Creek Municipal Utility Districts are also customers of this regional system.

Costs for wastewater treatment are expected to increase each year. These costs reflect the significant capital construction costs and increased debt incurred by the Alliance to finance plant acquisition and expansion. However, while growth in the City's customer base and the addition of regional customers, such as the City of Austin, are expected to help the City meet these costs, they will be closely monitored to assess their impact on future utility rates.

While the City has transferred its wastewater plant and major collector operations to the Alliance, the City still maintains responsibility for wastewater lines maintenance. This responsibility includes maintaining and rehabilitating the City's wastewater lines in compliance with Texas Commission on Environmental Quality (TCEQ) Edwards Aquifer Regulations.

REQUESTS FOR INFORMATION

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 Director of Finance, City of Round Rock, 221 East Main Street, Round Rock, Texas 78664.



BASIC FINANCIAL STATEMENTS

**CITY OF ROUND ROCK, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006**

<u>ASSETS</u>	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 31,190,500	\$ 19,392,833	\$ 50,583,333
Investments	50,220,795	22,442,711	72,663,506
Receivables (net of allowances for uncollectibles)-			
Property taxes, including			
interest and penalties	347,918	-	347,918
Accounts & other	839,791	4,087,015	4,926,806
Loans	19,181	-	19,181
Accrued interest	641,064	230,470	871,534
Internal balances	(961,537)	961,537	-
Assessments	1,361,688	-	1,361,688
Intergovernmental	37,387	-	37,387
Inventories	73,647	345,708	419,355
Other current assets	130,255	154,237	284,492
Restricted assets -			
Cash and cash equivalents	62,824,808	17,910,256	80,735,064
Investments	11,455,049	-	11,455,049
Property taxes receivable	319,252	-	319,252
Accounts receivable	-	192,187	192,187
Accrued interest	70,086	-	70,086
Deferred charges, net	3,795,343	-	3,795,343
Capital assets -			
Land and construction in progress	65,222,873	15,312,081	80,534,954
Capital assets, net of accumulated depreciation	314,479,928	168,958,549	483,438,477
 Total assets	 542,068,028	 249,987,584	 792,055,612

The accompanying notes are an integral part of this financial statement.

(Continued)

**CITY OF ROUND ROCK, TEXAS
STATEMENT OF NET ASSETS (CONTINUED)
SEPTEMBER 30, 2006**

	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES</u>			
Accounts payable	\$ 7,682,474	\$ 2,490,733	\$ 10,173,207
Accrued payroll	800,995	109,243	910,238
Accrued compensated absences payable	1,728,000	182,000	1,910,000
Unearned revenue	1,811,787	-	1,811,787
Accrued interest payable	1,257,389	-	1,257,389
Noncurrent liabilities:			
Due within one year	7,447,512	-	7,447,512
Due in more than one year	155,074,624	1,373,400	156,448,024
Total liabilities	<u>175,802,781</u>	<u>4,155,376</u>	<u>179,958,157</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	218,160,338	184,270,630	402,430,968
Temporarily restricted for:			
Debt service	1,943,119	7,100	1,950,219
Capital projects	70,912,738	17,527,151	88,439,889
Unrestricted	<u>75,249,052</u>	<u>44,027,327</u>	<u>119,276,379</u>
Total net assets	<u>\$ 366,265,247</u>	<u>\$ 245,832,208</u>	<u>\$ 612,097,455</u>

**CITY OF ROUND ROCK, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2006**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 21,634,710	\$ 2,021,621	\$ 995,722	\$ -
Public safety	27,724,273	2,371,379	56,004	-
Public works	24,804,177	1,139,836	-	12,114,930
Culture and recreation	11,714,066	2,408,710	6,095	433,405
Interest on long-term debt	7,950,242	-	-	-
Total governmental activities	<u>93,827,468</u>	<u>7,941,546</u>	<u>1,057,821</u>	<u>12,548,335</u>
Business-type activities:				
Water and sewer utility	27,783,218	30,566,103	-	2,310,171
Golf course	150,029	476,082	-	-
Total business-type activities	<u>27,933,247</u>	<u>31,042,185</u>	<u>-</u>	<u>2,310,171</u>
Total primary government	<u>\$ 121,760,715</u>	<u>\$ 38,983,731</u>	<u>\$ 1,057,821</u>	<u>\$ 14,858,506</u>

The accompanying notes are an integral part of this financial statement.

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
Governmental activities:			
General government	\$ (18,617,367)	\$ -	\$ (18,617,367)
Public safety	(25,296,890)	-	(25,296,890)
Public works	(11,549,411)	-	(11,549,411)
Culture and recreation	(8,865,856)	-	(8,865,856)
Interest on long-term debt	(7,950,242)	-	(7,950,242)
Total governmental activities	<u>(72,279,766)</u>	<u>-</u>	<u>(72,279,766)</u>
Business-type activities:			
Water and sewer utility	-	5,093,056	5,093,056
Golf course	-	326,053	326,053
Total business-type activities	<u>-</u>	<u>5,419,109</u>	<u>5,419,109</u>
Total primary government	<u>(72,279,766)</u>	<u>5,419,109</u>	<u>(66,860,657)</u>
General revenues:			
Taxes:			
Property taxes, levied for general purpose	12,230,235	-	12,230,235
Property taxes, levied for debt service	9,402,014	-	9,402,014
Franchise taxes	4,990,439	-	4,990,439
Sales tax	64,935,779	-	64,935,779
Hotel occupancy tax	2,268,619	-	2,268,619
Public service taxes	227,784	-	227,784
Impact fees	-	9,261,152	9,261,152
Grants and contributions not restricted to specific programs	-	8,134,901	8,134,901
Investment earnings	7,232,842	2,363,692	9,596,534
Miscellaneous	122,499	48,610	171,109
Transfers	<u>1,840,189</u>	<u>(1,840,189)</u>	<u>-</u>
Total general revenues and transfers	<u>103,250,400</u>	<u>17,968,166</u>	<u>121,218,566</u>
Change in net assets	30,970,634	23,387,275	54,357,909
Net assets-beginning	<u>335,294,613</u>	<u>222,444,933</u>	<u>557,739,546</u>
Net assets-ending	<u>\$ 366,265,247</u>	<u>\$ 245,832,208</u>	<u>\$ 612,097,455</u>

CITY OF ROUND ROCK, TEXAS
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2006

			Round Rock Transportation System Development Corporation Revenue Fund
	General Fund	Debt Service Fund	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 8,631,862	\$ -	\$ 1,905,822
Investments	49,230,545	-	-
Receivables (net of allowances for uncollectibles) -			
Property taxes, including interest and penalties	347,918	-	-
Accounts and other	798,680	-	-
Loans	-	-	-
Accrued interest	465,938	-	-
Interfund receivables	254,093	35,534	-
Assessments	-	-	-
Intergovernmental	37,387	-	-
Inventories	73,647	-	-
Other current assets	42,755	-	-
Restricted assets -			
Cash and cash equivalents	-	3,195,208	36,692,589
Investments	-	-	5,967,940
Receivables -			
Property taxes, including interest and penalties	-	319,252	-
Accrued interest	-	3,807	12,458
Total assets	<u>\$ 59,882,825</u>	<u>\$ 3,553,801</u>	<u>\$ 44,578,809</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities-			
Accounts payable	\$ 4,011,365	\$ 3,300	\$ -
Accrued payroll	800,995	-	-
Interfund payables	22,284,825	51,981	2,013,389
Unearned revenue	312,956	298,012	-
Total liabilities	<u>27,410,141</u>	<u>353,293</u>	<u>2,013,389</u>
Fund balances -			
Reserved for federal seizure	-	-	-
Reserved for non-current loans receivable	-	-	-
Reserved for debt service	-	3,200,508	-
Reserved for authorized construction	-	-	42,565,420
Unreserved, reported in-			
General fund	32,472,684	-	-
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Total fund balances	<u>32,472,684</u>	<u>3,200,508</u>	<u>42,565,420</u>
Total liabilities and fund balances	<u>\$ 59,882,825</u>	<u>\$ 3,553,801</u>	<u>\$ 44,578,809</u>

The accompanying notes are an integral part of this financial statement.

Round Rock Transportation System Development Corporation Project Fund	Self- Financed Construction	2004 General Obligation Bonds Fund	Other Governmental Funds	Total Governmental Funds
\$ 3,698,919	\$ 4,215,856	\$ -	\$ 6,418,955	\$ 24,871,414
-	-	-	-	49,230,545
-	-	-	-	347,918
-	-	-	41,111	839,791
-	-	-	19,181	19,181
-	-	-	175,126	641,064
-	23,997,533	-	-	24,287,160
-	-	-	1,361,688	1,361,688
-	-	-	-	37,387
-	-	-	-	73,647
-	-	-	-	42,755
1,118,382	-	8,636,421	13,182,208	62,824,808
-	-	2,000,000	3,487,109	11,455,049
-	-	-	-	319,252
-	-	25,000	28,821	70,086
<u>\$ 4,817,301</u>	<u>\$ 28,213,389</u>	<u>\$ 10,661,421</u>	<u>\$ 24,714,199</u>	<u>\$ 176,421,745</u>
\$ 2,769,438	\$ 146,984	\$ 35,337	\$ 470,303	\$ 7,436,727
-	-	-	-	800,995
-	-	-	-	24,350,195
-	-	-	1,811,787	2,422,755
<u>2,769,438</u>	<u>146,984</u>	<u>35,337</u>	<u>2,282,090</u>	<u>35,010,672</u>
-	-	-	391,661	391,661
-	-	-	19,181	19,181
-	-	-	-	3,200,508
1,461,563	-	10,626,084	16,259,671	70,912,738
-	-	-	-	32,472,684
-	-	-	4,731,971	4,731,971
586,300	28,066,405	-	1,029,625	29,682,330
<u>2,047,863</u>	<u>28,066,405</u>	<u>10,626,084</u>	<u>22,432,109</u>	<u>141,411,073</u>
<u>\$ 4,817,301</u>	<u>\$ 28,213,389</u>	<u>\$ 10,661,421</u>	<u>\$ 24,714,199</u>	<u>\$ 176,421,745</u>



CITY OF ROUND ROCK, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

Total Fund Balances - Governmental Funds	\$ 141,411,073
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Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land	\$ 19,948,449	
Building and improvements	449,682,927	
Equipment	35,461,439	
Construction in progress	45,274,424	
Accumulated depreciation	<u>(170,664,438)</u>	
Total capital assets	<u>\$ 379,702,801</u>	379,702,801

Some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year end. On the accrual basis, however, those revenues would be recognized, regardless of when they are collected.

Current and prior year property taxes not collected	\$ 610,968	
Total unearned revenues reclassified	<u>\$ 610,968</u>	610,968

Internal service funds are used by management to charge the costs of self-funded insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	6,252,587
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Some long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. They are detailed in Note III A.	<u>(161,712,182)</u>
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Net Assets of Governmental Activities	<u>\$ 366,265,247</u>
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The accompanying notes are an integral part of this financial statement.

**CITY OF ROUND ROCK, TEXAS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2006**

	General Fund	Debt Service Fund	Round Rock Transportation System Development Corporation Revenue Fund
Revenues -			
Taxes and franchise, including interest and penalties	\$ 66,036,141	\$ 9,402,012	\$ 16,233,944
Licenses, permits and fees	834,776	-	-
Charges for services	4,311,153	-	-
Fines and forfeitures	1,543,537	-	-
Intergovernmental	474,890	-	-
Hotel occupancy tax	-	-	-
Investment and other	4,122,841	404,151	1,905,530
Contributions	-	-	-
Total revenues	<u>77,323,338</u>	<u>9,806,163</u>	<u>18,139,474</u>
Expenditures -			
Current -			
General government	21,736,559	-	-
Public safety	25,753,619	-	-
Public works	8,322,994	-	184,000
Culture and recreation	9,367,029	-	-
Debt service -			
Principal retirement	-	7,090,383	-
Interest and fiscal charges	-	7,698,552	-
Capital projects	-	-	-
Total expenditures	<u>65,180,201</u>	<u>14,788,935</u>	<u>184,000</u>
Excess (deficiency) of revenues over expenditures	<u>12,143,137</u>	<u>(4,982,772)</u>	<u>17,955,474</u>
Other financing sources (uses) -			
Proceeds from sale of capital assets	-	-	-
Lease purchase proceeds	600,000	-	-
Loan proceeds	-	-	-
Transfers in	1,690,000	5,590,943	-
Transfers out	(10,665,470)	(8,017)	(11,699,264)
Total other financing sources (uses)	<u>(8,375,470)</u>	<u>5,582,926</u>	<u>(11,699,264)</u>
Net changes in fund balance	<u>3,767,667</u>	<u>600,154</u>	<u>6,256,210</u>
Fund balances, October 1, 2005	28,705,017	2,600,354	36,309,210
Fund balances, September 30, 2006	<u>\$ 32,472,684</u>	<u>\$ 3,200,508</u>	<u>\$ 42,565,420</u>

The accompanying notes are an integral part of this financial statement.

Round Rock Transportation System Development Corporation Project Fund	Self- Financed Construction	2004 General Obligation Bonds Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 91,672,097
-	-	-	135,794	970,570
-	-	-	-	4,311,153
-	-	-	152,937	1,696,474
-	310,960	-	380,128	1,165,978
-	-	-	2,268,619	2,268,619
218,277	89,957	592,742	1,307,380	8,640,878
-	122,446	-	43,224	165,670
<u>218,277</u>	<u>523,363</u>	<u>592,742</u>	<u>4,288,082</u>	<u>110,891,439</u>
-	-	-	426,771	22,163,330
-	-	-	31,926	25,785,545
-	-	-	-	8,506,994
-	-	-	654,460	10,021,489
-	-	-	-	7,090,383
-	-	-	-	7,698,552
17,341,024	6,596,806	8,978,070	3,981,024	36,896,924
<u>17,341,024</u>	<u>6,596,806</u>	<u>8,978,070</u>	<u>5,094,181</u>	<u>118,163,217</u>
<u>(17,122,747)</u>	<u>(6,073,443)</u>	<u>(8,385,328)</u>	<u>(806,099)</u>	<u>(7,271,778)</u>
-	1,423,235	-	-	1,423,235
-	-	-	-	600,000
6,201,378	-	-	-	6,201,378
8,306,910	10,771,947	-	3,028,115	29,387,915
-	(375,000)	-	(4,799,975)	(27,547,726)
<u>14,508,288</u>	<u>11,820,182</u>	<u>-</u>	<u>(1,771,860)</u>	<u>10,064,802</u>
<u>(2,614,459)</u>	<u>5,746,739</u>	<u>(8,385,328)</u>	<u>(2,577,959)</u>	<u>2,793,024</u>
<u>4,662,322</u>	<u>22,319,666</u>	<u>19,011,412</u>	<u>25,010,068</u>	<u>138,618,049</u>
<u>\$ 2,047,863</u>	<u>\$ 28,066,405</u>	<u>\$ 10,626,084</u>	<u>\$ 22,432,109</u>	<u>\$ 141,411,073</u>

**CITY OF ROUND ROCK, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2006**

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

Net Change in Fund Balances-Total Governmental Funds	\$ 2,793,024
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 outlays exceeded depreciation in the current period.	15,650,655
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals, and donations) is to increase net assets.	10,665,816
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	114,154
The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. 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.	289,006
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.	(544,376)
Internal service funds are used to charge the costs of self-funded insurance to the individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities.	<u>2,002,355</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 30,970,634</u></u>

The accompanying notes are an integral part of this financial statement.

CITY OF ROUND ROCK, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2006

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues -				
Taxes and franchise, including interest and penalties	\$ 66,036,141	\$ 60,837,000	\$ 65,786,000	\$ 250,141
Licenses, permits and fees	834,776	575,000	575,000	259,776
Charges for services	4,311,153	4,023,000	4,023,000	288,153
Fines and forfeitures	1,543,537	1,177,000	1,477,000	66,537
Intergovernmental	474,890	132,000	447,000	27,890
Investment and other	4,122,841	1,564,000	2,722,000	1,400,841
Total revenues	<u>77,323,338</u>	<u>68,308,000</u>	<u>75,030,000</u>	<u>2,293,338</u>
Expenditures -				
Current -				
General government	21,736,559	22,864,143	22,302,643	566,084
Public safety	25,753,619	26,400,761	26,057,171	303,552
Public works	8,322,994	10,935,750	8,646,370	323,376
Culture and recreation	9,367,029	10,394,614	9,645,614	278,585
Total expenditures	<u>65,180,201</u>	<u>70,595,268</u>	<u>66,651,798</u>	<u>1,471,597</u>
Excess (deficiency) of revenues over expenditures	<u>12,143,137</u>	<u>(2,287,268)</u>	<u>8,378,202</u>	<u>3,764,935</u>
Other financing sources (uses) -				
Lease purchase proceeds	600,000	600,000	600,000	-
Transfers in	1,690,000	1,690,000	1,690,000	-
Transfers out	<u>(10,665,470)</u>	<u>-</u>	<u>(10,665,470)</u>	<u>-</u>
Total other financing sources (uses)	<u>(8,375,470)</u>	<u>2,290,000</u>	<u>(8,375,470)</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other uses	<u>3,767,667</u>	<u>\$ 2,732</u>	<u>\$ 2,732</u>	<u>\$ 3,764,935</u>
Fund balance, October 1, 2005	<u>28,705,017</u>			
Fund balance, September 30, 2006	<u>\$ 32,472,684</u>			

The accompanying notes are an integral part of this financial statement.

**CITY OF ROUND ROCK, TEXAS
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
ROUND ROCK TRANSPORTATION SYSTEM DEVELOPMENT CORPORATION
REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2006**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues -				
Sales tax	\$ 16,233,944	\$ 14,743,000	\$ 14,743,000	\$ 1,490,944
Investment and other	1,905,530	827,000	827,000	1,078,530
Total revenues	18,139,474	15,570,000	15,570,000	2,569,474
Expenditures -				
Current -				
Public works	184,000	190,000	190,000	6,000
Total expenditures	184,000	190,000	190,000	6,000
Excess of revenues over expenditures	17,955,474	15,380,000	15,380,000	2,575,474
Other financing sources (uses)-				
Transfers out	(11,699,264)	(11,699,264)	(11,699,264)	-
Total other financing uses	(11,699,264)	(11,699,264)	(11,699,264)	-
Excess of revenues over expenditures and other financing uses	6,256,210	\$ 3,680,736	\$ 3,680,736	\$ 2,575,474
Fund balance, October 1, 2005	36,309,210			
Fund balance, September 30, 2006	\$ 42,565,420			

The accompanying notes are an integral part of this financial statement.

**CITY OF ROUND ROCK, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006**

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Golf Course Fund	Total	Internal Service
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 18,748,841	\$ 643,992	\$ 19,392,833	\$ 6,319,086
Investments	22,442,711	-	22,442,711	990,250
Receivables (net of allowance for uncollectibles of \$ 1,001,329) -				
Accounts	4,087,015	-	4,087,015	-
Accrued interest	230,470	-	230,470	-
Interfund	81,147	-	81,147	-
Inventories	345,708	-	345,708	-
Other current assets	154,237	-	154,237	87,500
Total current assets	<u>46,090,129</u>	<u>643,992</u>	<u>46,734,121</u>	<u>7,396,836</u>
Noncurrent assets:				
Restricted cash, cash equivalents, and investments:				
Customer deposits	1,013,830	-	1,013,830	-
Revenue bond covenant accounts	306,919	-	306,919	-
Impact fees	9,225,434	-	9,225,434	-
Construction	7,364,073	-	7,364,073	-
Restricted accounts and accrued interest receivable:				
Impact fees	192,187	-	192,187	-
Capital assets:				
Land and construction in progress	13,280,374	2,031,707	15,312,081	-
Capital assets being depreciated, (net of accumulated depreciation of \$ 53,830,551)	<u>165,619,503</u>	<u>3,339,046</u>	<u>168,958,549</u>	<u>-</u>
Total capital assets (net of accumulated depreciation)	<u>178,899,877</u>	<u>5,370,753</u>	<u>184,270,630</u>	<u>-</u>
Total noncurrent assets	<u>197,002,320</u>	<u>5,370,753</u>	<u>202,373,073</u>	<u>-</u>
Total assets	<u>\$ 243,092,449</u>	<u>\$ 6,014,745</u>	<u>\$ 249,107,194</u>	<u>\$ 7,396,836</u>

The accompanying notes are an integral part of this financial statement.

(Continued)

**CITY OF ROUND ROCK, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS (CONTINUED)
SEPTEMBER 30, 2006**

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Golf Course Fund	Total	Internal Service
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Accounts payable	\$ 2,490,733	\$ -	\$ 2,490,733	\$ 245,747
Accrued payroll	109,243	-	109,243	-
Interfund payables	18,112	-	18,112	-
Accrued compensated absences payable	182,000	-	182,000	-
Total current liabilities	<u>2,800,088</u>	<u>-</u>	<u>2,800,088</u>	<u>245,747</u>
Noncurrent liabilities:				
Unearned revenue	298,901	-	298,901	-
Accrued compensated absences payable	60,669	-	60,669	-
Customer deposits	1,013,830	-	1,013,830	-
Total noncurrent liabilities	<u>1,373,400</u>	<u>-</u>	<u>1,373,400</u>	<u>-</u>
Total liabilities	<u>4,173,488</u>	<u>-</u>	<u>4,173,488</u>	<u>245,747</u>
Net assets:				
Invested in capital assets, net of related debt	178,899,877	5,370,753	184,270,630	-
Restricted for:				
Debt service	7,100	-	7,100	-
Capital projects	17,527,151	-	17,527,151	-
Unrestricted	<u>42,484,833</u>	<u>643,992</u>	<u>43,128,825</u>	<u>7,151,089</u>
Total net assets	<u>\$ 238,918,961</u>	<u>\$ 6,014,745</u>	<u>244,933,706</u>	<u>\$ 7,151,089</u>

Reconciliation to government-wide statement of net assets:

Adjustment to reflect the cumulative net profit of the internal service fund that was allocated to enterprise fund functions.	898,502
Net assets of business-type activities	<u>\$ 245,832,208</u>

The accompanying notes are an integral part of this financial statement.

CITY OF ROUND ROCK, TEXAS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
YEAR ENDED SEPTEMBER 30, 2006

	Business-Type Activities- Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Golf Course Fund	Total	Internal Service
Operating revenues -				
Charges for services	\$ 30,566,103	\$ 476,082	\$ 31,042,185	\$ 6,788,953
Total operating revenues	30,566,103	476,082	31,042,185	6,788,953
Operating expenses -				
Personnel services	5,876,928	-	5,876,928	-
Contractual services	11,636,628	-	11,636,628	862,965
Supplies	737,939	-	737,939	-
Materials	691,236	-	691,236	-
Heat, light and power	2,019,558	-	2,019,558	-
Claims expense	-	-	-	3,786,901
Depreciation	7,237,391	150,029	7,387,420	-
Total operating expenses	28,199,680	150,029	28,349,709	4,649,866
Operating income	2,366,423	326,053	2,692,476	2,139,087
Nonoperating revenues (expenses) -				
Investment and other revenues	2,419,344	35,918	2,455,262	250,358
Interest and fiscal charges	(13,588)	-	(13,588)	-
Total nonoperating revenues (expenses)	2,405,756	35,918	2,441,674	250,358
Income before contributions and transfers	4,772,179	361,971	5,134,150	2,389,445
Contributions and transfers -				
Contributions - impact fees	9,261,152	-	9,261,152	-
Contributions - other	2,310,171	-	2,310,171	-
Developer contributions - infrastructure	8,134,901	-	8,134,901	-
Transfers in	-	375,000	375,000	-
Transfers out	(1,913,595)	(301,594)	(2,215,189)	-
Total contributions and transfers	17,792,629	73,406	17,866,035	-
Change in net assets	22,564,808	435,377	23,000,185	2,389,445
Net assets, October 1, 2005	216,354,153	5,579,368		4,761,644
Net assets, September 30, 2006	\$ 238,918,961	\$ 6,014,745		\$ 7,151,089

Reconciliation to government-wide statement of activities:

Adjustment to reflect the net profit of the internal service fund that was allocated to enterprise fund functions.	387,090
Change in net assets of business-type activities	<u>\$ 23,387,275</u>

The accompanying notes are an integral part of this financial statement.

**CITY OF ROUND ROCK, TEXAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2006**

	Business Type Activities- Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Golf Course	Total	Internal Service
Cash flows from operating activities:				
Cash received from customers	\$ 30,891,532	\$ 476,082	\$ 31,367,614	\$ 917,200
Cash received from other funds for services provided	-	-	-	6,771,300
Cash payments to suppliers for goods and services	(14,821,092)	-	(14,821,092)	(4,716,038)
Cash payments to employees for services	(4,950,121)	-	(4,950,121)	-
Cash payments to other funds for services	(951,698)	-	(951,698)	-
Net cash provided by operating activities	<u>10,168,621</u>	<u>476,082</u>	<u>10,644,703</u>	<u>2,972,462</u>
Cash flows from noncapital financing activities:				
Transfers from other funds	-	375,000	375,000	-
Transfers to other funds	(1,913,595)	(301,594)	(2,215,189)	-
Net cash provided by (used for) noncapital financing activities	<u>(1,913,595)</u>	<u>73,406</u>	<u>(1,840,189)</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Receipts of capital contributions	11,571,323	-	11,571,323	-
Acquisition and construction of capital assets	(16,211,864)	(397,764)	(16,609,628)	-
Proceeds from sale of capital assets	58,773	-	58,773	-
Principal paid on revenue bonds	(270,000)	-	(270,000)	-
Collection of loans	45,604	-	45,604	-
Interest and fiscal charges paid	(15,921)	-	(15,921)	-
Net cash used by capital and related financing activities	<u>(4,822,085)</u>	<u>(397,764)</u>	<u>(5,219,849)</u>	<u>-</u>
Cash flows from investing activities:				
Purchase of investments	(11,733,744)	-	(11,733,744)	(1,468,015)
Proceeds from sale of investments	14,500,000	-	14,500,000	500,000
Investment and other income	2,197,496	35,918	2,233,414	228,123
Net cash provided by (used for) investing activities	<u>4,963,752</u>	<u>35,918</u>	<u>4,999,670</u>	<u>(739,892)</u>
Net increase in cash and cash equivalents	8,396,693	187,642	8,584,335	2,232,570
Cash and cash equivalents at beginning of year	<u>28,262,404</u>	<u>456,350</u>	<u>28,718,754</u>	<u>4,086,516</u>
Cash and cash equivalents at end of year	<u>\$ 36,659,097</u>	<u>\$ 643,992</u>	<u>\$ 37,303,089</u>	<u>\$ 6,319,086</u>

(Continued)

**CITY OF ROUND ROCK, TEXAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2006**

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Golf Course	Total	Internal Service
<u>Reconciliation of Cash and Cash Equivalents to Proprietary Fund Statement of Net Assets</u>				
Cash and cash equivalents	\$ 18,748,841	\$ 643,992	\$ 19,392,833	\$ 6,319,086
Restricted assets -				
Cash and cash equivalents	<u>17,910,256</u>	<u>-</u>	<u>17,910,256</u>	<u>-</u>
Cash and cash equivalents	<u>\$ 36,659,097</u>	<u>\$ 643,992</u>	<u>\$ 37,303,089</u>	<u>\$ 6,319,086</u>
 <u>Reconciliation of operating income to net cash provided by operating activities</u>				
Operating income	\$ 2,366,423	\$ 326,053	\$ 2,692,476	\$ 2,139,087
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	7,237,391	150,029	7,387,420	-
Provision for bad debts	24,634	-	24,634	-
(Increase) decrease in receivables	123,328	-	123,328	395,000
Decrease in interfund receivables	-	-	-	504,547
(Increase) decrease in inventory	(37,629)	-	(37,629)	(87,500)
Increase (decrease) in accounts payable	258,326	-	258,326	21,328
Increase in accrued payroll	89,266	-	89,266	-
(Decrease) in interfund payables	(116,411)	-	(116,411)	-
Increase in payables				
from restricted assets	221,039	-	221,039	-
Increase in compensated absences	<u>2,254</u>	<u>-</u>	<u>2,254</u>	<u>-</u>
Total adjustments	<u>7,802,198</u>	<u>150,029</u>	<u>7,952,227</u>	<u>833,375</u>
Net cash provided by operations	<u>\$ 10,168,621</u>	<u>\$ 476,082</u>	<u>\$ 10,644,703</u>	<u>\$ 2,972,462</u>

NOTES:

(1) Noncash capital and related financing activities:

In fiscal year 2006, the Water and Sewer Fund had \$ 8,134,901 in capital assets contributed and recognized \$ 98,770 in unrealized investment gains.

The accompanying notes are an integral part of this financial statement.

**CITY OF ROUND ROCK, TEXAS
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS
SEPTEMBER 30, 2006**

AGENCY FUND

Encino Plaza Public
Improvement District

ASSETS

Cash and cash equivalents	<u>\$ 1,020,013</u>
Total assets	<u><u>\$ 1,020,013</u></u>

LIABILITIES

Liabilities -	
Due to participants	<u>\$ 1,020,013</u>
Total liabilities	<u><u>\$ 1,020,013</u></u>

The accompanying notes are an integral part of this financial statement.

NOTES TO THE FINANCIAL STATEMENTS



**CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Round Rock, Texas is a municipal corporation incorporated under Article XI, Section 5 of the Constitution of the State of Texas (Home Rule Amendment). The City operates under a Council-Manager form of government. The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

A. REPORTING ENTITY

The City provides various services and performs many different functions. These include a police force, a fire fighting and protection force, emergency medical services, a parks and recreation system, a municipal golf course, a public library, public health and social services, planning and zoning, a waterworks and sewer utility system. The City's staff provides the necessary support for the services provided. All are responsible to the Citizens of Round Rock and are therefore included within the reporting entity.

As required by generally accepted accounting principles, these financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the City.

Blended component unit

The Round Rock Transportation System Development Corporation, an entity legally separate from the City, is governed by a seven-member board appointed by the City Council. The City Council maintains budgetary control of the Corporation. For financial reporting purposes the Round Rock Transportation System Development Corporation is presented as a part of the City's operations because its sole purpose is to utilize sales tax revenues for the improvement of the City's transportation system. The revenues of the corporation and its administrative expenditures are accounted for in a special revenue fund, while the capital improvements are accounted for in a capital projects fund.

B. BASIS OF PRESENTATION-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. GASB Statement No. 34 requires certain supplementary information. Management's Discussion and Analysis includes an analytical overview of the City's financial activities. In addition, budgetary comparison statements are presented that compare the adopted and amended budgets of the General Fund and the Round Rock Transportation System Development Corporation Special Revenue Fund with their actual results.

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION – GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Government-wide Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all non-fiduciary activities of the primary government and its component unit. Governmental activities, which are normally 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.

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.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (police, fire, public works, etc.) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 as general revenues.

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

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from financial 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, as well as the fiduciary funds, and the component unit. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION –GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements:

Separate fund based financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. An emphasis is placed on major funds within the governmental and proprietary categories. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The major governmental funds are the general fund, the debt service fund, the Round Rock Transportation System Development Corporation's special revenue and capital project funds, the self-financed construction fund and the 2004 General Obligation Bond capital projects fund. The nonmajor funds are combined in a separate column in the fund financial statements.

The internal service fund, which provides services to the other funds of the government, is presented as part of the proprietary fund financial statements. Because the principal users are the City's governmental activities, financial statements of the internal service fund are consolidated into the governmental column when presented at the government-wide level. The costs of these services are reflected in the appropriate functional activity (general government, public safety, public works, etc.).

The City's fiduciary fund is presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, this fund is not incorporated into the government-wide statements.

C. GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those, if any, which should be accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination. The City maintains the following governmental fund types:

General Fund - The General Fund accounts for financial resources in use for general types of operations, which are not encompassed within other funds. The general fund is considered a major fund in the fund financial statements.

**CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. GOVERNMENTAL FUND TYPES (CONTINUED)

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

There are eleven groups of funds within the Special Revenue Funds which account for the activities related to grant programs, hotel-motel room taxes, transportation system improvement sales tax and funds designated for specific service programs. They are as follows:

- *1981 Community Development Block Grant Fund*
- *Street and Bridge Fund*
- *Hotel-Motel Occupancy Tax Fund*
- *Police Fund*
- *Municipal Court Fund*
- *Landscape Fund*
- *Convention Center Revenue Fund*
- *Round Rock Transportation System Development Corporation Revenue Fund*
- *Community Development Block Grant Fund*
- *Annexation Fees Fund*
- *Library Fund*

The Round Rock Transportation System Development Corporation special revenue fund is considered a major fund in the fund financial statements. It accounts for sales tax monies received for streets, drainage and other transportation system improvements, including maintenance costs associated with such authorized projects.

Debt Service Fund - The **Debt Service Fund** is used to account for the accumulation of resources for, and the payment of, governmental long-term debt principal, interest and related costs. The debt service fund is considered a major fund in the fund financial statements.

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. GOVERNMENTAL FUND TYPES (CONTINUED)

Capital Projects Funds - The **Capital Projects Funds** are used to account for financial resources to be used for the acquisition or construction of capital facilities (other than those financed by proprietary funds).

There are thirteen groups of funds within the Capital Projects Fund which account for the activities related to various capital improvements projects as follows:

- *Streets and Drainage*
- *1995 Series Certificates of Obligation (Yard and Fire Improvements Fund)*
- *Park Development*
- *1990 Series Certificates of Obligation (City Hall Complex)*
- *2002 Series General Obligation Bonds*
- *Self-Financed Construction*
- *1997 Series Certificates of Obligation (Streets and Public Safety Improvements)*
- *1998 Series General Obligation Bonds (Public Works, Police and Parks Facilities Improvements)*
- *Round Rock Transportation System Development Corporation Project*
- *1999 Series Hotel Tax Revenue Bonds (Convention Center Complex)*
- *2000 Series Certificates of Obligation (Municipal Complex, Park Land & Streets)*
- *2004 Series General Obligation Bonds*
- *Tourism Development Fund*

The Round Rock Transportation System Development Corporation capital projects fund, the Self-Financed construction fund and the 2004 Series General Obligation Bonds are considered major funds in the fund financial statements. The Round Rock Transportation System Development Corporation fund accounts for transportation system improvements funded by sales tax revenues. The Self-Financed Construction fund accounts for the costs of authorized general capital improvements and facilities. Financing is provided by general government resources. The 2004 Series GO Bonds fund accounts for street, traffic safety and sidewalk improvement projects, and improvements and equipment for police, fire and municipal office facilities.

Permanent Fund - The **Permanent Fund** is used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for authorized purposes that support the City's park improvement programs. The permanent fund is the Ron Sproull Memorial Endowment Fund, which was used to account for a contribution that is legally restricted so that only the earnings may be expended on park improvements. The fund was closed in fiscal year 2006.

**CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. PROPRIETARY FUNDS TYPES

The Proprietary Funds are used to account for the City's ongoing organizations and activities that are similar to those found in the private sector. The measurement focus is upon capital maintenance and upon determination of net income, financial position and cash flows. The City maintains the following Proprietary Fund types.

Enterprise Fund - The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's Enterprise Fund consists of the Water and Sewer Utility Fund and the Golf Course Fund. These funds are primarily supported by user charges.

E. OTHER FUND TYPES

Internal Service Fund - The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other City departments or agencies on a cost-plus basis. The City's Internal Service Fund is the Self-Funded Health Insurance Fund, which is used to account for the activities of the City's self-funded health insurance program.

Agency Fund - The Agency Fund is purely custodial (assets equal liabilities) and thus does not involve measurement of results of operations. The Agency Fund is the Encino Plaza Public Improvement District Fund.

F. NON-CURRENT GOVERNMENTAL ASSETS/LIABILITIES

GASB Statement No. 34 eliminated the presentation of account groups, but provides for these records to be maintained and incorporates the information into the governmental activities column in the government-wide statement of net assets.

G. BASIS OF ACCOUNTING

Government-wide Statements

The government-wide financial 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 the 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 imposed by the provider have been met.

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. BASIS OF ACCOUNTING (CONTINUED)

Fund Financial Statements

In the fund financial statements, all governmental funds are accounted for using a modified accrual basis of accounting. Governmental funds use the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Governmental Funds

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis of accounting, revenues are recorded when deemed both measurable and available. Measurable means that the amount of the transaction can be determined. Available means the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Property tax revenues are recognized when they become available. In this case, available means when due, or past due and receivable within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Tax collections expected to be received subsequent to the 60-day availability period are reported as unearned revenue.

Sales and hotel taxes, franchise fees, and special assessments are recorded when susceptible to accrual, both measurable and available. Licenses and permits, charges for services, fines and forfeitures and other revenues (except earnings on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Earnings on investments are recorded on the accrual basis in all funds. Unrealized gains or losses on investments are also recognized in accordance with GASB Statement No. 31.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual grant programs are used for guidance. Monies received are generally unrestricted as to purpose of expenditure and are revocable only for failure to comply with prescribed compliance requirements. These resources are recognized as revenues at the time of receipt, or sooner, if the susceptible to accrual criteria are met.

**CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. BASIS OF ACCOUNTING (CONTINUED)

Governmental Funds (Continued)

Revenue Recognition (Continued)

The City reports unearned revenue on its fund financial statements. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred except for unmatured principal and interest on governmental long-term debt which are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds' fund financial statements.

Proprietary and Agency Funds

In the fund financial statements and the government-wide statements, proprietary and agency funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, if measurable.

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 water and sewer fund, the golf course fund and the internal service fund are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service fund include the cost of sales and service, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

The proprietary funds follow GAAP prescribed by GASB and all Financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its proprietary funds as prescribed by the GASB.

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. CASH AND CASH EQUIVALENTS

In accordance with GASB Statement 9, for reporting purposes, the City has developed a definition of cash equivalents. Cash equivalents are demand deposit account balances, investments with the State Investment Pool, repurchase agreements, obligations of the United States government and its agencies, commercial paper and certificates of deposit with original maturities of three months or less.

I. INVENTORIES AND PREPAID ITEMS

Inventories for all funds are valued the lower of cost or market. The consumption method is used to account for inventories. Under the consumption method, an expenditure is recognized when inventory items are used. Cost is determined for inventories of supplies on the first-in, first-out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as **prepaid items** (other current assets) in both the government-wide and fund financial statements.

J. CAPITAL ASSETS

Capital assets are stated at historical cost. Maintenance and repairs are charged to operations as incurred. Improvements and betterments, which extend the useful lives of assets, are capitalized.

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by the fund's measurement focus. The minimum capitalization threshold is any individual item with a total cost greater than \$ 2,000 and a useful life of at least 5 years. Contributed assets are recorded at the estimated fair market value at the time received.

Public domain capital assets (infrastructure) have been capitalized. Infrastructure consists of certain improvements other than buildings, including roads, curbing, gutters, streets and sidewalks and drainage systems.

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. CAPITAL ASSETS (CONTINUED)

In the government-wide statements, depreciation of plant and equipment classified by functional components is provided by the straight-line method over their estimated useful lives. Estimated useful lives are as follows:

<i>Buildings</i>	<i>30 – 50 years</i>
<i>Improvements other than buildings</i>	<i>10 – 40 years</i>
<i>Machinery and equipment</i>	<i>5 – 10 years</i>

When capital assets are retired or otherwise disposed of, a gain or loss on disposal of assets is recognized.

In the fund financial statements, because of the application of the current financial resources focus and the use of modified accrual accounting for governmental funds, depreciation is only recognized for the Enterprise Funds.

For the Enterprise Fund's capital assets, interest is capitalized on construction costs. The amount of interest cost capitalized for assets constructed with tax-exempt borrowings is equal to the cost of borrowing, less interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowings. The total amount of interest expense incurred and expensed was \$ 13,588.

K. LONG-TERM DEBT

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type 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 effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. LONG-TERM DEBT (CONTINUED)

Hotel Occupancy Tax Revenue Bonds were issued to fund the City's portion of the construction of a convention center complex. The project costs were shared with a private corporation in accordance with the Master Agreement Regarding Convention Center Development. The Hotel Occupancy Tax Revenue Bonds are to be repaid from the hotel tax revenues.

Loans from the State Infrastructure Bank have been received to fund transportation improvements. The loans are to be repaid from revenues of the Round Rock Transportation System Development Corporation.

Revenue bonds, which have been issued to fund capital projects of the Enterprise Fund are to be repaid from net revenues of the utility systems.

Sales tax revenue bonds have been issued to fund transportation improvements. The bonds are to be repaid from revenues of the Round Rock Transportation System Development Corporation.

L. UNPAID COMPENSATED ABSENCES

Each employee may accumulate a total of two years vacation eligibility. Employees are paid for the accumulated vacation upon termination. Effective January 1, 1994, a liability for sick pay is not recorded since sick pay does not vest.

The City accrues a liability for accumulated vacation and sick leave benefits, which meet the following criteria:

- *The City's obligation to fund accumulated vacation and sick leave benefits is attributable to employees' services already rendered*
- *The obligation relates to rights that vest or accumulate*
- *Payment of the compensation is probable*
- *The amount can be reasonably estimated*

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. TRANSACTIONS BETWEEN FUNDS

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 results of operations of both governmental and proprietary funds. Nonrecurring or non-routine transfers of equity between funds – for example, contribution of capital assets to a proprietary fund or transfers of residual balances of discontinued funds to other funds - are accounted for as transfers.

As a rule, the effect of interfund activity has been eliminated from the government-wide statement of net assets. Exceptions to this rule are cost reimbursement transactions between the enterprise fund and various other functions of the government for utilities and for reimbursement of personnel costs for employees administering grant programs. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

N. RESTRICTED ASSETS

Certain bond proceeds, as well as resources set aside for their repayment, are classified as restricted assets because their use is limited by bond covenants. Other assets are restricted due to City Ordinance restrictions on their use.

Net assets have been restricted for the excess of restricted assets over related liabilities to the extent such restricted assets were accumulated from revenues (i.e., in some cases, restricted assets were obtained in total or in part from the proceeds of bond sales or grants).

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 they are needed.

O. FUND BALANCE/NET ASSETS

Fund balance and net assets represent the difference between assets and liabilities. Fund balance reservations identify the portion of fund balance that is segregated for a future purpose or not available for expenditure in the following period.

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. FUND BALANCE/NET ASSETS (CONTINUED)

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

1) Fund balance components:

- i. Federal seizure – reserved for expenditures on law enforcement expenditures as authorized by state law for asset forfeiture monies.
- ii. Non-current loans receivable – reserved for loans receivable that are not due within the next year.
- iii. Debt service – reserved for the retirement of general long-term debt.
- iv. Authorized construction – reserved to fund capital projects.
- v. Unreserved & undesignated – funds available for expenditure in the following period.

2) Net asset categories :

- i. Invested in capital assets, net of related debt — capital assets, net of accumulated depreciation, reduced by
 - a) the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets.
 - b) unspent bond proceeds.
- ii. Debt service – restricted for the retirement of bonds.
- iii. Capital projects – funds whose source is restricted for future capital improvements.
- iv. Unrestricted – no limitations are imposed on the use of net assets.

P. TAP-IN (CONNECTION FEES) AND IMPACT FEES

Water and sewer tap-in fees (connection fees) represent reimbursement of the costs incurred to perform the connection of the respective utilities. These fees are recorded as operating revenue at the time of service.

The impact fee substantially exceeds the cost of connection to the water and sewer system, and is therefore viewed as a contribution. Effective with the implementation of Governmental Accounting Standards Board Statement 33, impact fees are recorded as contributions in the Enterprise Fund.

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year has not been presented. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

R. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY ACCOUNTING

The City follows these procedures in establishing the appropriated budget as reflected in the accompanying financial statements:

- (1) At least sixty days prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget, which represents the financial plan for the ensuing fiscal year, includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted at which all interested persons' comments concerning the budget may be heard.
- (3) The budget is legally enacted by the City Council through passage of an appropriation ordinance and tax-levying ordinance not later than the final day of the last month of the fiscal year.
- (4) Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Proprietary Funds. Management control for the operating budget is maintained at the individual office, department, or agency level.
- (5) Annual budgets are legally adopted for the General Fund, Special Revenue Funds, Debt Service Fund and the Proprietary Funds. Capital Projects Funds have no binding annual budget. Project-length financial plans are adopted for all capital projects; accordingly, no comparison of budget to actual is presented in the financial statements.
- (6) Amendments that alter total expenditures of any fund must be approved by the City Council. Although costs are monitored on a departmental basis, the level of control at which expenditures may not exceed the budget is at the fund level. The reported budgetary data has been revised for amendments authorized.

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. BUDGETARY ACCOUNTING (CONTINUED)

- (7) Any appropriation balances in the General Fund and Special Revenue Funds lapse or revert to the undesignated fund balances at the close of each fiscal year.

The budgets of the various funds are prepared on a basis consistent with generally accepted accounting principles as described above.

Budgeted amounts are as originally adopted, or as amended by the City Council on October 12, 2006. Amendments to Special Revenue and Debt Service Funds were not material to the original appropriations. The original budget of the General Fund was amended once during 2006. The following table compares original to final budgets. The largest amendment was to reallocate \$ 7,900,000 of available cash to fund specified capital purchases.

	Original Budget	Amendments Increase (Decrease)	Final Budget
Revenues -			
Taxes and franchise, including interest and penalties	\$ 60,837,000	\$ 4,949,000	\$ 65,786,000
Licenses, permits and fees	575,000	-	575,000
Charges for services	4,023,000	-	4,023,000
Fines and forfeitures	1,177,000	300,000	1,477,000
Intergovernmental	132,000	315,000	447,000
Investment and other	1,564,000	1,158,000	2,722,000
Total revenues	<u>68,308,000</u>	<u>6,722,000</u>	<u>75,030,000</u>
Expenditures -			
Current -			
General government	22,864,143	(561,500)	22,302,643
Public safety	26,400,761	(343,590)	26,057,171
Public works	10,935,750	(2,289,380)	8,646,370
Culture and recreation	10,394,614	(749,000)	9,645,614
Total expenditures	<u>70,595,268</u>	<u>(3,943,470)</u>	<u>66,651,798</u>
Excess (deficiency) of revenues over expenditures	<u>(2,287,268)</u>	<u>10,665,470</u>	<u>8,378,202</u>

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. BUDGETARY ACCOUNTING (CONTINUED)

	Original Budget	Amendments Increase (Decrease)	Final Budget
Other financing sources (uses) -			
Lease purchase proceeds	\$ 600,000	\$ -	\$ 600,000
Transfers in	1,690,000	-	1,690,000
Transfers out	-	(10,665,470)	(10,665,470)
Total other financing sources (uses)	<u>2,290,000</u>	<u>(10,665,470)</u>	<u>(8,375,470)</u>
Excess of revenues and other financing sources over expenditures and other uses	<u>\$ 2,732</u>	<u>\$ -</u>	<u>\$ 2,732</u>

B. ENCUMBRANCES

Encumbrances represent commitments related to unperformed (executory) contracts for goods or services. For budgetary purposes, encumbrances lapse at fiscal year-end.

III. 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 a 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 that "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 difference are as follows:

Bonds payable	\$ 158,058,618
Plus: Issuance premium (to be amortized against interest expense)	2,280,408
Less: Deferred charge from issuance costs (to be amortized over life of debt)	(1,525,231)
Less: Deferred charge on refundings (to be amortized over life of debt)	(2,270,112)
Accrued interest payable	1,257,389
Capital leases payable	1,203,437
Compensated absences	<u>2,707,673</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 161,712,182</u>

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

III. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

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 a 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 that “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 this difference are as follows:

Capital outlay	\$ 36,896,924
Depreciation expense	<u>(21,246,269)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities</i>	<u><u>\$ 15,650,655</u></u>

Another element of the reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals, and donations) is to increase net assets.” The details of this difference are as follows:

Donations	\$ 10,655,816
Reclassifications, disposals, and transfers	<u>10,000</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities</i>	<u><u>\$ 10,665,816</u></u>

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

III. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

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 (CONTINUED)

Another element of the reconciliation states that "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." The details of this difference are as follows:

Issuance of State Loans	\$ 6,201,377
Capital lease proceeds	600,000
Governmental bonded debt payments	(6,705,389)
Capital leases payments	<u>(384,994)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$ (289,006)</u>

Another element of the reconciliation states that "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 difference are as follows:

Amortization of bond premium	\$ 145,121
Change in compensated absences	(292,686)
Change in accrued interest	(146,564)
Amortization of issuance costs	<u>(250,247)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$ (544,376)</u>

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

IV. DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

At September 30, 2006, the carrying amount of deposits was \$ 948,704 primarily consisting of outstanding checks; and the respective bank balances totaled \$ 2,040,704. The City's bank balances were fully insured or collateralized with securities held by the City's agent in the City's name.

Investments –

All investments are presented at fair value. The fair value of U.S. Government Securities is based upon discounted future cash flows. The fair value of the positions in the state investment pools is the same as the value of the pool shares. The increase in the fair value of investments during the year ended September 30, 2006 is as follows:

Fair value at September 30, 2006	\$ 84,118,555
Add: Proceeds of investments matured this fiscal year	61,477,969
Less: Cost of investments purchased this fiscal year	(52,552,273)
Less: Fair value at September 30, 2005	<u>(92,195,373)</u>
Change in fair value of investments	<u><u>\$ 848,878</u></u>

Reconciliation of cash and investments to the statement of net assets amounts for cash and cash equivalents and investments is as follows:

Cash in banks	\$ 948,704
Investments	214,488,248
Total cash and investments	<u><u>\$ 215,436,952</u></u>

Statement of net assets presentation:

Cash and cash equivalents	\$ 50,583,333
Investments	72,663,506
Restricted assets -	
Cash and cash equivalents	80,735,064
Investments	11,455,049
Total cash and cash equivalents and investments	<u><u>\$ 215,436,952</u></u>

**CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006**

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. CASH AND INVESTMENTS (CONTINUED)

Investments are classified as follows:

	Carrying Amount	Fair Value	Weighted Average Maturity (Days)
U. S. Government Securities	\$ 84,118,555	\$ 84,118,555	333
Investments in State Investment Pools	130,369,693	130,369,693	1
	<u>\$ 214,488,248</u>	<u>\$ 214,488,248</u>	
Portfolio weighted average maturity			131

In accordance with its investment policy, the City manages its interest rate risk by limiting the weighted average maturity of its portfolio to less than 300 days.

Legal and Contractual Provisions Governing Deposits and Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Additional contractual provisions governing deposits and investments are as follows:

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

**CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006**

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. CASH AND INVESTMENTS (CONTINUED)

Policies Governing Deposits and Investments

1. Foreign Currency Risk – The City's deposits and investments are not exposed to foreign currency risk.
2. Custodial Credit Risk – The City's policy is to be collateralized. The City was fully collateralized during the year.
3. Interest Rate Risk – The City has no debt securities which have interest rate risk.
4. Other Credit Risk Exposure – The City does not invest in debt securities directly; however there are some in the pools the City invests in.

The City invests on a short term basis in two investment pools. At September 30, 2006, \$ 108,214,810 was invested in Texpool. The Comptroller of Public Accounts is the sole officer and director of the Texas Treasury Safekeeping Trust Company, which is authorized to operate the state investment pool. The Comptroller maintains oversight of all operations of the pool. The state investment pool is rated AAAm by Standard and Poor's.

In addition, \$ 22,154,883 was invested in the Texas Short Term Asset Reserve Program (TexSTAR). TexSTAR is an investment pool that is authorized under Chapters 791 (Cooperation Act) and 2256 (Investment Act) of the Texas Government Code. The investment pool is managed by a five member board of directors and a nine member advisory board. Participants have representation on the board. TexSTAR is rated AAAm by Standard & Poors.

Concentration Risk – The City invests only in pools and U. S. Government Securities. State law authorizes the City to invest in obligations of the United States government and its agencies, commercial paper and certificates of deposit of any state or federally chartered bank. All investments made in 2006 were of the aforementioned categories. There are no positions of 5 percent or more in the securities of a single issuer.

B. PROPERTY TAXES AND RECEIVABLES

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1, are due on November 1, and are past due the following February 1. The Williamson Central Appraisal District established appraisal values in accordance with requirements of the Texas Legislature.

The City Council levies taxes based upon the appraised values. The Round Rock Independent School District bills and collects the City's property taxes.

The property tax rates, established in accordance with state law, were based on 100% of the net assessed valuation of real and personal property within the City on the 2005 tax roll. The tax rate, based on total taxable assessed valuation of \$ 5,773,482,582 was \$.37105 on each \$ 100 valuation and was allocated to the General Fund and Debt Service Fund at \$.20890 and \$.16215 respectively.

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. PROPERTY TAXES AND RECEIVABLES (CONTINUED)

Property taxes receivable at September 30, 2006, consisted of the following:

	General Fund	Debt Service Fund	Total
Current year levy	\$ 110,105	\$ 85,464	\$ 195,569
Prior years' levies	278,094	265,139	543,233
	<u>388,199</u>	<u>350,603</u>	<u>738,802</u>
Less - allowance for uncollectible taxes	(40,281)	(31,351)	(71,632)
	<u>\$ 347,918</u>	<u>\$ 319,252</u>	<u>\$ 667,170</u>

Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

C. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2006 was as follows:

	October 1, 2005	Additions/ Completions	Retirements/ Adjustments	September 30, 2006
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 19,890,440	\$ 905,799	\$ (847,790)	\$ 19,948,449
Construction in progress	39,920,698	37,208,366	(31,854,640)	45,274,424
Total capital assets not being depreciated	<u>59,811,138</u>	<u>38,114,165</u>	<u>(32,702,430)</u>	<u>65,222,873</u>
Capital assets being depreciated:				
Buildings and improvements	411,829,253	37,853,674	-	449,682,927
Equipment	32,429,249	4,675,514	(1,643,324)	35,461,439
Total capital assets being depreciated	<u>444,258,502</u>	<u>42,529,188</u>	<u>(1,643,324)</u>	<u>485,144,366</u>
Less accumulated depreciation for:				
Buildings and improvements	128,271,895	17,688,308	-	145,960,203
Equipment	22,411,415	3,557,961	(1,265,141)	24,704,235
Total accumulated depreciation	<u>150,683,310</u>	<u>21,246,269</u>	<u>(1,265,141)</u>	<u>170,664,438</u>
Total capital assets being depreciated, net	<u>293,575,192</u>	<u>21,282,919</u>	<u>(378,183)</u>	<u>314,479,928</u>
Governmental activities capital assets, net	<u>\$ 353,386,330</u>	<u>\$ 59,397,084</u>	<u>\$(33,080,613)</u>	<u>\$ 379,702,801</u>

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. CAPITAL ASSETS (CONTINUED)

	October 1, 2005	Additions/ Completions	Retirements/ Adjustments	September 30, 2006
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 2,544,504	\$ -	\$ -	\$ 2,544,504
Construction in progress	11,880,250	16,784,777	(15,897,450)	12,767,577
Total capital assets not being depreciated	14,424,754	16,784,777	(15,897,450)	15,312,081
Capital assets being depreciated:				
Buildings and improvements	192,783,313	23,201,965	-	215,985,278
Equipment	6,432,169	655,453	(283,800)	6,803,822
Total capital assets being depreciated	199,215,482	23,857,418	(283,800)	222,789,100
Less accumulated depreciation for:				
Building and improvements	41,849,900	6,790,217	-	48,640,117
Equipment	4,824,688	597,203	(231,457)	5,190,434
Total accumulated depreciation	46,674,588	7,387,420	(231,457)	53,830,551
Total capital assets being depreciated, net	152,540,894	16,469,998	(52,343)	168,958,549
Business-type activities capital assets, net	<u>\$ 166,965,648</u>	<u>\$ 33,254,775</u>	<u>\$ (15,949,793)</u>	<u>\$ 184,270,630</u>

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

Governmental activities:	
General government	\$ 1,317,781
Public safety	1,938,728
Public works	16,297,183
Culture and recreation	1,692,577
Total depreciation expense-governmental activities	<u>\$ 21,246,269</u>
Business-type activities:	
Water and sewer utility	\$ 7,237,391
Golf course	150,029
Total depreciation expense-business-type activities	<u>\$ 7,387,420</u>

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. CAPITAL ASSETS (CONTINUED)

Major construction contracts in progress from inception to September 30, 2006, consisted of the following:

	<u>Project Authorization</u>	<u>Expended to 9/30/2006</u>	<u>Committed</u>	<u>Future Financing</u>
Projects funded principally by general obligation debt -				
Streets, parks, library, public safety and general improvements	\$ 10,403,729	\$ 10,403,729	\$ -	None
Streets and other improvements	5,734,646	5,734,646	-	None
Parks, public safety, streets and public service facilities	33,454,982	23,250,640	10,204,342	None
Municipal complex, parkland and streets	10,811,750	10,337,555	474,195	None
Municipal complex, public safety and street improvements	16,957,465	9,986,151	6,971,314	None
Yard site and fire improvements	1,630,820	1,630,820	-	None
Self-financed construction	43,705,608	39,277,910	4,427,698	None
Round Rock Transportation System- road improvements	141,227,933	102,577,873	38,650,060	None
Convention Center Complex	294,537	294,537	-	None
	<u>\$264,221,470</u>	<u>\$ 203,493,861</u>	<u>\$ 60,727,609</u>	
Projects funded by revenue bonds and developer contributions:				
Utility line improvements	\$ 1,530,391	\$ 1,447,076	\$ 83,315	None
Self-financed construction	83,895,097	44,810,843	39,084,254	None
	<u>\$ 85,425,488</u>	<u>\$ 46,257,919</u>	<u>\$ 39,167,569</u>	

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. INTERFUND, RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables as of September 30, 2006 were as follows:

Receivable Fund	Payable Fund	Amount
General	Debt service	\$ 51,981
	Round Rock Transportation System	
	Development Corporation Revenue	184,000
	Water and Sewer	18,112
Debt Service	General Fund	35,534
Self-Financed Construction	General Fund	22,168,144
	Round Rock Transportation System	
	Development Corporation Revenue	1,829,389
Water and Sewer	General Fund	<u>81,147</u>
		<u>\$ 24,368,307</u>

The balance of \$ 22,168,144 due to the self-financed construction fund from the general fund resulted from scheduled transfers to fund approved capital programs. The balance of \$ 1,829,389 due to the self-financed construction fund from the Round Rock Transportation System Development Corporation Revenue fund represents a reimbursement due for capital outlay initially funded from general revenues.

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The City reports interfund transfers between many of its funds. These routine transfers are consistent with the activities of the funds. For the year ended September 30, 2006, transfers were as follows:

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

	Transfers In	Transfers Out
General Fund -		
Water and Sewer Fund	\$ 1,690,000	\$ -
Self-financed Construction	-	10,665,470
	<u>1,690,000</u>	<u>10,665,470</u>
Debt Service Fund -		
Water and Sewer Fund	223,595	-
Golf Course Fund	301,594	-
Round Rock Transportation Development Corporation Revenue Fund	4,524,264	-
Nonmajor Governmental Funds	541,490	8,017
	<u>5,590,943</u>	<u>8,017</u>
Round Rock Transportation Development Corporation Revenue Fund -		
Round Rock Transportation Development Corporation Project Fund	-	7,175,000
Debt Service Fund	-	4,524,264
	<u>-</u>	<u>11,699,264</u>
Round Rock Transportation Development Corporation Project Fund -		
Round Rock Transportation Development Corporation Revenue Fund	7,175,000	-
Nonmajor Governmental Funds	1,131,910	-
	<u>8,306,910</u>	<u>-</u>
Self-Financed Construction -		
General Fund	10,665,470	-
Permanent Fund	106,477	-
Golf Course Fund	-	375,000
	<u>10,771,947</u>	<u>375,000</u>
Permanent Fund		
Self-Financed Construction	-	106,477
	<u>-</u>	<u>106,477</u>
Nonmajor Governmental Funds -		
Round Rock Transportation Development Corporation Project Fund	-	1,131,910
Debt Service Fund	8,017	541,490
Nonmajor Governmental Funds	3,020,098	3,020,098
	<u>3,028,115</u>	<u>4,693,498</u>
Water and Sewer Fund-		
General Fund	-	1,690,000
Debt Service Fund	-	223,595
	<u>-</u>	<u>1,913,595</u>
Golf Course Fund-		
Self-financed construction	375,000	-
Debt Service Fund	-	301,594
	<u>375,000</u>	<u>301,594</u>
	<u>\$ 29,762,915</u>	<u>\$ 29,762,915</u>

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

E. LONG-TERM DEBT

The following is a summary of long-term debt transactions, including current portion of the City for the year ended September 30, 2006:

	Balance October 1, 2005	Additions	Retirements	Balance September 30, 2006	Due within one year
<u>Governmental Activities</u>					
General obligation bonds	\$ 98,680,000	\$ -	\$ (3,660,000)	\$ 95,020,000	\$ 3,100,000
Certificates of obligation	3,471,000	-	(503,000)	2,968,000	648,000
Hotel tax revenue bonds	8,500,000	-	(50,000)	8,450,000	55,000
State infrastructure bank loans	25,311,630	6,201,377	(1,502,389)	30,010,618	1,880,657
Sales tax revenue bonds	22,600,000	-	(990,000)	21,610,000	1,030,000
Plus deferred amount:					
For issuance premium	2,425,529	-	(145,121)	2,280,408	145,121
Lease purchase payable	988,431	600,000	(384,994)	1,203,437	588,734
Compensated absences	2,414,987	2,248,989	(1,956,303)	2,707,673	1,728,000
Total governmental activities	<u>164,391,577</u>	<u>9,050,366</u>	<u>(9,191,807)</u>	<u>164,250,136</u>	<u>9,175,512</u>
<u>Business-Type Activities</u>					
Revenue bonds	270,000	-	(270,000)	-	-
Compensated absences	240,415	178,771	(176,517)	242,669	182,000
Total business-type activities	<u>510,415</u>	<u>178,771</u>	<u>(446,517)</u>	<u>242,669</u>	<u>182,000</u>
 Total government	 <u>\$ 164,901,992</u>	 <u>\$ 9,229,137</u>	 <u>\$ (9,638,324)</u>	 <u>\$ 164,492,805</u>	 <u>\$ 9,357,512</u>

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. LONG-TERM DEBT (CONTINUED)

Long-term debt at September 30, 2006 is comprised of the following:

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>
General obligation bonds:		
\$ 13,125,000 1996 bonds due in annual installments of \$ 5,000 to \$ 235,000 through 2021; interest at 4.50% to 5.80%	\$ 730,000	\$ -
\$ 5,300,000 1997 refunding bonds due in annual installments of \$ 20,000 to \$ 410,000 through 2025; interest at 4.10% to 5.37%	4,225,000	-
\$ 8,905,000 1998 bonds due in annual installments of \$ 55,000 to \$ 1,830,000 through 2023, interest 4.8% to 6.75%	3,365,000	-
\$ 45,465,000 2002 GO and refunding bonds due in annual installments of \$ 1,150,000 to \$ 3,185,000 through 2027; interest at 3.25% to 5.5%	36,165,000	-
\$ 31,945,000 2004 GO and refunding bonds due in annual installments of \$ 60,000 to \$ 2,470,000 through 2024; interest at 2.0% to 5.25%	30,900,000	-
\$ 19,915,000 2005 refunding bonds due in annual installments of \$ 100,000 to \$ 2,275,000 through 2022; interest at 2.25% to 5%	19,635,000	-
	<u>95,020,000</u>	<u>-</u>
Certificates of obligation:		
\$ 69,000 1975 certificates of obligation due in annual installments of \$ 3,000 through 2007; interest at 5.00%	3,000	-
\$ 7,940,000 1995 certificates due in annual installments of \$ 45,000 to \$ 220,000 through 2025; interest at 4.6% to 6.25%	1,160,000	-
\$ 5,185,000 1997 combination tax and revenue certificates of obligation due in installments of \$ 245,000 to \$ 270,000 through 2007; interest at 5.25% to 5.50%	270,000	-

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. LONG-TERM DEBT (CONTINUED)

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>
Certificates of obligation: (continued)		
\$ 2,550,000 1998 certificates due in annual installments of \$ 110,000 to \$ 150,000 through 2008; interest at 4.40% to 6.40%	\$ 235,000	\$ -
\$ 10,750,000 2000 certificates due in annual installments of \$ 100,000 to \$ 405,000 through 2010; interest at 5.00% to 6.25%	1,300,000	-
	<u>2,968,000</u>	<u>-</u>
Hotel Tax Revenue Bonds:		
\$ 8,605,000 1999 bonds due in annual installments of \$ 35,000 to \$ 730,000 through 2024; interest at 5.00 - 5.85%	8,450,000	-
	<u>8,450,000</u>	<u>-</u>
State Infrastructure Bank Loans:		
\$ 16,000,000 2000 note due in annual installments of \$ 1,500,081 through 2015 including interest at 4.6%	10,854,825	-
\$ 15,000,000 2002 loan due in annual installments of \$ 1,153,142 through 2022 including interest at 4.5%	12,954,416	-
\$ 6,201,377 note due in annual installments of \$ 557,759 through 2021 including interest at 4%	6,201,377	-
	<u>30,010,618</u>	<u>-</u>
Sales Tax Revenue Bonds:		
\$ 25,890,000 2001 bonds due in annual installments of \$ 915,000 to \$ 2,000,000 through 2021; interest at 3.9-5.5%	21,610,000	-
	<u>21,610,000</u>	<u>-</u>
Compensated absences	2,707,673	242,669
Issuance premium	<u>2,280,408</u>	<u>-</u>
Lease purchases payable:		
\$ 1,775,000 leases due in semi annual installments of \$ 313,597 including interest ranging from 2.69% -4.07% due in 2009. The lease obligation is funded with general revenue sources. Equipment under capital lease totaled \$ 1,775,000 at September 30, 2006.	1,203,437	-
	<u>1,203,437</u>	<u>-</u>
Total primary government debt	<u><u>\$ 164,250,136</u></u>	<u><u>\$ 242,669</u></u>

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize bonded, certificates of obligation, loan and lease debt at September 30, 2006, including interest, are as follows:

Governmental Activities:

Year Ended September 30,	General and Certificates of Obligation Debt		
	Principal	Interest	Total
2007	\$ 3,748,000	\$ 4,722,518	\$ 8,470,518
2008	4,480,000	4,535,335	9,015,335
2009	4,065,000	4,350,426	8,415,426
2010	4,175,000	4,199,790	8,374,790
2011	4,480,000	4,007,271	8,487,271
2012-2016	25,545,000	16,851,049	42,396,049
2017-2021	30,445,000	9,972,983	40,417,983
2022-2026	18,555,000	3,156,223	21,711,223
2027-2028	2,495,000	124,750	2,619,750
	<u>\$97,988,000</u>	<u>\$51,920,345</u>	<u>\$149,908,345</u>

Year Ended September 30,	Hotel Tax Revenue		
	Principal	Interest	Total
2007	\$ 55,000	\$ 485,115	\$ 540,115
2008	275,000	476,865	751,865
2009	290,000	462,740	752,740
2010	305,000	446,724	751,724
2011	325,000	428,609	753,609
2012-2016	1,935,000	1,830,532	3,765,532
2017-2021	2,580,000	1,180,820	3,760,820
2022-2026	2,685,000	325,404	3,010,404
2027-2028	-	-	-
	<u>\$ 8,450,000</u>	<u>\$ 5,636,809</u>	<u>\$ 14,086,809</u>

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. LONG-TERM DEBT (CONTINUED)

Year Ended September 30,	State Infrastructure Bank Loans		
	Principal	Interest	Total
2007	\$ 1,880,657	\$ 1,330,326	\$ 3,210,983
2008	1,964,738	1,246,244	3,210,982
2009	2,052,588	1,158,394	3,210,982
2010	2,144,374	1,066,608	3,210,982
2011	2,240,274	970,707	3,210,981
2012-2016	11,297,186	3,257,643	14,554,829
2017-2021	7,327,316	1,227,186	8,554,502
2022-2026	1,103,485	49,656	1,153,141
	<u>\$30,010,618</u>	<u>\$ 10,306,764</u>	<u>\$ 40,317,382</u>

Year Ended September 30,	Sales Tax Revenue		
	Principal	Interest	Total
2007	\$ 1,030,000	\$ 1,078,412	\$ 2,108,412
2008	1,070,000	1,037,212	2,107,212
2009	1,115,000	992,808	2,107,808
2010	1,160,000	945,420	2,105,420
2011	1,210,000	894,670	2,104,670
2012-2016	6,990,000	3,538,060	10,528,060
2017-2021	9,035,000	1,499,024	10,534,024
	<u>\$21,610,000</u>	<u>\$ 9,985,606</u>	<u>\$ 31,595,606</u>

Year Ended September 30,	Lease Purchases		
	Principal	Interest	Total
2007	\$ 588,734	\$ 38,463	\$ 627,197
2008	406,594	19,815	426,409
2009	208,109	6,374	214,483
	<u>\$ 1,203,437</u>	<u>\$ 64,652</u>	<u>\$ 1,268,089</u>

**CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006**

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. LONG-TERM DEBT (CONTINUED)

In prior years, the City defeased certain revenue and general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2006, \$ 35,030,000 of bonds outstanding are considered defeased.

Bond ordinances also provide for other limitations and restrictions. The City is in compliance with all significant limitations and restrictions contained in the various bond ordinances.

Bonds authorized and unissued at September 30, 2006, amounted to \$ 34,800,000.

In March of 1997, the City issued \$ 2,690,000 in special assessment debt for which it is not obligated in any manner beyond the resources provided by the Encino Plaza Public Improvement District. For purposes of this debt, the City is merely acting as an agent for property owners in collecting the assessments and forwarding them to the bondholders. At September 30, 2006, the amount of debt outstanding was \$ 1,210,000.

(1) UTILITY REVENUE BONDS

The City is required by bond ordinances to pledge the net revenues of the waterworks and sewer system for the retirement of its outstanding revenue bonds, including interest thereon, and is required for such purposes to maintain debt service funds and bond reserve funds for all outstanding revenue bonds.

The debt service funds are restricted within the Enterprise Fund and require that net revenues of the City's waterworks and sewer system, after operating and maintenance expenses are deducted, be irrevocably pledged by providing equal monthly installments which will accumulate to the semi-annual principal and interest requirements as they become due.

The bond reserve funds for revenue bond retirement are also restricted within the Enterprise Fund. The City is in compliance with the requirement to maintain a combined reserve fund containing cash and investments in an amount equal to the average annual principal and interest requirements of all bonds then outstanding. The City also covenants under the bond indentures that reserve funds shall be invested in time deposits, certificates of deposit and direct or guaranteed obligations of the United States of America.

(2) HOTEL TAX REVENUE BONDS

The debt service fund for the hotel tax revenue bonds, aggregating \$ 303,686 at September 30, 2006, is reported in the governmental funds. Bond covenants require that the hotel tax revenues be irrevocably pledged by providing quarterly installments, which will accumulate to the semi-annual principal and interest requirements as they become due.

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. LONG-TERM DEBT (CONTINUED)

(2) HOTEL TAX REVENUE BONDS (CONTINUED)

The bond reserve fund for hotel tax revenue bond retirement aggregates \$ 760,607 at September 30, 2006. This amount is in compliance with the requirements contained in the bond's Indenture Agreement. This agreement requires ½ of the average annual debt service requirements of the bonds in the reserve fund be deposited upon issuance of the bonds, with quarterly installments until the required reserve is attained.

(3) SALES TAX REVENUE BONDS

The Round Rock Transportation System Development Corporation issued the sales tax revenue bonds. The Corporation is a blended component unit of the City of Round Rock, which collects ½ of 1% of the sales tax collected by the State on its behalf. Although the Corporation is presented as a blended component unit, none of the City's assets are pledged to payment of the bonds. The bonds are secured solely by a pledge of the revenues of the Round Rock Transportation System Development Corporation.

The debt service fund for the sales tax revenue bonds, aggregating \$ 129,578 at September 30, 2006, is reported in the governmental funds. Bond covenants require that the Corporation's share of the sales tax is pledged as security for the bonds. The Corporation provides monthly installments that accumulate to the semi-annual principal and interest requirements as they become due.

A reserve fund was not established for these bonds. The Corporation purchased bond insurance to provide for payment of the principal and interest requirements in the event that pledged revenues are not sufficient.

F. ACCRUED COMPENSATED ABSENCES

Changes to accrued compensated absences for the year ended September 30, 2006, were as follows:

	Governmental Activities	Business-Type Activities
Balance, October 1, 2005	\$ 2,414,987	\$ 240,415
Additions	2,248,989	178,771
Reductions	<u>(1,956,303)</u>	<u>(176,517)</u>
Balance, September 30, 2006	<u>\$ 2,707,673</u>	<u>\$ 242,669</u>

Accrued compensated absences due within one year were \$ 1,728,000 for governmental activities and \$ 182,000 for business-type activities. Liabilities for accrued compensated absences are funded from general revenue for the governmental activities and program revenues for the business-type activities.

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. RESTRICTED ASSETS

The following summarizes restricted assets by purpose at September 30, 2006:

	Cash & Cash Equivalents	Investments	Accrued Interest Receivable	Property Taxes Receivable
Governmental Activities:				
Debt Service fund	\$ 3,195,208	\$ -	\$ 3,807	\$ 319,252
Restricted by debt covenants- Round Rock Transportation System Development Corp.	36,692,589	5,967,940	12,458	-
Convention Center	9,235	-	-	-
Construction	22,927,776	5,487,109	53,821	-
Total Governmental Activities	\$ 62,824,808	\$ 11,455,049	\$ 70,086	\$ 319,252

	Cash & Cash Equivalents	Investments	Accrued Interest Receivable	Accounts Receivable
Business-Type Activities:				
Water and sewer fund-				
Revenue bond debt service	\$ 306,919	\$ -	\$ -	\$ -
Construction	7,364,073	-	-	-
Impact fees	9,225,434	-	-	192,187
Customer deposits	1,013,830	-	-	-
Total Business-Type Activities	\$ 17,910,256	\$ -	\$ -	\$ 192,187

V. OTHER INFORMATION

A. COMMITMENTS AND CONTINGENCIES

Tax Collections

The City has a contract with the Round Rock Independent School District to collect City taxes and deposit monies to the City's accounts. For this service, the School District was paid a contract amount of \$ 10,953.

Commitments for Road Construction

The City's component unit, the Round Rock Transportation System Development Corporation has entered into various commitments with the State of Texas, Department of Transportation relative to the construction of roadways.

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

V. OTHER INFORMATION (CONTINUED)

A. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Water Supply Agreements

On May 2, 1978, the City entered into the "Water Supply Contract" with the Brazos River Authority ("the Authority"), providing the City the right to purchase 6,720 acre-feet of water per year from Lake Georgetown. A new agreement, "System Water Availability Agreement for Lake Georgetown" dated September 1, 2001, replaced that agreement. The new agreement revised the rate methodology from a tiered system rate, wherein rates change based upon the City's consumption, to a level system rate. For the fiscal year ended September 30, 2006, the City's cost under this contract was \$ 333,648.

On September 12, 1991, the City entered into the "Replacement Water Supply Agreement" with the Authority, wherein it received the right to purchase 8,134 acre-feet of water per year from Lake Stillhouse Hollow. Rights for an additional 10,000 acre-feet of water were acquired in the November 13, 1996 "System Water Supply Agreement". These agreements were replaced with the "System Water Availability Agreement for Lake Stillhouse Hollow" dated September 1, 2001. Under this agreement, the City purchases 18,134 acre-feet per year at the new system rate. For the fiscal year ended September 30, 2006, the City's cost under this contract was \$ 900,353.

Effective September 1, 2001, the City entered into a "System Water Availability Agreement for Colorado River Basin Water" with the Authority, wherein it received reserved water rights for an additional 6,944 acre-feet of water. Effective September 1, 2002, a "Water Sale Contract" granted Round Rock rights to 4,500 additional acre-feet of water per year from the Colorado River Basin. For the fiscal year ended September 30, 2006, the City's cost under these contracts was \$ 616,946.

Future annual charges under the Water Supply Agreements will be based upon the system rate periodically set by the Authority.

Regional Sewer Project

In 1985, the City entered into a Wastewater Disposal Contract with Brushy Creek Water Control and Improvement District No. 1 of Williamson and Milam Counties ("District"), the City of Austin, and two Municipal Utility Districts. The agreement provided for the District to construct a pipeline and a treatment plant for the collection and treatment of wastewater. In subsequent years, the two Municipal Utility Districts withdrew from the project. In 1989, the City sold certain facilities to the District for approximately \$ 3,300,000. In 1991, the City and the City of Austin postponed further construction until such time that demand was greater.

In October 1996, as part of a plan for a regional wastewater collection, treatment and disposal system, the City and the City of Cedar Park entered into agreements with an alliance ("Alliance") formed by the Brazos River Authority ("BRA") and the Lower Colorado River Authority ("LCRA"). In 1998, LCRA acquired the treatment facilities of the City. BRA will operate and maintain the regional system to collect wastewater from the City and other participants for the purpose of treating and disposing of such wastewater. Based on demand, the Alliance will acquire and/or construct additional facilities. Acquisition and construction funding, as well as debt servicing, is the responsibility of the Alliance.

**CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006**

V. OTHER INFORMATION (CONTINUED)

A. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Regional Sewer Project (continued)

As a customer of the system, the City has an unconditional obligation to pay fees to the Alliance. Fees are calculated from capital and flow components based on reserved capacity and proportional flows. The capital charge component is paid for the term of Alliance bonds used to construct or purchase system facilities. The flow charge component continues as long as the City uses the system.

For the year ended September 30, 2006, the City has paid fees totaling \$ 6,861,768 for use of the regional facilities.

Arbitrage Rebate

Due to requirements of the Tax Reform Act of 1986, the City annually contracts for the computations of arbitrage rebate requirements for the City's various bond issues. At September 30, 2006, the potential rebate requirements of approximately \$ 2,282 have been accrued within the accompanying financial statements.

Other

The City is a defendant in a number of lawsuits arising principally from claims against the City for alleged improper actions by City employees. Total damages claimed are substantial; however, it has been the City's experience that such actions are usually dismissed or settled for amounts substantially less than the claimed amounts. The City Attorney estimates that the potential claims against the City not covered by various insurance policies would not materially affect the financial condition of the City.

Self-Funded Health Insurance Fund

The City is self-insured for medical and dental claims. The self-insurance program is maintained in the Self-Funded Health Insurance Internal Service Fund. This program provides health benefit coverage in accordance with a pre-approved plan that establishes coverage limits per employee per year with a lifetime maximum of \$ 1,000,000 per employee. The City purchases commercial insurance for claims in excess of a contractual City liability limit. Additionally, commercial insurance covers claims in excess of an aggregate amount for the City up to \$ 1,000,000 per plan year. Settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

V. OTHER INFORMATION (CONTINUED)

A. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Self-Funded Health Insurance Fund (continued)

An analysis of claims activities is presented below:

<u>Fiscal Year</u>	<u>Beginning Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Actual Claim Payments</u>	<u>Balance at Year-End</u>
2000	\$ 151,117	\$ 1,915,324	\$ 2,000,304	\$ 66,137
2001	\$ 66,137	\$ 2,952,298	\$ 2,336,888	\$ 681,547
2002	\$ 681,547	\$ 2,966,461	\$ 3,533,818	\$ 114,190
2003	\$ 114,190	\$ 3,642,536	\$ 3,594,523	\$ 162,203
2004	\$ 162,203	\$ 4,554,772	\$ 4,449,644	\$ 267,331
2005	\$ 267,331	\$ 4,906,037	\$ 4,948,949	\$ 224,419
2006	\$ 224,419	\$ 3,786,901	\$ 3,765,573	\$ 245,747

The liability is estimated based upon claims settled within the next month.

Post employment Healthcare Benefits

The City does not provide post-employment healthcare benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and the City incurs no direct costs.

Deferred Compensation Plan

The City offers its employees a deferred compensation plan that permits them to defer a portion of their current salary until future years. Any contributions made to the deferred compensation plan, in compliance with Section 457 of the Internal Revenue Code, are not available to employees until termination of employment, retirement, death or an unforeseen emergency. A third party administrator, Nationwide Retirement Solutions, administers contributions to the plan. Effective January 1997, and in compliance with the provisions of the IRC Section 457(g), the plan assets are in custodial accounts for the exclusive benefit of the plans' participants and beneficiaries. In accordance with GASB 32, the City provides neither administrative services nor investment advice to the plans and therefore, no fiduciary relationship exists between the City and the deferred compensation plan.

Economic Development Agreement

The City has entered into an economic development agreement with a computer manufacturer. Under the terms of the agreement, the City refunds approximately 31% of sales tax collections on sales made by the computer manufacturer in the State of Texas. The computer manufacturer represents approximately 51% of the City's sales tax collections for the year ended September 30, 2006.

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

V. OTHER INFORMATION (CONTINUED)

B. RISK MANAGEMENT

The City is a member of the Texas Municipal League's Intergovernmental Risk Pool ("Pool"). The Pool was created for the purpose of providing coverage against risks, which are inherent in operating a political subdivision. The City pays annual premiums to the Pool for liability, property and workers' compensation coverage and all billed premiums upon the coverage have been paid. The City's agreement with the Pool provides that the Pool will be self-sustaining through member premiums and will provide reinsurance contracts through commercial companies. The Pool agrees to handle all liability, property and workers' compensation claims and provide any defense as is necessary. The Pool makes available to the City loss control services to assist the City in following a plan of loss control that may result in reduced losses. The City agrees that it will cooperate in instituting any and all reasonable loss control recommendations made by the Pool. The City has experienced no significant reductions in coverage through the Pool over the past year. There have been no insurance settlements exceeding Pool coverage for any of the past three years.

C. EMPLOYEE RETIREMENT PLAN

Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide *Texas Municipal Retirement System (TMRS)*, one of 811 administered by *TMRS*, an agent multiple-employer public employee retirement system.

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

V. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE RETIREMENT PLAN (CONTINUED)

Plan Description (continued)

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 a percent (100%, 150%, or 200%) 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.

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. Plan provisions were as follows:

Deposit rate:	7%
Matching Ratio (City to Employee):	2-1
A member is vested after	5 years

Members can retire at certain ages, based on the years of service to the City.
The Service Retirement Eligibilities for the City are: with 5 yrs/age 60
with 20 yrs/any age

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

V. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE RETIREMENT PLAN (CONTINUED)

Contributions

Under the state law governing *TMRS*, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2005 valuation is effective for rates beginning January 2007).

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/2002	12/31/2003	12/31/2004	12/31/2005
Actuarial Value of Assets	\$ 30,949,360	\$ 36,402,438	\$ 41,575,455	\$ 47,476,091
Actuarial Accrued Liability	\$ 39,737,830	\$ 48,363,968	\$ 54,775,757	\$ 61,893,557
Percentage Funded	77.9%	75.3%	75.9%	76.7%
Unfunded Actuarial Accrued Liability (UAAL)	\$ 8,788,470	\$ 11,961,530	\$ 13,200,302	\$ 14,417,466
Annual Covered Payroll	\$ 24,466,510	\$ 26,243,938	\$ 28,634,361	\$ 31,010,467
UAAL as a Percentage of Covered Payroll	35.9%	45.6%	46.1%	46.5%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -	\$ -
Annual Pension Cost:				
Annual required contribution (ARC)	\$ 2,713,534	\$ 3,005,291	\$ 3,553,633	\$ 3,952,961
Interest on NPO	-	-	-	-
Adjustment to the ARC	-	-	-	-
Subtotal	2,713,534	3,005,291	3,553,633	3,952,961
Contributions Made	(2,713,534)	(3,005,291)	(3,553,633)	(3,952,961)
Increase in NPO	-	-	-	-
NPO at the end of the period	\$ -	\$ -	\$ -	\$ -

**CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006**

V. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE RETIREMENT PLAN (CONTINUED)

Contributions (continued)

The following assumptions utilized by *TMRS*, and applicable 6-year trend information are contained in the 2005 *TMRS Comprehensive Annual Financial Report*, a copy of which can be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

Actuarial Cost Method –	Unit Credit
Amortization Method –	Level Percent of Payroll
Remaining Amortization Period –	25 Years – Open Period
Asset Valuation Method –	Amortized Cost (to accurately reflect the requirements of GASB Stmt. No. 25)
Investment Rate of Return –	7%
Projected Salary Increases –	None
Includes Inflation At –	3.5%
Cost of Living Adjustments	None

D. MUNICIPAL GOLF COURSE

Management Agreement

Management of the City's golf course has been performed by a private operator in accordance with the terms of agreements dated 1989, 1995 and 2000. On May 1, 2005, the City entered into a New Management Agreement with the operator for a period of five years. Under conditions set forth in the New Management Agreement, the operator shall be paid a monthly base management fee. Additionally, the operator may earn a variable fee based upon gross receipts of the golf course. Gross receipts from operations are agreed to be used, in order, for monthly scheduled debt payments, payments to a capital reserve account, current operating expenses, an operating reserve, the base management fee, a 1% distribution to the City, the variable fee and any unpaid obligations limited by available gross receipts. Any remaining gross receipts are to be distributed to the City.



NONMAJOR GOVERNMENTAL FUNDS

NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds account for specific resources, other than major capital projects that are restricted to expenditures for specified purposes.

NONMAJOR CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used for major capital projects (other than those financed by the proprietary fund). General obligation bonds are the primary funding source for capital projects.

PERMANENT FUND

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs. The City's permanent fund was the Ron Sproull Memorial Endowment Fund, which is used to account for a contribution that is legally restricted so that only the earnings, and not the initial contribution, may be expended on park improvements. The Fund was closed at September 30, 2006.

**CITY OF ROUND ROCK, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2006**

	Special Revenue	Capital Projects	Permanent Fund	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 5,197,341	\$ 1,221,614	\$ -	\$ 6,418,955
Receivables -				
Accounts and other	40,598	513	-	41,111
Loans	19,181	-	-	19,181
Accrued interest	-	175,126	-	175,126
Assessments	-	1,361,688	-	1,361,688
Restricted assets-				
Cash and cash equivalents	9,235	13,172,973	-	13,182,208
Investments	-	3,487,109	-	3,487,109
Receivables	-	28,821	-	28,821
Total assets	<u>\$ 5,266,355</u>	<u>\$ 19,447,844</u>	<u>\$ -</u>	<u>\$ 24,714,199</u>
<u>LIABILITIES</u>				
<u>AND FUND BALANCES</u>				
Liabilities -				
Accounts payable	\$ 39,694	\$ 430,609	\$ -	\$ 470,303
Unearned revenue	83,848	1,727,939	-	1,811,787
Total liabilities	<u>123,542</u>	<u>2,158,548</u>	<u>-</u>	<u>2,282,090</u>
Fund balances -				
Reserved for federal seizure	391,661	-	-	391,661
Reserved for non-current loans receivable	19,181	-	-	19,181
Reserved for authorized construction	-	16,259,671	-	16,259,671
Unreserved - undesignated	4,731,971	1,029,625	-	5,761,596
Total fund balances	<u>5,142,813</u>	<u>17,289,296</u>	<u>-</u>	<u>22,432,109</u>
Total liabilities and fund balances	<u>\$ 5,266,355</u>	<u>\$ 19,447,844</u>	<u>\$ -</u>	<u>\$ 24,714,199</u>

**CITY OF ROUND ROCK, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2006**

	Special Revenue	Capital Projects	Permanent Fund	Total Nonmajor Governmental Funds
Revenues -				
Licenses, permits and fees	\$ 135,794	\$ -	\$ -	\$ 135,794
Fines and forfeitures	152,937	-	-	152,937
Intergovernmental	380,128	-	-	380,128
Hotel occupancy tax	2,268,619	-	-	2,268,619
Investment and other	205,854	1,099,311	2,215	1,307,380
Contributions	4,970	38,254	-	43,224
Total revenues	<u>3,148,302</u>	<u>1,137,565</u>	<u>2,215</u>	<u>4,288,082</u>
Expenditures -				
Current -				
General government	426,771	-	-	426,771
Public safety	31,926	-	-	31,926
Culture and recreation	654,460	-	-	654,460
Capital projects	-	3,981,024	-	3,981,024
Total expenditures	<u>1,113,157</u>	<u>3,981,024</u>	<u>-</u>	<u>5,094,181</u>
Excess (deficiency) of revenues over expenditures	<u>2,035,145</u>	<u>(2,843,459)</u>	<u>2,215</u>	<u>(806,099)</u>
Other financing sources /(uses) -				
Transfers in	2,728,115	300,000	-	3,028,115
Transfers out	<u>(4,533,065)</u>	<u>(160,433)</u>	<u>(106,477)</u>	<u>(4,799,975)</u>
Total other financing sources/(uses)	<u>(1,804,950)</u>	<u>139,567</u>	<u>(106,477)</u>	<u>(1,771,860)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>230,195</u>	<u>(2,703,892)</u>	<u>(104,262)</u>	<u>(2,577,959)</u>
Fund balances, October 1, 2005	<u>4,912,618</u>	<u>19,993,188</u>	<u>104,262</u>	<u>25,010,068</u>
Fund balances, September 30, 2006	<u>\$ 5,142,813</u>	<u>\$ 17,289,296</u>	<u>\$ -</u>	<u>\$ 22,432,109</u>



NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds account for specific resources, other than major capital projects that are restricted to expenditures for specified purposes.

1981 CDBG Fund – To account for operations of projects involving economic and community development.

Street and Bridge Fund – To account for funds due from improvements within the North Industrial Parkway Public Improvement District.

Hotel – Motel Occupancy Tax Fund – To account for the levy and use of the hotel – motel bed tax. Proceeds from this tax are to be used toward tourism, community events, cultural enhancements and promotion of the City.

Police Fund – To account for amounts received through drug enforcement actions.

Municipal Court Fund – To account for amounts received through child safety fines, court security, and court technology fees.

Landscape Fund – To account for amounts received through the City's landscape ordinance.

Convention Center Revenue Fund – To account for pledged revenues related to the Hotel Occupancy Tax Revenue Bonds.

Community Development Block Grant Fund – To account for grant monies received for programs benefiting persons of low to moderate income.

Annexation Fees Fund – To account for amounts received through annexation and development agreements for specified improvements.

Library Fund – To account for contributions to the City's library for specific programs.

**CITY OF ROUND ROCK
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2006**

	1981 Community Development Block Grant	Street and Bridge	Hotel-Motel Occupancy Tax	Police	Municipal Court
<u>ASSETS</u>					
Cash and cash equivalents	\$ -	\$ 708,521	\$ 3,653,780	\$ 515,914	\$ 184,729
Receivables -					
Accounts and other	-	-	13,948	-	330
Loans	19,181	-	-	-	-
Restricted assets-					
Cash and cash equivalents	-	-	-	-	-
Total assets	<u>\$ 19,181</u>	<u>\$ 708,521</u>	<u>\$ 3,667,728</u>	<u>\$ 515,914</u>	<u>\$ 185,059</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities -					
Accounts payable	\$ -	\$ -	\$ 17,049	\$ 3,386	\$ -
Unearned revenue	-	-	83,848	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>100,897</u>	<u>3,386</u>	<u>-</u>
Fund balances -					
Reserved for federal seizure	-	-	-	391,661	-
Reserved for non-current loans receivable	19,181	-	-	-	-
Unreserved - undesignated	-	708,521	3,566,831	120,867	185,059
Total fund balances	<u>19,181</u>	<u>708,521</u>	<u>3,566,831</u>	<u>512,528</u>	<u>185,059</u>
Total liabilities and fund balances	<u>\$ 19,181</u>	<u>\$ 708,521</u>	<u>\$ 3,667,728</u>	<u>\$ 515,914</u>	<u>\$ 185,059</u>

<u>Landscape</u>	<u>Convention Center Revenue</u>	<u>Community Development Block Grant</u>	<u>Annexation Fees</u>	<u>Library Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 81,852	\$ -	\$ 4,181	\$ 34,067	\$ 14,297	\$ 5,197,341
-	52	-	26,268	-	40,598
-	-	-	-	-	19,181
-	9,235	-	-	-	9,235
<u>\$ 81,852</u>	<u>\$ 9,287</u>	<u>\$ 4,181</u>	<u>\$ 60,335</u>	<u>\$ 14,297</u>	<u>\$ 5,266,355</u>
\$ 15,050	\$ -	\$ 4,181	\$ -	\$ 28	\$ 39,694
-	-	-	-	-	83,848
<u>15,050</u>	<u>-</u>	<u>4,181</u>	<u>-</u>	<u>28</u>	<u>123,542</u>
-	-	-	-	-	391,661
-	-	-	-	-	19,181
<u>66,802</u>	<u>9,287</u>	<u>-</u>	<u>60,335</u>	<u>14,269</u>	<u>4,731,971</u>
<u>66,802</u>	<u>9,287</u>	<u>-</u>	<u>60,335</u>	<u>14,269</u>	<u>5,142,813</u>
<u>\$ 81,852</u>	<u>\$ 9,287</u>	<u>\$ 4,181</u>	<u>\$ 60,335</u>	<u>\$ 14,297</u>	<u>\$ 5,266,355</u>

**CITY OF ROUND ROCK, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2006**

	1981 Community Development Block Grant	Street and Bridge	Hotel-Motel Occupancy Tax	Police	Municipal Court
Revenues -					
Licenses, permits and fees	\$ -	\$ -	\$ -	\$ -	\$ 77,458
Fines and forfeitures	-	-	-	152,937	-
Intergovernmental	-	-	-	-	-
Hotel occupancy tax	-	-	2,268,619	-	-
Investment and other	-	27,101	129,698	17,228	6,477
Contributions	-	-	-	-	-
Total revenues	<u>-</u>	<u>27,101</u>	<u>2,398,317</u>	<u>170,165</u>	<u>83,935</u>
Expenditures -					
Current-					
General government	-	-	-	-	44,732
Public safety	-	-	-	31,926	-
Culture and recreation	-	-	654,460	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>654,460</u>	<u>31,926</u>	<u>44,732</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>27,101</u>	<u>1,743,857</u>	<u>138,239</u>	<u>39,203</u>
Other financing sources /(uses) -					
Transfers in	-	-	1,370,000	-	-
Transfers out	-	-	(2,185,493)	-	-
Total other financing sources/(uses)	<u>-</u>	<u>-</u>	<u>(815,493)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>-</u>	<u>27,101</u>	<u>928,364</u>	<u>138,239</u>	<u>39,203</u>
Fund balances, October 1, 2005	<u>19,181</u>	<u>681,420</u>	<u>2,638,467</u>	<u>374,289</u>	<u>145,856</u>
Fund balances, September 30, 2006	<u>\$ 19,181</u>	<u>\$ 708,521</u>	<u>\$ 3,566,831</u>	<u>\$ 512,528</u>	<u>\$ 185,059</u>

<u>Landscape</u>	<u>Convention Center Revenue</u>	<u>Community Development Block Grant</u>	<u>Annexation Fees</u>	<u>Library Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 32,068	\$ -	\$ -	\$ 26,268	\$ -	\$ 135,794
-	-	-	-	-	152,937
-	-	380,128	-	-	380,128
-	-	-	-	-	2,268,619
1,993	13,869	-	8,954	534	205,854
3,875	-	-	-	1,095	4,970
<u>37,936</u>	<u>13,869</u>	<u>380,128</u>	<u>35,222</u>	<u>1,629</u>	<u>3,148,302</u>
-	-	380,128	-	1,911	426,771
-	-	-	-	-	31,926
-	-	-	-	-	654,460
<u>-</u>	<u>-</u>	<u>380,128</u>	<u>-</u>	<u>1,911</u>	<u>1,113,157</u>
<u>37,936</u>	<u>13,869</u>	<u>-</u>	<u>35,222</u>	<u>(282)</u>	<u>2,035,145</u>
-	1,358,115	-	-	-	2,728,115
<u>-</u>	<u>(1,365,000)</u>	<u>-</u>	<u>(982,572)</u>	<u>-</u>	<u>(4,533,065)</u>
<u>-</u>	<u>(6,885)</u>	<u>-</u>	<u>(982,572)</u>	<u>-</u>	<u>(1,804,950)</u>
<u>37,936</u>	<u>6,984</u>	<u>-</u>	<u>(947,350)</u>	<u>(282)</u>	<u>230,195</u>
<u>28,866</u>	<u>2,303</u>	<u>-</u>	<u>1,007,685</u>	<u>14,551</u>	<u>4,912,618</u>
<u>\$ 66,802</u>	<u>\$ 9,287</u>	<u>\$ -</u>	<u>\$ 60,335</u>	<u>\$ 14,269</u>	<u>\$ 5,142,813</u>



NONMAJOR CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used for major capital projects (other than those financed by the proprietary fund). General obligation bonds are the primary funding source for capital projects.

Streets and Drainage Fund - To account for street and drainage improvements in the Arterial II section of the City. Financing is provided by general resources.

1995 Series Certificates of Obligation (Yard and Fire Improvements Fund) - To account for improvements to the maintenance yard and the acquisition of a fire pumper truck.

Park Development Fund – To account for the development and improvements to various neighborhood parks. Financing is provided by general government resources.

1990 Series Certificates of Obligation (City Hall Complex Fund) – To acquire the city hall complex.

2002 General Obligation Bonds Fund – To account for costs of public service and public safety facilities and streets and related improvements.

1997 Series Certificates of Obligation (Streets and Public Safety Improvements Fund) – To account for improvements to the City's streets and bridge system, and public safety systems.

1998 Series General Obligation Bonds (Public Works, Police and Parks Facilities Improvements Fund) – To account for improvements to public safety, public works and parks department facilities and improvements to the City's streets, sidewalks and traffic signal systems.

Convention Center Complex Fund – To account for construction and expansion of convention center complex. Funding is provided by the 1999 Series Hotel Tax Revenue Bonds, hotel tax revenues and private contributions.

2000 Series Certificates of Obligation (Municipal Complex, Park Land & Streets Fund) – To account for costs of constructing municipal office buildings, improving streets, drainage, sidewalks, City parks and fire department facilities.

Tourism Development Fund – To account for the development of tourism. Funding is provided by hotel tax revenues.

**CITY OF ROUND ROCK
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2006**

	Streets and Drainage	1995 Series CO	Park Development	1990 Series CO	2002 General Obligation Bonds Fund
<u>ASSETS</u>					
Cash and cash equivalents	\$ 788,375	\$ -	\$ 433,239	\$ -	\$ -
Receivables -					
Accounts and other	513	-	-	-	-
Accrued interest	173,848	-	-	-	-
Assessments	1,361,688	-	-	-	-
Restricted assets-					
Cash and cash equivalents	-	-	-	-	11,032,162
Investments	-	-	-	-	3,487,109
Receivables	-	-	-	-	28,821
Total assets	<u>\$ 2,324,424</u>	<u>\$ -</u>	<u>\$ 433,239</u>	<u>\$ -</u>	<u>\$ 14,548,092</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities -					
Accounts payable	\$ 99	\$ -	\$ -	\$ -	\$ 400,890
Unearned revenue	1,361,688	-	366,251	-	-
Total liabilities	<u>1,361,787</u>	<u>-</u>	<u>366,251</u>	<u>-</u>	<u>400,890</u>
Fund balances -					
Reserved for authorized construction	-	-	-	-	14,147,202
Unreserved - unrestricted	962,637	-	66,988	-	-
Total fund balances	<u>962,637</u>	<u>-</u>	<u>66,988</u>	<u>-</u>	<u>14,147,202</u>
Total liabilities and fund balances	<u>\$ 2,324,424</u>	<u>\$ -</u>	<u>\$ 433,239</u>	<u>\$ -</u>	<u>\$ 14,548,092</u>

<u>1997 Series CO</u>	<u>1998 Series GO</u>	<u>Convention Center Complex</u>	<u>2000 Series CO</u>	<u>Tourism Development Fund</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,221,614
-	-	-	-	-	513
-	-	1,278	-	-	175,126
-	-	-	-	-	1,361,688
-	503,332	358,607	878,240	400,632	13,172,973
-	-	-	-	-	3,487,109
-	-	-	-	-	28,821
<u>\$ -</u>	<u>\$ 503,332</u>	<u>\$ 359,885</u>	<u>\$ 878,240</u>	<u>\$ 400,632</u>	<u>\$ 19,447,844</u>
\$ -	\$ 11,290	\$ -	\$ 18,330	\$ -	\$ 430,609
-	-	-	-	-	1,727,939
-	11,290	-	18,330	-	2,158,548
-	492,042	359,885	859,910	400,632	16,259,671
-	-	-	-	-	1,029,625
-	492,042	359,885	859,910	400,632	17,289,296
<u>\$ -</u>	<u>\$ 503,332</u>	<u>\$ 359,885</u>	<u>\$ 878,240</u>	<u>\$ 400,632</u>	<u>\$ 19,447,844</u>

**CITY OF ROUND, TEXAS
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2006**

	Streets and Drainage	1995 Series CO	Park Development	1990 Series CO	2002 General Obligation Bonds Fund
Revenues -					
Investment and other	\$ 216,507	\$ 971	\$ 23,141	\$ -	\$ 759,260
Contributions	22,004	-	5,000	-	-
Total revenues	<u>238,511</u>	<u>971</u>	<u>28,141</u>	<u>-</u>	<u>759,260</u>
Expenditures -					
Capital projects	-	65,268	-	2,846	3,022,550
Total expenditures	<u>-</u>	<u>65,268</u>	<u>-</u>	<u>2,846</u>	<u>3,022,550</u>
Excess (deficiency) of revenues over expenditures	<u>238,511</u>	<u>(64,297)</u>	<u>28,141</u>	<u>(2,846)</u>	<u>(2,263,290)</u>
Other financing sources /(uses) -					
Transfers in	-	-	-	-	-
Transfers out	<u>(149,338)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources/(uses)	<u>(149,338)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>89,173</u>	<u>(64,297)</u>	<u>28,141</u>	<u>(2,846)</u>	<u>(2,263,290)</u>
Fund balances, October 1, 2005	<u>873,464</u>	<u>64,297</u>	<u>38,847</u>	<u>2,846</u>	<u>16,410,492</u>
Fund balances, September 30, 2006	<u>\$ 962,637</u>	<u>\$ -</u>	<u>\$ 66,988</u>	<u>\$ -</u>	<u>\$ 14,147,202</u>

1997 Series CO	1998 Series GO	Convention Center Complex	2000 Series CO	Tourism Development Fund	Total Nonmajor Capital Projects Funds
\$ 2,699	\$ 36,737	\$ 11,954	\$ 37,006	\$ 11,036	\$ 1,099,311
-	-	-	-	11,250	38,254
<u>2,699</u>	<u>36,737</u>	<u>11,954</u>	<u>37,006</u>	<u>22,286</u>	<u>1,137,565</u>
149,999	674,766	-	30,595	35,000	3,981,024
<u>149,999</u>	<u>674,766</u>	<u>-</u>	<u>30,595</u>	<u>35,000</u>	<u>3,981,024</u>
<u>(147,300)</u>	<u>(638,029)</u>	<u>11,954</u>	<u>6,411</u>	<u>(12,714)</u>	<u>(2,843,459)</u>
-	-	100,000	-	200,000	300,000
-	-	(11,095)	-	-	(160,433)
-	-	88,905	-	200,000	139,567
<u>(147,300)</u>	<u>(638,029)</u>	<u>100,859</u>	<u>6,411</u>	<u>187,286</u>	<u>(2,703,892)</u>
<u>147,300</u>	<u>1,130,071</u>	<u>259,026</u>	<u>853,499</u>	<u>213,346</u>	<u>19,993,188</u>
<u>\$ -</u>	<u>\$ 492,042</u>	<u>\$ 359,885</u>	<u>\$ 859,910</u>	<u>\$ 400,632</u>	<u>\$ 17,289,296</u>

CITY OF ROUND ROCK, TEXAS
PROJECT – LENGTH SCHEDULE OF CONSTRUCTION PROJECTS –
ALL CAPITAL PROJECTS FUNDS
BEGINNING OF PROJECTS TO SEPTEMBER 30, 2006

	<u>Streets and Drainage</u>	<u>1995 Series CO</u>	<u>Park Development</u>	<u>1990 Series CO</u>	<u>2002 Series GO</u>	<u>Self- Financed Construction</u>
Total funding authorization	<u>\$ -</u>	<u>\$1,780,820</u>	<u>\$ 941,316</u>	<u>\$1,700,275</u>	<u>\$ 33,744,284</u>	<u>\$51,398,311</u>
Revenues and other financing sources -						
Intergovernmental	\$ -	\$ -	\$ 80,366	\$ -	\$ -	\$ 600,336
Contributions	-	-	125,315	-	-	9,027,627
Investment and other	-	116,691	570,998	27,275	2,357,260	483,195
Lease purchase proceeds	-	-	-	-	-	1,533,453
Proceeds of general obligation bonds	-	1,650,000	-	1,595,000	35,000,000	-
Transfers in	-	14,129	231,620	78,000	329,885	61,671,255
Other sources/transfers	-	-	-	-	-	1,423,235
	<u>\$ -</u>	<u>\$1,780,820</u>	<u>\$ 1,008,299</u>	<u>\$1,700,275</u>	<u>\$ 37,687,145</u>	<u>\$74,739,101</u>
Expenditures and other uses -						
Capital projects	\$ -	\$1,630,820	\$ 831,316	\$1,691,092	\$ 23,250,640	\$39,277,910
Transfers out	-	150,000	110,000	9,183	-	7,692,703
Other costs/transfers	-	-	-	-	289,302	-
	<u>\$ -</u>	<u>\$1,780,820</u>	<u>\$ 941,316</u>	<u>\$1,700,275</u>	<u>\$ 23,539,942</u>	<u>\$46,970,613</u>

1997 Series CO	1998 Series GO	Round Rock Transportation System Development Corporation	Convention Center Complex	2000 Series CO	2004 Series GO	Tourism Development Fund
<u>\$6,772,470</u>	<u>\$10,933,528</u>	<u>\$141,682,933</u>	<u>\$ 316,329</u>	<u>\$10,970,259</u>	<u>\$17,647,359</u>	<u>\$ 113,500</u>
\$ -	\$ 400,000	\$ -	\$ -	\$ 50,000	\$ -	\$ -
300,000	-	-	-	-	-	11,250
698,185	1,232,637	1,833,920	24,204	712,187	1,176,429	11,882
-	-	-	-	-	-	-
5,185,000	8,905,000	62,565,709	-	10,493,786	19,435,000	-
589,285	887,934	40,681,106	652,010	100,000	-	438,500
-	-	-	-	-	690,600	-
<u>\$6,772,470</u>	<u>\$11,425,571</u>	<u>\$105,080,735</u>	<u>\$ 676,214</u>	<u>\$11,355,973</u>	<u>\$21,302,029</u>	<u>\$ 461,632</u>
\$4,043,554	\$10,403,729	\$102,577,873	\$ 294,537	\$10,337,555	\$ 9,986,151	\$ 61,000
2,728,916	529,799	-	21,792	-	329,885	-
-	-	455,000	-	158,509	359,909	-
<u>\$6,772,470</u>	<u>\$10,933,528</u>	<u>\$103,032,873</u>	<u>\$ 316,329</u>	<u>\$10,496,064</u>	<u>\$10,675,945</u>	<u>\$ 61,000</u>



**SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL**

**GENERAL, DEBT SERVICE
AND NONMAJOR SPECIAL REVENUE FUNDS**

**CITY OF ROUND ROCK, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2006
WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2005**

		Budgeted Amounts		Variance -	2005
	Actual	Original	Final	Positive (Negative)	Actual
Revenues -					
Taxes and franchise -					
General property tax	\$ 12,046,795	\$ 11,770,000	\$ 11,938,000	\$ 108,795	\$11,317,343
Penalty and interest	69,283	55,000	55,000	14,283	92,015
City sales tax	48,701,834	44,229,000	48,600,000	101,834	43,539,383
Franchise	4,990,445	4,575,000	4,985,000	5,445	4,488,613
Bingo tax	25,932	28,000	28,000	(2,068)	26,406
Mixed drink tax	201,852	180,000	180,000	21,852	186,159
Total taxes and franchise	66,036,141	60,837,000	65,786,000	250,141	59,649,919
Licenses, permits and fees -					
Building permits	460,056	375,000	375,000	85,056	455,820
Other permits	27,600	1,000	1,000	26,600	6,184
Fees	347,120	199,000	199,000	148,120	292,549
Total licenses, permits and fees	834,776	575,000	575,000	259,776	754,553
Charges for services -					
Trash collection fees	1,093,723	985,000	985,000	108,723	1,001,974
Swimming pool fees	458,363	277,000	277,000	181,363	213,780
Recreation program fees	1,611,357	1,764,000	1,764,000	(152,643)	1,674,569
Filing and reproduction fees	291,595	380,000	380,000	(88,405)	419,215
Other	856,115	617,000	617,000	239,115	791,057
Total charges for services	4,311,153	4,023,000	4,023,000	288,153	4,100,595
Fines and forfeitures	1,543,537	1,177,000	1,477,000	66,537	1,154,960
Intergovernmental	474,890	132,000	447,000	27,890	194,165
Investment and other -					
Investment income	2,600,098	963,000	1,963,000	637,098	1,059,885
Other	1,522,743	601,000	759,000	763,743	1,033,228
Total investment and other	4,122,841	1,564,000	2,722,000	1,400,841	2,093,113
Total revenues	77,323,338	68,308,000	75,030,000	2,293,338	67,947,305

(CONTINUED)

**CITY OF ROUND ROCK, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL - CONTINUED
YEAR ENDED SEPTEMBER 30, 2006
WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2005**

		Budgeted Amounts		Variance -	
	Actual	Original	Final	Positive (Negative)	2005 Actual
Expenditures -					
Current -					
General government					
Executive -					
Personnel services	\$ 6,284,843	\$ 6,801,865	\$ 6,344,365	\$ 59,522	\$ 5,903,847
Contractual services	2,252,146	2,454,875	2,425,975	173,829	2,267,166
Supplies and materials	230,657	321,233	312,151	81,494	261,849
Other services and charges	12,249,523	11,630,877	12,428,224	178,701	11,047,210
Capital outlay	134,780	1,021,275	176,910	42,130	124,120
Total executive	21,151,949	22,230,125	21,687,625	535,676	19,604,192
Judicial -					
Personnel services	423,228	435,812	435,812	12,584	380,096
Contractual services	132,547	162,285	146,285	13,738	131,972
Supplies and materials	25,065	27,771	24,771	(294)	18,294
Other services and charges	3,770	8,150	8,150	4,380	5,021
Total judicial	584,610	634,018	615,018	30,408	535,383
Total general government	21,736,559	22,864,143	22,302,643	566,084	20,139,575
Public safety					
Police-					
Personnel services	13,541,248	13,636,998	13,636,998	95,750	11,481,076
Contractual services	601,045	605,764	608,771	7,726	452,110
Supplies and materials	966,855	1,022,259	1,010,679	43,824	775,113
Other services and charges	424,243	445,622	448,122	23,879	458,299
Capital outlay	716,387	787,890	777,873	61,486	264,161
Total police	16,249,778	16,498,533	16,482,443	232,665	13,430,759
Fire -					
Personnel services	8,410,078	8,938,187	8,590,687	180,609	6,838,921
Contractual services	303,686	258,946	242,039	(61,647)	232,663
Supplies and materials	641,052	547,995	595,498	(45,554)	651,921
Other services and charges	125,536	151,000	123,000	(2,536)	115,154
Capital outlay	23,489	6,100	23,504	15	340,161
Total fire	9,503,841	9,902,228	9,574,728	70,887	8,178,820
Total public safety	25,753,619	26,400,761	26,057,171	303,552	21,609,579

(CONTINUED)

**CITY OF ROUND ROCK, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL - CONTINUED
YEAR ENDED SEPTEMBER 30, 2006
WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2005**

		Budgeted Amounts		Variance -	
	Actual	Original	Final	Positive (Negative)	2005 Actual
Expenditures - (cont'd)					
Current - (cont'd)					
Public works					
Administration -					
Personnel services	\$ 2,950,868	\$ 3,210,111	\$ 2,982,611	\$ 31,743	\$ 2,651,595
Contractual services	181,011	227,232	203,134	22,123	131,370
Supplies and materials	134,450	208,425	172,083	37,633	120,378
Other services and charges	27,170	65,452	46,970	19,800	45,857
Capital outlay	73,933	68,749	83,171	9,238	64,849
Total administration	<u>3,367,432</u>	<u>3,779,969</u>	<u>3,487,969</u>	<u>120,537</u>	<u>3,014,049</u>
Streets -					
Personnel services	2,158,371	2,296,741	2,276,741	118,370	2,088,038
Contractual services	1,035,353	2,934,797	969,797	(65,556)	843,632
Supplies and materials	616,686	690,583	690,583	73,897	536,323
Other services and charges	35,125	58,700	58,700	23,575	37,171
Capital outlay	226,511	156,500	237,120	10,609	62,597
Total streets	<u>4,072,046</u>	<u>6,137,321</u>	<u>4,232,941</u>	<u>160,895</u>	<u>3,567,761</u>
Maintenance shop -					
Personnel services	719,140	856,395	763,395	44,255	684,774
Contractual services	56,033	53,645	53,645	(2,388)	50,339
Supplies and materials	81,046	84,920	80,110	(936)	72,940
Other services and charges	10,640	8,000	11,000	360	6,644
Capital outlay	16,657	15,500	17,310	653	6,995
Total maintenance shop	<u>883,516</u>	<u>1,018,460</u>	<u>925,460</u>	<u>41,944</u>	<u>821,692</u>
Total public works	<u>8,322,994</u>	<u>10,935,750</u>	<u>8,646,370</u>	<u>323,376</u>	<u>7,403,502</u>

(CONTINUED)

**CITY OF ROUND ROCK, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL - CONTINUED
YEAR ENDED SEPTEMBER 30, 2006
WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2005**

	Actual	Budgeted Amounts		Variance - Positive (Negative)	2005 Actual
		Original	Final		
Expenditures - (cont'd)					
Current - (cont'd)					
Culture and recreation					
Library -					
Personnel services	\$ 1,413,842	\$ 1,491,044	\$ 1,419,044	\$ 5,202	\$ 1,301,200
Contractual services	184,179	188,259	183,259	(920)	155,427
Supplies and materials	77,411	103,647	96,820	19,409	80,836
Other services and charges	74,035	78,759	78,937	4,902	34,803
Capital outlay	348,919	347,405	349,054	135	308,365
Total library	<u>2,098,386</u>	<u>2,209,114</u>	<u>2,127,114</u>	<u>28,728</u>	<u>1,880,631</u>
Parks and recreation -					
Personnel services	4,368,158	4,948,251	4,525,751	157,593	4,222,713
Contractual services	1,476,521	1,763,047	1,526,443	49,922	1,278,502
Supplies and materials	1,054,439	1,037,713	1,076,015	21,576	909,897
Other services and charges	158,088	260,934	171,934	13,846	160,283
Capital outlay	211,437	175,555	218,357	6,920	157,658
Total parks and recreation	<u>7,268,643</u>	<u>8,185,500</u>	<u>7,518,500</u>	<u>249,857</u>	<u>6,729,053</u>
Total culture and recreation	<u>9,367,029</u>	<u>10,394,614</u>	<u>9,645,614</u>	<u>278,585</u>	<u>8,609,684</u>
Total expenditures	<u>65,180,201</u>	<u>70,595,268</u>	<u>66,651,798</u>	<u>1,471,597</u>	<u>57,762,340</u>
Excess (deficiency) of revenues over expenditures	<u>12,143,137</u>	<u>(2,287,268)</u>	<u>8,378,202</u>	<u>3,764,935</u>	<u>10,184,965</u>
Other financing sources (uses) -					
Lease purchase proceeds	600,000	600,000	600,000	-	600,000
Transfers in	1,690,000	1,690,000	1,690,000	-	1,640,000
Transfers out	(10,665,470)	-	(10,665,470)	-	(10,503,105)
Total other financing sources (uses)	<u>(8,375,470)</u>	<u>2,290,000</u>	<u>(8,375,470)</u>	<u>-</u>	<u>(8,263,105)</u>
Excess of revenues and other sources over expenditures and other uses	<u>3,767,667</u>	<u>\$ 2,732</u>	<u>\$ 2,732</u>	<u>\$ 3,764,935</u>	<u>\$ 1,921,860</u>
Fund balance, October 1, 2005	<u>28,705,017</u>				
Fund balance, September 30, 2006	<u>\$ 32,472,684</u>				

CITY OF ROUND ROCK, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2006

	<u>Actual</u>	<u>Original and Final Budgeted Amounts</u>	<u>Variance - Positive (Negative)</u>
Revenues -			
Property taxes, including interest and penalties	\$ 9,402,012	\$ 9,178,000	\$ 224,012
Investment and other	404,151	140,000	264,151
Total revenues	<u>9,806,163</u>	<u>9,318,000</u>	<u>488,163</u>
Expenditures -			
Debt service -			
Principal retirement	7,090,383	7,005,000	(85,383)
Interest and fiscal charges	7,698,552	8,401,359	702,807
Total expenditures	<u>14,788,935</u>	<u>15,406,359</u>	<u>617,424</u>
Excess (deficiency) of revenues over expenditures	<u>(4,982,772)</u>	<u>(6,088,359)</u>	<u>1,105,587</u>
Other financing sources (uses) -			
Transfers in	5,590,943	5,698,594	(107,651)
Transfers out	(8,017)	-	(8,017)
Total other financing sources (uses)	<u>5,582,926</u>	<u>5,698,594</u>	<u>(115,668)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>600,154</u>	<u>\$ (389,765)</u>	<u>\$ 989,919</u>
Fund balance, October 1, 2005	<u>2,600,354</u>		
Fund balance, September 30, 2006	<u>\$ 3,200,508</u>		

**CITY OF ROUND ROCK, TEXAS
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
1981 COMMUNITY DEVELOPMENT BLOCK GRANT FUND
YEAR ENDED SEPTEMBER 30, 2006**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance- Positive (Negative)</u>
Fund balance, October 1, 2005	<u>\$ 19,181</u>		
Fund balance, September 30, 2006	<u><u>\$ 19,181</u></u>		

**CITY OF ROUND ROCK, TEXAS
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
STREET AND BRIDGE FUND
YEAR ENDED SEPTEMBER 30, 2006**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance- Positive (Negative)</u>
Revenues -			
Investment and other	<u>\$ 27,101</u>	<u>\$ 27,101</u>	<u>\$ -</u>
Total revenues	27,101	<u><u>\$ 27,101</u></u>	<u><u>\$ -</u></u>
Fund balance, October 1, 2005	<u>681,420</u>		
Fund balance, September 30, 2006	<u><u>\$ 708,521</u></u>		

**CITY OF ROUND ROCK, TEXAS
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
HOTEL-MOTEL OCCUPANCY TAX FUND
YEAR ENDED SEPTEMBER 30, 2006**

	Actual	Budgeted Amounts		Variance- Positive (Negative)
		Original	Final	
Revenues -				
Hotel occupancy tax	\$ 2,268,619	\$ 1,700,000	\$ 1,740,000	\$ 528,619
Investment and other	129,698	20,000	20,000	109,698
Total revenues	<u>2,398,317</u>	<u>1,720,000</u>	<u>1,760,000</u>	<u>638,317</u>
Expenditures -				
Current -				
Culture and recreation -				
Personnel services	242,957	274,774	274,774	31,817
Contractual services	133,101	223,400	223,400	90,299
Supplies and materials	6,318	20,440	20,440	14,122
Other services and charges	272,084	313,186	313,186	41,102
Capital outlay	-	6,200	6,200	6,200
Total expenditures	<u>654,460</u>	<u>838,000</u>	<u>838,000</u>	<u>183,540</u>
Excess of revenues over expenditures	<u>1,743,857</u>	<u>882,000</u>	<u>922,000</u>	<u>821,857</u>
Other financing sources /(uses) -				
Transfers in	1,370,000	1,365,000	1,365,000	5,000
Transfers out	(2,185,493)	(2,266,002)	(2,266,002)	80,509
Total other financing sources/(uses)	<u>(815,493)</u>	<u>(901,002)</u>	<u>(901,002)</u>	<u>85,509</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	928,364	<u>\$ (19,002)</u>	<u>\$ 20,998</u>	<u>\$ 907,366</u>
Fund balance, October 1, 2005	<u>2,638,467</u>			
Fund balance, September 30, 2006	<u>\$ 3,566,831</u>			

**CITY OF ROUND ROCK, TEXAS
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
POLICE FUND
YEAR ENDED SEPTEMBER 30, 2006**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance- Positive (Negative)</u>
Revenues -			
Fines and forfeitures	\$ 152,937	\$ 90,000	\$ 62,937
Intergovernmental	-	30,000	(30,000)
Investment and other	<u>17,228</u>	<u>1,495</u>	<u>15,733</u>
Total revenues	<u>170,165</u>	<u>121,495</u>	<u>48,670</u>
Expenditures -			
Current -			
Public safety -			
Capital outlay	<u>31,926</u>	<u>226,300</u>	<u>194,374</u>
Total expenditures	<u>31,926</u>	<u>226,300</u>	<u>194,374</u>
Excess (deficiency) of revenues over expenditures	138,239	<u>\$ (104,805)</u>	<u>\$ 243,044</u>
Fund balance, October 1, 2005	<u>374,289</u>		
Fund balance, September 30, 2006	<u>\$ 512,528</u>		

**CITY OF ROUND ROCK, TEXAS
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
MUNICIPAL COURT FUND
YEAR ENDED SEPTEMBER 30, 2006**

	Actual	Budgeted Amounts		Variance- Positive (Negative)
		Original	Final	
Revenues -				
Licenses, permits and fees	\$ 77,458	\$ 51,200	\$ 51,200	\$ 26,258
Investment and other	6,477	2,600	2,600	3,877
Total revenues	<u>83,935</u>	<u>53,800</u>	<u>53,800</u>	<u>30,135</u>
Expenditures -				
Current -				
General government -				
Personnel services	35,000	35,000	35,000	-
Supplies and materials	4,295	150	3,900	(395)
Other services and charges	169	5,250	500	331
Capital outlay	<u>5,268</u>	<u>35,100</u>	<u>36,100</u>	<u>30,832</u>
Total expenditures	<u>44,732</u>	<u>75,500</u>	<u>75,500</u>	<u>30,768</u>
Excess (deficiency) of revenues over expenditures	39,203	<u>\$ (21,700)</u>	<u>\$ (21,700)</u>	<u>\$ 60,903</u>
Fund balance, October 1, 2005	<u>145,856</u>			
Fund balance, September 30, 2006	<u>\$ 185,059</u>			

**CITY OF ROUND ROCK, TEXAS
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
LANDSCAPE FUND
YEAR ENDED SEPTEMBER 30, 2006**

	Actual	Final Budget	Variance- Positive (Negative)
Revenues -			
Licenses, permits and fees	\$ 32,068	\$ 5,000	\$ 27,068
Investment and other	1,993	373	1,620
Contributions	3,875	3,125	750
Total revenues	<u>37,936</u>	<u>8,498</u>	<u>29,438</u>
Expenditures -			
Current -			
Supplies and materials	<u>-</u>	<u>20,000</u>	<u>20,000</u>
Total expenditures	<u>-</u>	<u>20,000</u>	<u>20,000</u>
Excess (deficiency) of revenues over expenditures	37,936	<u>\$ (11,502)</u>	<u>\$ 49,438</u>
Fund balance, October 1, 2005	<u>28,866</u>		
Fund balance, September 30, 2006	<u>\$ 66,802</u>		

**CITY OF ROUND ROCK, TEXAS
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
CONVENTION CENTER REVENUE
YEAR ENDED SEPTEMBER 30, 2006**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance- Positive (Negative)</u>
Revenues -			
Investment and other	<u>\$ 13,869</u>	<u>\$ 13,869</u>	<u>\$ -</u>
Total revenues	<u>13,869</u>	<u>13,869</u>	<u>-</u>
Other financing sources /(uses) -			
Transfers in	1,358,115	1,358,115	-
Transfers out	<u>(1,365,000)</u>	<u>(1,365,000)</u>	<u>-</u>
Total other financing sources/(uses)	<u>(6,885)</u>	<u>(6,885)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	6,984	<u>\$ 6,984</u>	<u>\$ -</u>
Fund balance, October 1, 2005	<u>2,303</u>		
Fund balance, September 30, 2006	<u>\$ 9,287</u>		

**CITY OF ROUND ROCK, TEXAS
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT
YEAR ENDED SEPTEMBER 30, 2006**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance- Positive (Negative)</u>
Revenues -			
Intergovernmental	\$ 380,128	\$ 380,128	\$ -
Total revenues	<u>380,128</u>	<u>380,128</u>	<u>-</u>
Expenditures -			
Current -			
General government -			
Personnel services	70,185	70,185	-
Contractual services	5,062	5,062	-
Supplies and materials	4,721	4,721	-
Other services and charges	208,842	208,842	-
Capital outlay	<u>91,318</u>	<u>91,318</u>	<u>-</u>
Total expenditures	<u>380,128</u>	<u>380,128</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, October 1, 2005	<u>-</u>		
Fund balance, September 30, 2006	<u>\$ -</u>		

**CITY OF ROUND ROCK, TEXAS
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
ANNEXATION FEES FUND
YEAR ENDED SEPTEMBER 30, 2006**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance- Positive (Negative)</u>
Revenues -			
Licenses, permits and fees	\$ 26,268	\$ 26,268	\$ -
Investment and other	<u>8,954</u>	<u>8,954</u>	<u>-</u>
Total revenues	<u>35,222</u>	<u>35,222</u>	<u>-</u>
Other financing sources (uses) -			
Transfers out	<u>(982,572)</u>	<u>(982,572)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(947,350)	<u>\$ (947,350)</u>	<u>\$ -</u>
Fund balance, October 1, 2005	<u>1,007,685</u>		
Fund balance, September 30, 2006	<u>\$ 60,335</u>		

**CITY OF ROUND ROCK, TEXAS
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
LIBRARY FUND
YEAR ENDED SEPTEMBER 30, 2006**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance- Positive (Negative)</u>
Revenues-			
Investment and other	\$ 534	\$ 116	\$ 418
Contributions	<u>1,095</u>	<u>800</u>	<u>295</u>
Total revenues	<u>1,629</u>	<u>916</u>	<u>713</u>
Expenditures -			
Current -			
General government -			
Supplies and materials	<u>1,911</u>	<u>3,400</u>	<u>1,489</u>
Total expenditures	<u>1,911</u>	<u>3,400</u>	<u>1,489</u>
Excess (deficiency) of revenues over expenditures	(282)	<u>\$ (2,484)</u>	<u>\$ 2,202</u>
Fund balance, October 1, 2005	<u>14,551</u>		
Fund balance, September 30, 2006	<u>\$ 14,269</u>		

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

Agency Funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

**CITY OF ROUND ROCK, TEXAS
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ENCINO PLAZA PUBLIC IMPROVEMENT DISTRICT
YEAR ENDED SEPTEMBER 30, 2006**

	Balances October 1, 2005	Additions	Deductions	Balances September 30, 2006
<u>Assets</u>				
Cash and cash equivalents	<u>\$1,172,575</u>	<u>\$ 680,810</u>	<u>\$ 833,372</u>	<u>\$ 1,020,013</u>
Total assets	<u><u>\$1,172,575</u></u>	<u><u>\$ 680,810</u></u>	<u><u>\$ 833,372</u></u>	<u><u>\$ 1,020,013</u></u>
<u>Liabilities</u>				
Due to participants	<u>\$1,172,575</u>	<u>\$ 680,810</u>	<u>\$ 833,372</u>	<u>\$ 1,020,013</u>
Total liabilities	<u><u>\$1,172,575</u></u>	<u><u>\$ 680,810</u></u>	<u><u>\$ 833,372</u></u>	<u><u>\$ 1,020,013</u></u>

CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS



**CITY OF ROUND ROCK, TEXAS
SCHEDULE OF CAPITAL ASSETS – BY SOURCES
SEPTEMBER 30, 2006**

Capital assets -

Land	\$ 19,948,449
Buildings and improvements	449,682,927
Equipment	35,461,439
Construction in progress	<u>45,274,424</u>

\$ 550,367,239

Investment in capital assets from -

Capital Projects Funds -

General obligation bonds	\$ 158,626,763
Federal grants	284,527
State grants	1,008,753
General Fund revenues	51,380,343
Special Revenue Fund revenues	83,456,304
Hotel Occupancy Tax revenues	20,234,839
Gifts	234,658,801
Special assessments	<u>716,909</u>

\$ 550,367,239

**CITY OF ROUND ROCK, TEXAS
SCHEDULE OF CAPITAL ASSETS -
BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2006**

<u>Function and Activity</u>	<u>Total</u>	<u>Land</u>
General Government -		
Control -		
Executive	<u>\$ 161,479</u>	<u>\$ -</u>
Staff agencies -		
Public works	7,053,786	293,740
Finance	657,741	-
Law	270,079	-
Planning and zoning	1,745,595	-
General government	<u>37,806,322</u>	<u>3,503,960</u>
Total staff agencies	<u>47,533,523</u>	<u>3,797,700</u>
Total general government	<u>47,695,002</u>	<u>3,797,700</u>
Public safety -		
Police protection	11,449,468	225,205
Fire protection	12,014,226	829,860
Inspection	<u>218,383</u>	<u>-</u>
Total public safety	<u>23,682,077</u>	<u>1,055,065</u>
Public works -		
City shop	1,908,139	-
Streets and drainage	<u>376,214,515</u>	<u>3,549</u>
Total public works	<u>378,122,654</u>	<u>3,549</u>
Culture and recreation -		
Library	7,024,816	278,252
Recreation	<u>48,568,266</u>	<u>14,813,883</u>
Total culture and recreation	<u>55,593,082</u>	<u>15,092,135</u>
Total capital assets allocated to functions	505,092,815	<u>\$ 19,948,449</u>
Construction in progress	<u>45,274,424</u>	
Total capital assets	<u>\$ 550,367,239</u>	

<u>Buildings and Improvements</u>	<u>Improvements Other Than Buildings</u>	<u>Machinery and Equipment</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 161,479</u>
3,146,072	2,748,881	865,093
-	-	657,741
-	-	270,079
30,395	751,653	963,547
28,668,449	3,441,106	2,192,807
<u>31,844,916</u>	<u>6,941,640</u>	<u>4,949,267</u>
<u>31,844,916</u>	<u>6,941,640</u>	<u>5,110,746</u>
1,135,362	1,020,492	9,068,409
4,017,015	420,187	6,747,164
-	-	218,383
<u>5,152,377</u>	<u>1,440,679</u>	<u>16,033,956</u>
50,892	1,332,663	524,584
571,901	369,170,756	6,468,309
<u>622,793</u>	<u>370,503,419</u>	<u>6,992,893</u>
3,874,456	21,940	2,850,168
15,631,630	13,649,077	4,473,676
<u>19,506,086</u>	<u>13,671,017</u>	<u>7,323,844</u>
<u>\$ 57,126,172</u>	<u>\$ 392,556,755</u>	<u>\$ 35,461,439</u>

CITY OF ROUND ROCK, TEXAS
SCHEDULE OF CHANGES IN CAPITAL ASSETS –
BY FUNCTION AND ACTIVITY
YEAR ENDED SEPTEMBER 30, 2006

<u>Function and Activity</u>	<u>Capital Assets 10-1-05</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Capital Assets 09-30-06</u>
General Government -				
Control -				
Executive	<u>\$ 140,850</u>	<u>\$ 23,320</u>	<u>\$ (2,691)</u>	<u>\$ 161,479</u>
Staff Agencies -				
Public works	7,026,714	62,888	(35,816)	7,053,786
Finance	568,899	119,525	(30,683)	657,741
Law	254,301	15,778	-	270,079
Planning and zoning	1,651,359	125,474	(31,238)	1,745,595
General government	<u>37,568,946</u>	<u>269,224</u>	<u>(31,848)</u>	<u>37,806,322</u>
Total staff agencies	<u>47,070,219</u>	<u>592,889</u>	<u>(129,585)</u>	<u>47,533,523</u>
Total general government	<u>47,211,069</u>	<u>616,209</u>	<u>(132,276)</u>	<u>47,695,002</u>
Public safety -				
Police protection	10,165,540	2,356,831	(1,072,903)	11,449,468
Fire protection	12,031,828	480,524	(498,126)	12,014,226
Inspection	<u>204,851</u>	<u>51,043</u>	<u>(37,511)</u>	<u>218,383</u>
Total public safety	<u>22,402,219</u>	<u>2,888,398</u>	<u>(1,608,540)</u>	<u>23,682,077</u>
Public works -				
City shop	1,811,879	109,195	(12,935)	1,908,139
Streets and drainage	<u>347,555,398</u>	<u>28,783,401</u>	<u>(124,284)</u>	<u>376,214,515</u>
Total public works	<u>349,367,277</u>	<u>28,892,596</u>	<u>(137,219)</u>	<u>378,122,654</u>
Culture and recreation -				
Library	7,177,598	352,467	(505,249)	7,024,816
Recreation	<u>37,990,779</u>	<u>10,685,317</u>	<u>(107,830)</u>	<u>48,568,266</u>
Total culture and recreation	<u>45,168,377</u>	<u>11,037,784</u>	<u>(613,079)</u>	<u>55,593,082</u>
Construction in progress	<u>39,920,698</u>	<u>37,208,366</u>	<u>(31,854,640)</u>	<u>45,274,424</u>
Total capital assets	<u>\$ 504,069,640</u>	<u>\$ 80,643,353</u>	<u>\$ (34,345,754)</u>	<u>\$ 550,367,239</u>

**CITY OF ROUND ROCK, TEXAS
STATISTICAL SECTION
(UNAUDITED)**

This part of the City of Round Rock's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and supplementary information says about the City's overall financial health. This information has not been audited by the independent auditors.

Contents	Page
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	141
Revenue Capacity	
These schedules contain information to help the reader assess the City's significant local revenue sources, the property and sales tax.	148
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's currently outstanding debt and the City's ability to issue additional debt in the future.	156
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	163
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information contained in the City's financial report relates to the services the City provides and the activities it performs.	165

Sources: Unless otherwise noted, the information in these schedules is derived from the City's comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003. Schedules presenting government-wide information include information beginning in that year.



**CITY OF ROUND ROCK, TEXAS
NET ASSETS BY COMPONENT
LAST FOUR FISCAL YEARS
(accrual basis of accounting)**

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities-				
Invested in capital assets, net of related debt	\$ 162,113,491	\$ 213,971,965	\$ 191,409,740	\$ 218,160,338
Restricted	62,407,428	30,619,598	77,452,591	72,855,857
Unrestricted	59,450,222	59,840,433	66,432,282	75,249,052
Total governmental activities net assets	\$ 283,971,141	\$ 304,431,996	\$ 335,294,613	\$ 366,265,247
Business-type activities-				
Invested in capital assets, net of related debt	\$ 133,189,058	\$ 153,895,969	\$ 166,695,648	\$ 184,270,630
Restricted	27,313,591	21,409,980	20,737,192	17,534,251
Unrestricted	30,211,234	30,540,616	35,012,093	44,027,327
Total business-type activities net assets	\$ 190,713,883	\$ 205,846,565	\$ 222,444,933	\$ 245,832,208
Primary government-				
Invested in capital assets, net of related debt	\$ 295,302,549	\$ 367,867,934	\$ 358,105,388	\$ 402,430,968
Restricted	89,721,019	52,029,578	98,189,783	90,390,108
Unrestricted	89,661,456	90,381,049	101,444,375	119,276,379
Total primary government activities net assets	\$ 474,685,024	\$ 510,278,561	\$ 557,739,546	\$ 612,097,455

Note: City of Round Rock, Texas first applied GASB Statement No. 34 in fiscal year 2003; therefore, government-wide financial information for years prior to fiscal year 2003 is not available.

**CITY OF ROUND ROCK, TEXAS
CHANGES IN NET ASSETS
LAST FOUR FISCAL YEARS
(accrual basis of accounting)**

	Fiscal Year			
	2003	2004	2005	2006
Expenses:				
Governmental activities-				
General government	\$ 19,642,141	\$ 19,713,687	\$ 20,282,360	\$ 21,634,710
Public safety	19,066,383	20,966,487	22,762,219	27,724,273
Public works	16,588,968	18,072,178	20,919,303	24,804,177
Culture and recreation	9,325,558	10,246,850	10,921,173	11,714,066
Interest on long-term debt	7,393,065	7,433,425	8,358,830	7,950,242
Total governmental activities expenses	72,016,115	76,432,627	83,243,885	93,827,468
Business-type activities-				
Water and sewer utility	20,182,559	22,543,579	25,051,538	27,783,218
Golf course	162,996	173,136	215,595	150,029
Total business-type activities expenses	20,345,555	22,716,715	25,267,133	27,933,247
Total primary government expenses	92,361,670	99,149,342	108,511,018	121,760,715
Program revenues:				
Governmental activities-				
Charges for services-				
General government	1,356,528	1,409,825	1,352,613	2,021,621
Public safety	1,437,534	1,712,535	2,674,255	2,371,379
Public works	1,149,150	872,929	1,040,788	1,139,836
Culture and recreation	1,976,438	2,137,179	1,941,047	2,408,710
Operating grants and contributions	672,000	660,273	625,905	1,057,821
Capital grants and contributions	17,982,478	11,768,405	14,435,954	12,548,335
Total governmental activities program revenues	24,574,128	18,561,146	22,070,562	21,547,702
Business-type activities-				
Charges for services-				
Water and sewer utility	24,002,196	24,962,107	27,161,741	30,566,103
Golf course	453,238	486,097	427,504	476,082
Capital grants and contributions	98,866	661,869	1,187,383	2,310,171
Total business-type activities program revenues	24,554,300	26,110,073	28,776,628	33,352,356
Total primary government program revenues	49,128,428	44,671,219	50,847,190	54,900,058
Net (expense) revenue-				
Governmental activities	(47,441,987)	(57,871,481)	(61,173,323)	(72,279,766)
Business-type activities	4,208,745	3,393,358	3,509,495	5,419,109
Total primary government net expense	\$ (43,233,242)	\$ (54,478,123)	\$ (57,663,828)	\$ (66,860,657)

(CONTINUED)

Note: City of Round Rock, Texas first applied GASB Statement No. 34 in fiscal year 2003; therefore, government-wide financial information for years prior to fiscal year 2003 is not available.

**CITY OF ROUND ROCK, TEXAS
CHANGES IN NET ASSETS (CONTINUED)
LAST FOUR FISCAL YEARS
(accrual basis of accounting)**

	Fiscal Year			
	2003	2004	2005	2006
General revenues and other changes in net assets:				
Governmental activities-				
Taxes-				
Property	\$ 17,463,237	\$ 18,699,378	\$ 20,486,575	\$ 21,632,249
Franchise	4,255,978	4,687,213	4,488,608	4,990,439
Sales	45,023,664	48,642,969	58,052,509	64,935,779
Hotel occupancy	1,618,744	1,650,148	1,905,049	2,268,619
Public service	205,185	210,090	212,565	227,784
Investment earnings	1,990,200	1,585,398	3,932,154	7,232,842
Miscellaneous	334,869	121,610	206,057	122,499
Transfers	2,238,068	2,735,530	2,752,423	1,840,189
Total governmental activities	73,129,945	78,332,336	92,035,940	103,250,400
Business-type activities-				
Impact fees	6,215,734	5,810,326	8,648,921	9,261,152
Unrestricted grants and contributions	9,206,954	8,056,091	6,165,506	8,134,901
Investment earnings	901,541	588,816	997,802	2,363,692
Miscellaneous	-	19,621	29,067	48,610
Transfers	(2,238,068)	(2,735,530)	(2,752,423)	(1,840,189)
Total business-type activities	14,086,161	11,739,324	13,088,873	17,968,166
Total primary government	87,216,106	90,071,660	105,124,813	121,218,566
Change in net assets:				
Governmental activities	25,687,958	20,460,855	30,862,617	30,970,634
Business-type activities	18,294,906	15,132,682	16,598,368	23,387,275
Total primary government	\$ 43,982,864	\$ 35,593,537	\$ 47,460,985	\$ 54,357,909

Note: City of Round Rock, Texas first applied GASB Statement No. 34 in fiscal year 2003; therefore, government-wide financial information for years prior to fiscal year 2003 is not available.

CITY OF ROUND ROCK, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year			
	1997	1998	1999	2000
General fund-				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	10,731,158	13,695,770	17,022,971	19,881,188
Total general fund	<u>\$ 10,731,158</u>	<u>\$ 13,695,770</u>	<u>\$ 17,022,971</u>	<u>\$ 19,881,188</u>
All other governmental funds-				
Reserved for-				
Federal seizure	\$ 32,023	\$ 100,837	\$ 103,298	\$ 121,389
Non-current loans receivable	21,334	23,140	19,181	19,181
Debt service	1,161,951	1,083,021	1,876,382	1,471,892
Nonexpendable endowments	100,000	100,000	100,000	100,000
Authorized construction	14,864,263	21,138,176	23,358,845	26,673,808
Unreserved, reported in-				
Special revenue funds	828,634	3,468,957	6,600,155	13,147,967
Capital projects funds	2,039,653	2,854,950	4,291,154	7,173,012
Permanent fund	10,280	10,387	7,122	7,361
Total all other governmental funds	<u>\$ 19,058,138</u>	<u>\$ 28,779,468</u>	<u>\$ 36,356,137</u>	<u>\$ 48,714,610</u>

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ -	\$ -	\$ 46,600	\$ 23,200	\$ -	\$ -
22,185,654	23,261,921	25,204,136	26,759,957	28,705,017	32,472,684
<u>\$ 22,185,654</u>	<u>\$ 23,261,921</u>	<u>\$ 25,250,736</u>	<u>\$ 26,783,157</u>	<u>\$ 28,705,017</u>	<u>\$ 32,472,684</u>
\$ 131,924	\$ 36,633	\$ 84,044	\$ 112,857	\$ 357,985	\$ 391,661
19,181	19,181	19,181	19,181	19,181	19,181
2,132,743	2,074,841	2,304,816	2,338,493	2,600,354	3,200,508
100,000	100,000	100,000	100,000	100,000	-
31,551,635	66,939,857	58,100,810	79,421,798	75,863,062	70,912,738
16,005,647	23,560,762	10,411,681	5,519,397	4,535,452	4,731,971
13,307,241	15,251,568	25,872,318	24,633,882	26,432,736	29,682,330
3,969	6,096	7,437	8,611	4,262	-
<u>\$ 63,252,340</u>	<u>\$ 107,988,938</u>	<u>\$ 96,900,287</u>	<u>\$ 112,154,219</u>	<u>\$ 109,913,032</u>	<u>\$ 108,938,389</u>

CITY OF ROUND ROCK, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year			
	1997	1998	1999	2000
Revenues-				
Taxes and franchise	\$ 21,801,655	\$ 29,617,637	\$ 39,598,214	\$ 47,424,826
Licenses, permits and fees	515,852	669,622	743,791	970,656
Charges for services	1,318,516	1,611,370	1,609,133	2,268,857
Fines and forfeitures	660,196	898,496	879,865	729,172
Intergovernmental	196,305	88,713	694,221	1,122,445
Hotel occupancy tax	339,592	434,356	616,483	1,017,826
Investment and other	2,238,668	2,647,474	3,194,448	4,117,534
Contributions	2,222,448	17,697	7,657,065	11,323,039
Total revenues	29,293,232	35,985,365	54,993,220	68,974,355
Expenditures-				
General government	5,577,920	6,440,010	8,897,742	11,979,536
Public safety	8,047,235	9,583,146	10,958,903	12,698,746
Public works	2,981,616	3,122,374	4,035,009	5,234,245
Culture and recreation	3,190,056	3,312,479	4,070,940	5,164,311
Capital projects	5,613,672	8,658,863	20,499,156	40,367,935
Debt service-				
Principal retirement	4,351,757	4,244,493	4,268,300	4,156,328
Interest and fiscal charges	2,859,002	3,042,789	3,320,740	3,739,412
Other charges	-	-	-	-
Total expenditures	32,621,258	38,404,154	56,050,790	83,340,513
Excess of revenues				
over (under) expenditures	(3,322,444)	(2,418,683)	(1,060,835)	(14,365,920)
Other financing sources (uses)-				
Proceeds from sale of capital assets	-	-	-	-
Lease purchase proceeds	350,000	250,000	500,000	525,000
Bond proceeds-				
including refunding bonds	5,000,000	16,436,240	8,183,664	26,423,117
Premium on bonds issued	-	-	-	-
Payment to refunded				
bond escrow agent	-	(5,116,489)	-	-
Transfers in	4,535,010	7,602,084	10,914,358	20,770,546
Transfers out	(788,228)	(4,067,210)	(7,633,317)	(18,136,054)
Total other financing sources (uses)	9,096,782	15,104,625	11,964,705	29,582,609
Net change in fund balances	\$ 5,774,338	\$ 12,685,942	\$ 10,903,870	\$ 15,216,689
Debt service as a percentage of				
noncapital expenditures	28.9%	25.8%	22.6%	19.8%

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 58,333,682	\$ 59,029,046	\$ 66,699,982	\$ 71,743,446	\$ 83,437,892	\$ 91,672,097
799,550	628,550	801,108	679,754	1,218,975	970,570
3,010,382	3,282,764	3,451,103	3,727,507	4,100,595	4,311,153
834,185	1,078,089	1,043,055	1,286,754	1,455,280	1,696,474
1,260,810	735,590	754,431	746,042	885,038	1,165,978
1,354,429	1,477,050	1,618,744	1,650,148	1,905,049	2,268,619
5,503,293	3,699,576	3,610,459	2,637,520	4,853,019	8,640,878
791,421	269,114	828,134	626,201	1,258,618	165,670
71,887,752	70,199,779	78,807,016	83,097,372	99,114,466	110,891,439
14,675,517	15,071,967	17,231,171	18,343,416	20,638,875	22,163,330
15,074,503	16,767,233	18,099,093	19,818,241	21,674,409	25,785,545
6,240,934	6,448,449	7,277,171	7,430,727	7,587,502	8,506,994
7,223,780	7,568,798	8,412,271	9,088,693	9,382,752	10,021,489
30,831,239	19,412,193	25,564,047	20,138,116	27,972,915	36,896,924
5,095,748	5,777,190	5,179,568	6,879,318	7,518,388	7,090,383
4,938,673	5,732,117	8,381,599	7,343,728	8,046,683	7,698,552
-	-	-	929,692	313,483	-
84,080,394	76,777,947	90,144,920	89,971,931	103,135,007	118,163,217
(12,196,034)	(6,576,041)	(11,337,904)	(6,874,559)	(4,020,541)	(7,271,778)
-	-	-	-	-	1,423,235
1,000,000	575,000	-	575,000	600,000	600,000
25,435,000	60,448,959	-	31,945,000	19,915,000	6,201,378
-	-	-	1,209,144	1,361,510	-
-	(11,084,861)	-	(12,803,761)	(20,927,719)	-
20,430,957	13,565,477	14,761,767	18,998,512	27,802,722	29,387,915
(17,827,727)	(11,115,669)	(12,523,699)	(16,262,983)	(25,050,299)	(27,547,726)
29,038,230	52,388,906	2,238,068	23,660,912	3,701,214	10,064,802
\$ 16,842,196	\$ 45,812,865	\$ (9,099,836)	\$ 16,786,353	\$ (319,327)	\$ 2,793,024
20.2%	20.6%	21.4%	22.1%	20.8%	18.6%

**CITY OF ROUND ROCK, TEXAS
ACTUAL AND TAXABLE ASSESSED VALUE OF PROPERTY
LAST TEN FISCAL YEARS**

Fiscal Year	Actual Assessed Value			Less: Tax Exempt Property	Total Taxable Assessed Valuation	Total Direct Tax Rate
	Real Property	Personal Property	Total			
1997	\$1,759,724,187	\$358,435,090	\$ 2,118,159,277	\$ 141,373,670	\$ 1,976,785,607	\$ 0.3988
1998	2,077,547,602	428,959,755	2,506,507,357	201,165,548	2,305,341,809	0.3770
1999	2,306,196,524	486,851,223	2,793,047,747	224,652,682	2,568,395,065	0.3850
2000	2,670,155,112	504,988,781	3,175,143,893	198,291,225	2,976,852,668	0.3629
2001	3,270,519,641	712,609,336	3,983,128,977	260,491,609	3,722,637,368	0.3303
2002	3,977,561,419	853,720,952	4,831,282,371	333,154,352	4,498,128,019	0.3221
2003	4,536,275,722	832,454,143	5,368,729,865	309,696,551	5,059,033,314	0.3422
2004	4,603,800,464	786,481,840	5,390,282,304	250,319,487	5,139,962,817	0.3572
2005	4,794,995,393	726,483,588	5,521,478,981	190,331,290	5,331,147,691	0.3797
2006	5,199,431,315	749,984,473	5,949,415,788	175,933,206	5,773,482,582	0.3711

Source: Williamson Central Appraisal District

Note - Property in the City is assessed each year. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$100 of assessed value.

**CITY OF ROUND ROCK, TEXAS
PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS
PER \$ 100 OF ASSESSED VALUE
LAST TEN FISCAL YEARS**

Fiscal Year	City Direct Rates			Overlapping Rates		Total Direct and Overlapping Rates
	Operating Rate	Debt Service Rate	Total Direct	Round Rock Independent School District	Williamson County	
1997	\$ 0.1754	\$ 0.2234	\$ 0.3988	\$ 1.6300	\$ 0.2712	\$ 2.3000
1998	0.1710	0.2060	0.3770	1.6396	0.2960	2.3126
1999	0.1746	0.2104	0.3850	1.7575	0.2990	2.4415
2000	0.1783	0.1846	0.3629	1.7111	0.2995	2.3735
2001	0.1590	0.1713	0.3303	1.7086	0.3477	2.3866
2002	0.1792	0.1429	0.3221	1.7387	0.3543	2.4151
2003	0.1941	0.1481	0.3422	1.7924	0.4154	2.5500
2004	0.2018	0.1553	0.3571	1.8643	0.4482	2.6696
2005	0.2092	0.1705	0.3797	1.8572	0.4789	2.7158
2006	0.2089	0.1622	0.3711	1.8334	0.4997	2.7042

Source: Williamson County Tax Office

**CITY OF ROUND ROCK, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**

Name of Taxpayer	2006			1997		
	Net Assessed Valuation	Rank	% of Total Net Assessed Valuation	Net Assessed Valuation	Rank	% of Total Net Assessed Valuation
Baltgem Development Corp.	\$ 81,367,674	1	1.409%	\$ -		0.000%
Dell Computer Corp.	61,461,287	2	1.065%	-		0.000%
Toppan Photomasks, Inc.	52,318,894	3	0.906%	-		0.000%
TXU Electric Delivery Co.	38,485,897	4	0.667%	16,939,166	5	0.857%
Columbia/St. David Healthcare	30,424,267	5	0.527%	-		0.000%
2800 La Frontera #1A, LTD	29,160,793	6	0.505%	-		0.000%
Drever, Limestone, LP	26,674,126	7	0.462%	-		0.000%
Lodge at Warner Ranch, LP	25,948,645	8	0.449%	-		0.000%
Southwestern Bell Telephone Co.	23,234,528	9	0.402%	11,854,069	9	0.600%
A & B Texas, LLC	22,736,144	10	0.394%	-		0.000%
Dell Computer Holdings, LP	21,410,135	-	0.371%	52,203,226	1	2.641%
Cypress Semiconductor	-		0.000%	34,292,840	2	1.735%
McNeil Consumer Products Co.	-		0.000%	25,619,301	3	1.296%
DuPont Photo Mask	-		0.000%	17,460,688	4	0.883%
Westinghouse Motor Company	14,183,290	-	0.246%	16,051,405	6	0.812%
Sysco Food Services	-		0.000%	15,508,795	7	0.785%
Steeplechase Downs	-		0.000%	12,065,472	8	0.610%
Tellabs Operations, Inc.	-		0.000%	11,631,148	10	0.588%
	<u>\$ 427,405,680</u>		<u>7.403%</u>	<u>\$ 213,626,110</u>		<u>10.807%</u>

**CITY OF ROUND ROCK, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage Of Levy		Amount	Percentage Of Levy
1997	\$ 7,954,963	\$ 7,809,238	98.17%	\$ 138,165	\$ 7,947,403	99.90%
1998	8,781,899	8,601,905	97.95%	172,989	8,774,894	99.92%
1999	10,009,061	9,790,084	97.81%	207,974	9,998,058	99.89%
2000	10,946,168	10,686,138	97.62%	234,096	10,920,234	99.76%
2001	12,411,091	12,181,034	98.15%	199,543	12,380,577	99.75%
2002	14,553,073	14,335,048	98.50%	172,117	14,507,165	99.68%
2003	17,274,169	17,129,231	99.16%	106,535	17,235,766	99.78%
2004	18,313,909	18,117,224	98.93%	150,213	18,267,437	99.75%
2005	20,262,583	20,103,093	99.21%	92,993	20,196,086	99.67%
2006	21,422,507	21,260,880	99.25%	-	21,260,880	99.25%

**CITY OF ROUND ROCK, TEXAS
TAXABLE SALES BY CATEGORY
LAST TEN CALENDAR YEARS**

<u>Year</u>	<u>Retail Trade</u>	<u>Wholesale Trade</u>	<u>Services</u>	<u>Manufacturing</u>	<u>Utilities</u>
1996	\$ 320,997,706	\$ 175,662,980	\$ 33,308,727	\$ 59,246,114	\$ 9,873,420
1997	392,274,394	267,680,121	41,467,789	25,858,915	12,185,660
1998	505,585,336	351,229,337	51,849,137	25,164,801	13,640,254
1999	623,057,498	538,396,409	127,142,719	14,127,476	18,530,905
2000	768,898,220	597,548,751	196,444,145	19,815,573	24,734,436
2001	912,414,869	731,001,387	216,072,525	20,451,976	29,741,180
2002	1,002,120,502	719,007,415	216,666,201	22,555,006	33,689,361
2003	1,085,691,925	876,997,596	229,692,253	13,208,185	24,017,807
2004	1,125,319,697	924,947,365	245,301,178	19,188,881	13,748,708
2005	1,021,973,453	1,164,889,028	254,602,875	23,056,365	13,848,008

Source: Texas Comptroller of Public Accounts

Note: Sales information is not available on a fiscal year basis.

<u>Construction</u>	<u>Finance, Real Estate</u>	<u>Other</u>	<u>Total</u>	<u>City Direct Sales Tax Rate</u>	<u>State Sales Tax Rate</u>	<u>Over- Lapping</u>
\$ 10,923,831	\$ 221,416	\$ 6,420,122	\$ 616,654,316	1.5%	6.25%	7.75%
12,853,681	465,058	6,849,649	759,635,267	1.5%	6.25%	7.75%
12,679,159	194,228	7,678,957	968,021,209	1.5%-2.0%	6.25%	8.25%
11,771,642	280,530	7,275,680	1,340,582,859	2.0%	6.25%	8.25%
11,026,539	422,839	7,908,943	1,626,799,446	2.0%	6.25%	8.25%
12,984,689	1,156,703	6,723,785	1,930,547,114	2.0%	6.25%	8.25%
12,140,945	1,031,156	6,041,356	2,013,251,942	2.0%	6.25%	8.25%
14,337,144	780,350	6,327,026	2,251,052,286	2.0%	6.25%	8.25%
13,090,903	568,076	7,268,203	2,349,433,011	2.0%	6.25%	8.25%
14,962,938	-	210,916,678	2,704,249,345	2.0%	6.25%	8.25%

**CITY OF ROUND ROCK, TEXAS
HOTEL TAXPAYERS
SEPTEMBER 30, 2006**

<u>Taxpayer</u>	<u>Total Collections Year Ended September 30, 2006</u>	<u>Number of Rooms</u>
La Quinta Inn	\$ 116,601	116
Courtyard by Marriott	142,146	113
Red Roof Inn	88,463	107
Baymont Inn	87,076	93
Best Western Executive Inn	73,954	67
Days Inn & Suites	44,543	49
Super 8 Motel	-	62
Extended Stay America # 6030	39,845	138
Wingate Inn	80,318	101
Holiday Inn	105,663	90
Residence Inn	156,302	96
Hilton Garden Inn	168,086	122
Comfort Suites	60,178	62
Springhill Suites	129,258	104
Hampton Inn	153,271	93
Staybridge Suites	95,324	81
Austin Marriott North	574,391	295
Candlewood Suites	51,111	98
Lodge at Warner Ranch	-	5
Extended Stay America # 6197	48,305	104
Country Inn & Suites	53,784	61
	<u>\$ 2,268,619</u>	<u>2,057</u>

**CITY OF ROUND ROCK, TEXAS
HOTEL OCCUPANCY TAX COLLECTION HISTORY BY QUARTER
LAST TEN FISCAL YEARS**

Fiscal Year Ended 9-30	1st Quarter Oct. – Dec.	2nd Quarter Jan. – Mar.	3rd Quarter Apr. – June	4th Quarter July – Sept.	Total
1997	\$ 60,820	\$ 76,515	\$ 89,230	\$ 113,027	\$ 339,592
1998	102,162	99,392	101,966	130,835	434,355
1999	121,858	134,096	163,087	197,442	616,483
2000	219,642	215,824	255,911	326,448	1,017,825
2001	323,789	308,735	333,479	388,426	1,354,429
2002	360,606	307,427	368,583	440,434	1,477,050
2003	401,794	367,136	410,803	439,011	1,618,744
2004	406,795	352,486	414,176	476,691	1,650,148
2005	448,789	401,171	476,219	578,870	1,905,049
2006	521,640	459,601	578,711	708,667	2,268,619

**CITY OF ROUND ROCK, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities			Business-Type Activities	Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Other Debt Obligations	Revenue Bonds			
1997	\$ 36,285,000	\$ 17,150,000	\$ 1,609,044	\$ 10,045,400	\$ 65,089,444	6.57%	\$1,363
1998	47,290,000	14,338,000	1,322,901	8,808,475	71,759,376	6.43%	1,410
1999	43,930,000	13,931,000	9,926,601	7,516,550	75,304,151	5.73%	1,344
2000	40,705,000	24,299,000	25,902,273	6,139,625	97,045,898	6.15%	1,608
2001	37,640,000	23,622,000	51,438,524	4,887,700	117,588,224	5.98%	1,708
2002	71,835,000	20,805,000	64,873,333	3,560,775	161,074,108	7.37%	2,198
2003	70,265,000	20,167,000	61,901,766	2,358,850	154,692,616	7.40%	1,993
2004	87,965,000	18,279,000	59,615,448	1,206,925	167,066,373	7.57%	2,042
2005	98,680,000	3,471,000	57,400,061	270,000	159,821,061	6.60%	1,858
2006	95,020,000	2,968,000	61,274,055	-	159,262,055	6.17%	1,774

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

See the Schedule of Demographic and Economic Statistics for personal income and population data.

CITY OF ROUND ROCK, TEXAS
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

Fiscal Year	(1) Population	Net Assessed Value (in thousands)	(2) Gross Bonded Debt	Amount Available in Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1997	47,760	\$ 1,976,786	\$ 53,435,000 ⁽²⁾	\$ 1,161,951	\$ 52,273,049	2.64%	\$ 1,094.49
1998	50,905	2,305,342	61,628,000 ⁽²⁾	1,083,021	60,544,979	2.63%	1,189.37
1999	56,030	2,568,395	57,861,000 ⁽²⁾	1,876,382	55,984,618	2.18%	999.19
2000	60,340	2,976,853	65,004,000 ⁽²⁾	1,471,892	63,532,108	2.13%	1,052.90
2001	68,835	3,722,637	61,262,000 ⁽²⁾	2,132,743	59,129,257	1.59%	859.00
2002	73,295	4,498,128	92,640,000 ⁽²⁾	2,074,841	90,565,159	2.01%	1,235.63
2003	77,600	5,059,033	90,432,000 ⁽²⁾	2,304,816	88,127,184	1.74%	1,135.66
2004	81,825	5,139,963	106,244,000 ⁽²⁾	2,338,493	103,905,507	2.02%	1,269.85
2005	86,000	5,331,148	102,151,000 ⁽²⁾	2,600,354	99,550,646	1.87%	1,157.57
2006	89,800	5,773,483	97,988,000 ⁽²⁾	3,200,508	94,787,492	1.64%	1,055.54

Note: Includes Certificates of Obligation and General Obligation Bonds.

⁽¹⁾ Source: Planning Department, City of Round Rock

⁽²⁾ Gross bonded debt includes self-supporting debt funded by enterprise funds.
Gross self-supporting debt totaled \$5,758,453 at September 30, 2006.



**CITY OF ROUND ROCK, TEXAS
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
SEPTEMBER 30, 2006**

<u>Name of Governmental Unit</u>	<u>Total General Debt Outstanding</u>	<u>Percentage Applicable to City of Round Rock</u>	<u>Amount Applicable to City of Round Rock</u>
City of Round Rock	\$ 97,988,000 *	100.00%	\$ 97,988,000
Round Rock Independent School District	338,828,372 **	31.98%	108,357,313
Williamson County	532,767,465 *	27.13%	144,539,813
Georgetown ISD	153,864,977 **	0.01%	15,386
Travis County	<u>445,863,471 *</u>	0.39%	<u>1,738,867</u>
Total	<u>\$ 1,569,312,285</u>		<u>\$ 352,639,379</u>

*Gross Debt as of 9-30-06

**Gross Debt as of 6-30-06

Source: City of Round Rock Finance Department and Texas Municipal Reports

**CITY OF ROUND ROCK, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	Fiscal Year			
	1997	1998	1999	2000
Debt limit	\$ 340,103,630	\$ 413,245,740	\$ 460,399,550	\$ 533,617,920
Total net debt applicable to limit	<u>38,968,769</u>	<u>48,776,558</u>	<u>45,458,417</u>	<u>53,744,875</u>
Legal debt margin	<u>\$ 301,134,861</u>	<u>\$ 364,469,182</u>	<u>\$ 414,941,133</u>	<u>\$ 479,873,045</u>
Total net debt applicable to the limit as a percentage of debt limit	11.46%	11.80%	9.87%	10.07%

Legal Debt Margin Calculation for Fiscal Year 2006

Total assessed value	<u>\$ 5,773,482,582</u>
Debt limit - Maximum serviceable at permitted allocation of \$1.50 per \$100 of assessed value	\$ 1,034,929,880
Amount of debt applicable to debt limit:	
Total General Obligation Debt	\$ 97,988,000
Less:	
Amount available in Debt Service Fund	(3,200,508)
Amounts considered self-supporting	<u>(5,758,453)</u>
Total net debt applicable to debt limit	<u>89,029,039</u>
Legal debt margin	<u>\$ 945,900,841</u>

There is no direct limitation in the City Charter or under state law. The City operates under a Home Rule Charter (Article XI, Section 5, Texas Constitution), approved by voters in August, 1977, that limits the maximum tax rate, for all City purposes, to \$ 2.50 per \$ 100 assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$ 1.50 of the \$ 2.50 maximum tax rate for general obligation debt service.

Assuming the maximum tax rate for debt service of \$ 1.50 on January 1, 2005 and assessed valuation of \$ 5,773,482,582 at 100% collection, tax revenue of \$ 86,602,239 would be produced. This revenue could service the debt on \$ 1,034,929,880 issued as 20- year serial bonds at 5.50% (with level debt service).

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 667,304,112	\$ 806,315,251	\$ 906,860,750	\$ 921,367,824	\$ 955,638,811	\$ 1,034,929,880
50,262,992	82,569,295	80,541,088	97,029,376	93,578,032	89,029,039
<u>\$ 617,041,120</u>	<u>\$ 723,745,956</u>	<u>\$ 826,319,662</u>	<u>\$ 824,338,448</u>	<u>\$ 862,060,779</u>	<u>\$ 945,900,841</u>
7.53%	10.24%	8.88%	10.53%	9.79%	8.60%

**CITY OF ROUND ROCK, TEXAS
SCHEDULE OF REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year	(1) Gross Revenue	(2) Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements Principal and Interest	Revenue Bond Coverage
1997	\$ 16,649,651 ⁽³⁾	\$ 8,015,148	\$ 8,634,503	\$1,745,528	4.95
1998	18,031,066	8,632,306	9,398,760	1,751,339	5.37
1999	19,065,800	8,762,007	10,303,793	1,745,175	5.90
2000	23,867,459	10,561,505	13,305,954	1,765,565	7.54
2001	24,333,346	12,645,648	11,687,698	1,575,210	7.42
2002	25,436,842	13,840,556	11,596,286	1,583,835	7.32
2003	24,895,722	15,328,369	9,567,353	1,392,358	6.87
2004	25,583,013	16,467,400	9,115,613	1,279,975	7.12
2005	28,197,344	18,452,453	9,744,891	1,016,058	9.59
2006	32,985,447	20,962,289	12,023,158	284,310	42.29

⁽¹⁾ Water and Sewer Fund operating and non-operating revenues.

⁽²⁾ Water and Sewer Fund operating expenses, excluding depreciation.

⁽³⁾ Excludes lawsuit settlement proceeds of \$6,120,000.

**CITY OF ROUND ROCK, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	(1) Population	Personal Income	(2) Per Capita Income	(3) Median Age	(3) Education Level in Years of Formal Schooling	(4) School Enrollment	(3) Unemployment Rate
1997	47,760	\$ 990,399,120	\$ 20,737	29.8	13.9	27,223	1.9%
1998	50,905	1,116,295,745	21,929	29.9	14.0	28,455	1.9%
1999	56,030	1,314,071,590	23,453	30.0	14.1	30,100	1.5%
2000	60,340	1,577,830,660	26,149	30.1	14.3	31,572	1.3%
2001	68,835	1,965,376,920	28,552	30.5	14.2	32,652	3.9%
2002	73,295	2,185,803,490	29,822	30.8	14.1	34,120	4.7%
2003	77,600	2,090,544,000	26,940	31.2	14.2	35,579	4.7%
2004	81,825	2,207,556,675	26,979	30.6	14.2	36,608	3.1%
2005	86,000	2,423,308,000	28,178	30.5	14.3	37,909	3.7%
2006	89,800	2,581,211,200	28,744	30.6	14.7	39,112	3.3%

Sources: ⁽¹⁾ Planning Department, City of Round Rock

⁽²⁾ Texas Workforce Commission; data is for Williamson County, which is representative of the City; data for City not available.

⁽³⁾ Round Rock Chamber of Commerce

⁽⁴⁾ Round Rock Independent School District

**CITY OF ROUND ROCK, TEXAS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Name of Employer	2006			1997		
	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
Dell, Inc.	9,500	1	20.43%	5,000	1	16.01%
Round Rock Independent School District	4,600	2	9.89%	3,700	2	11.84%
Sears Customer Care	1,200	3	2.58%			
Michael Angelo's Gourmet Foods	900	4	1.94%	400	8	1.28%
City of Round Rock, Texas	768	5	1.65%	395	5	1.26%
Round Rock Medical Center	748	6	1.61%	550	3	1.76%
Texas Guaranteed Student Loan	610	7	1.31%			
Farmer's Insurance	560	8	1.20%	600	4	1.92%
Dresser Wayne, Inc.	503	9	1.08%	500	6	1.60%
Cypress Semiconductor	400	10	0.86%	300	10	9.60%
Sysco Foods				350	7	1.12%
DuPont Photomasks, Inc				300	9	0.96%

CITY OF ROUND ROCK, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Function:	Full-time Equivalent Employees as of September 30									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General government	61	75	91	109	120	132	134	142	148	156
Public safety-										
Police-										
Officers	78	83	89	89	100	107	112	119	126	131
Civilians	28	30	31	35	37	42	41	47	47	54
Fire-										
Firefighters & officers	55	56	69	70	72	78	78	90	104	111
Civilians	2	2	2	3	4	4	4	4	4	4
Public works-										
Street	30	31	37	41	49	49	49	48	48	48
Shop	7	8	8	10	14	14	14	14	14	15
Culture & recreation-										
Library	18	25	26	27	23	24	26	27	28	29
Parks & Recreation	39	39	44	62	79	81	83	90	91	93
Water	56	59	60	65	66	78	80	90	93	92
Sewer	<u>14</u>	<u>16</u>	<u>16</u>	<u>21</u>	<u>32</u>	<u>29</u>	<u>32</u>	<u>32</u>	<u>35</u>	<u>35</u>
Total	<u>388</u>	<u>424</u>	<u>473</u>	<u>532</u>	<u>596</u>	<u>638</u>	<u>653</u>	<u>703</u>	<u>738</u>	<u>768</u>

Source:

Finance Department, City of Round Rock

**CITY OF ROUND ROCK, TEXAS
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

	Fiscal Year			
	1997	1998	1999	2000
Function:				
Police-				
Arrests	2,299	2,494	2,389	1,836
Accident reports	1,127	1,077	2,712	2,095
Index crimes reported	1,302	1,154	1,037	1,053
Crimes per thousand residents	28.35	23.54	19.93	20.20
Officers per thousand of population	1.65	1.71	1.73	1.52
Fire-				
Incident volume	3,174	3,600	4,334	4,334
Priority calls answered	2,698	3,050	3,050	3,050
Non-emergency calls answered	476	550	1,284	1,284
Priority calls-response less than 6 minutes	85%	80%	78%	78%
Public Works-				
Street-				
Street resurfacing (lane miles)	69	69	76	81
Potholes repaired annually	N/A	N/A	N/A	N/A
Signals maintained	5	5	5	5
Shop-				
Work orders	2,232	2,700	2,750	2,975
Number of departments served	11	11	11	13
Culture and Recreation-				
Library-				
Number of items circulated	325,385	345,716	347,290	385,658
Number of card holders	23,862	25,400	26,713	27,333
Number of library visits	162,906	179,606	182,839	200,000
Parks & Recreation-				
Total park acres maintained	969	1,081	1,095	1,173
Number of athletic fields maintained	30	34	38	38
Number of trees planted	N/A	N/A	N/A	N/A
Number of recreation enrollees	88,887	100,027	99,586	112,783
Water-				
New connections	1,000	1,000	1,200	1,500
Line maintenance work orders	4,866	5,500	5,800	5,000
Average monthly consumption	262,000,000	307,000,000	334,000,000	412,000,000
Sewer-				
Average monthly treatment	241,200,000	225,300,000	245,100,000	234,110,666
Line feet reviewed for infiltration & inflow	22,352	30,000	30,000	35,000

Source: City of Round Rock Finance Department

N/A - Data not available

Fiscal Year					
2001	2002	2003	2004	2005	2006
1,512	1,735	1,684	2,625	3,592	3,879
2,675	2,667	2,360	2,669	1,942	1,800
2,061	1,495	1,813	1,679	2,326	2,682
30.90	20.90	25.50	21.00	28.30	31.10
1.50	1.50	1.49	1.49	1.50	1.50
5,109	5,352	5,076	5,219	6,709	8,200
3,236	3,936	3,787	3,959	5,376	6,776
1,873	1,396	1,289	1,260	1,333	1,433
82%	80%	83%	78%	86%	86%
81	84	84	101	135	150
2,500	2,500	3,000	3,223	3,223	4,000
28	30	36	36	42	52
2,960	2,960	4,485	4,650	4,468	5,400
13	13	13	15	15	18
435,632	492,493	545,921	648,609	647,343	660,000
35,637	37,457	40,532	42,321	41,448	42,200
285,176	246,185	258,017	288,100	298,996	300,000
1,173	1,187	1,573	1,532	1,532	1,850
38	38	38	38	38	38
N/A	N/A	238	350	325	808
255,670	314,814	314,814	330,036	330,036	340,000
1,800	1,850	1,172	1,578	1,250	1,549
5,113	3,267	3,810	5,938	8,800	12,000
385,000,000	438,000,000	447,000,000	439,000,000	474,500,000	601,534,250
262,719,166	262,750,000	263,416,666	286,166,666	287,948,166	303,103,333
35,000	77,655	110,236	142,817	163,143	184,698

**CITY OF ROUND ROCK, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

	Fiscal Year			
	1997	1998	1999	2000
Function:				
Police-				
Number of stations	1	1	1	1
Number of patrol units	42	56	79	87
Fire-				
Number of stations	4	4	4	5
Number of fire trucks	3	3	5	5
Public Works-				
Street-				
Lane miles	178	178	201	215
Drainage miles	74	74	81	90
Number of street lights	4,610	4,610	4,610	4,610
Number of traffic signals	5	5	5	5
Shop-				
Repair facilities	1	1	1	1
Number of bays	10	10	10	10
Culture and Recreation-				
Library-				
Number of library books	85,529	90,030	95,076	107,262
Number of library facilities	1	1	1	1
Parks & Recreation-				
Total park acres	969	1,081	1,095	1,173
Number of athletic fields	30	34	38	38
Number of parks	35	35	35	57
Number of tennis courts	9	9	9	9
Number of pools	3	3	3	3
Water-				
Number of miles of water lines	250	250	275	299
Pumping stations	12	12	13	14
Tanks	18	18	19	19
Treatment capacity (millions of gallons/day)	21	21	21	27
Sewer-				
Number of miles of sewer maintained	175	175	198	200
Wastewater lift stations	13	14	16	16

Source: City of Round Rock Finance Department

Fiscal Year					
2001	2002	2003	2004	2005	2006
1	1	1	1	1	1
103	103	120	126	136	142
5	5	5	5	6	6
6	6	8	9	10	10
215	220	220	266	898	997
90	92	92	92	92	92
4,610	4,610	4,610	4,656	4,702	4,796
28	30	36	36	42	52
1	1	1	1	1	1
10	10	19	19	19	19
115,853	130,000	134,899	150,436	160,559	163,000
1	1	1	1	1	1
1,173	1,187	1,573	1,532	1,532	1,850
38	38	38	38	38	38
60	76	72	70	80	80
9	9	9	21	21	21
3	4	4	4	4	5
299	299	394	394	425	458
14	14	14	14	14	14
19	19	18	18	18	18
30	35	48	48	48	48
220	220	242	242	355	372
16	13	12	12	11	11

**CITY OF ROUND ROCK, TEXAS
TOP TEN WATER CUSTOMERS
SEPTEMBER 30, 2006**

<u>Name of Customer</u>	<u>Type of Business</u>	<u>Water Consumption in Gallons</u>	<u>% of Total Water Consumption in Gallons</u>
Fern Bluff Municipal Utility District	Municipal Utility District	362,312,800	5.783%
Brushy Creek Municipal Utility District	Municipal Utility District	249,940,100	3.989%
Chandler Creek Municipal Utility District	Municipal Utility District	188,338,900	3.006%
Vista Oaks Municipal Utility District	Municipal Utility District	162,693,800	2.597%
Williamson County Municipal Utility District # 10	Municipal Utility District	125,052,000	1.996%
Dell, Inc.	Electronic Equipment	124,030,300	1.980%
Round Rock Independent School District	Public Schools	95,212,800	1.520%
Michael Angelo's	Food Production	66,688,500	1.064%
Aquasource--Tonkawa Springs	Water Service Provider	56,359,000	0.900%
Cypress Semiconductor	Electronic Components	<u>44,936,000</u>	<u>0.717%</u>
		<u>1,475,564,200</u>	<u>23.552%</u>

**CITY OF ROUND ROCK, TEXAS
WATER AND SEWER RETAIL RATES
SEPTEMBER 30, 2006**

Water rates for retail customers inside the city limits are as follows:

Volume Rate	Monthly Service Charge	
\$2.02 per 1,000 gallons of water used by all customers	<u>Meter Size Base Serving Customer</u>	<u>Monthly Water Service Charge</u>
	5/8 inch	\$ 11.95
	3/4 inch	16.66
	1 inch	26.30
	1 1/2 inch	50.39
	2 inch	79.31
	3 inch	146.78
	4 inch	243.17
	6 inch	758.15
	8 inch	1,325.15
	10 inch	2,081.15
	12 inch	2,553.65

Sewer rates for retail customers inside the city limits are as follows:

Volume Rate	Monthly Service Charge	
\$2.48 per 1,000 gallons of water used by all customers	<u>Meter Size Base Serving Customer</u>	<u>Monthly Sewer Service Charge</u>
	5/8 inch	\$ 9.72
	3/4 inch	12.68
	1 inch	18.19
	1 1/2 inch	33.17
	2 inch	51.15
	3 inch	93.09
	4 inch	153.01
	6 inch	451.00
	8 inch	787.00
	10 inch	1,235.00
	12 inch	1,515.00

* Sewer customers' volume is measured as the rate per 1,000 gallons of the lesser of a three month winter average or actual water use.