

Comprehensive Annual Financial Report

Year Ended September 30, 2008
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, 2008

ELECTED OFFICIALS

Alan McGraw, Mayor
Joe Clifford, Mayor Pro-tem
Rufus Honeycutt, Council Member
George White, Council Member
Carlos T. Salinas, Council Member
Scott Rhode, Council Member
Kris Whitfield, 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.

March 3, 2009

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, 2008, 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, Franklin & 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, 2008. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) can be found immediately following the report of the independent auditors. 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.

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.

Mayor
Alan McGraw

Mayor Pro-tem
Joe Clifford

Councilmembers
Rufus Honeycutt
George White
Carlos T. Salinas
Scott Rhode
Kris Whitfield

City Manager
James R. Nuse, P.E.

City Attorney
Stephan L. Sheets

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, construction and maintenance of infrastructure, planning and community development, convention and tourism activities 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, 2008.

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 within Williamson County, which is one of the fastest growing counties in the State. Since 1990, Williamson County has soared 187% to 400,774, and the City of Round Rock has grown 6.2% on an average annual basis, thus making Round Rock one of the fastest growing cities in Texas. The Austin-Round Rock Metropolitan Statistical Area (MSA) has more than doubled in population to 1.6 million since 1990. As of the end of fiscal year 2008, Round Rock's population was estimated at 96,200.

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.

General fund sales tax receipts for fiscal year 2008 were \$ 578,559 less than fiscal year 2007. This figure represents a decrease of 1.1%. Over the past 5 years though, sales tax has increased 51.5% or an average growth rate of 8.66% per year. The sales tax revenue category produced 61% of the total revenue available to the City's general fund for this year, while the property tax levy produced 17.5%. The sales tax as a revenue figure is subject to economic cycles and discretionary buying characteristics of the consumer and, accordingly, must be monitored and projected carefully. This is especially important now due to reduced sales tax performance.

This past year, Round Rock has seen continued growth even with the slowing national building trend. Modest growth in building activity is expected, fueled by continued in-migration to the community while job creation will also continue its healthy growth trends. The current unemployment rate in Round Rock is 4.2% and remains lower than the Austin metro and statewide rates of 4.3% and 5.2%, respectively.

Recent years' retail activity in Round Rock has seen 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. In September 2008, REI opened a major retail store joining the other retail stores and helping to further anchor the retail hub. These major retail destinations located in north Round Rock on Interstate 35 provide continued expansion and diversification of Round Rock's economy.

Round Rock has historically been successful in attracting successful global leaders in the high tech industry. KoMiCo, a multinational corporation based in Korea and a Samsung contractor, recently opened their doors in Round Rock. Within the next four years, they are expected to bring 120 jobs to the community.

Round Rock is also continuing to see significant growth in the medical 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 2007, Scott & White, a major regional health care organization, expanded its operations in Round Rock by developing an \$ 81 million Scott & White University Medical Campus in north Round Rock. Additionally, the Seton Family of Hospitals opened Seton Medical Center Williamson in the spring of 2008. The 360,000 square foot facility was constructed on 74 acres in north Round Rock. The facility is state-of-the-art in design, technology and delivery of complex care. The first phase of the campus includes a 181-bed hospital, ambulatory surgery center and a diagnostic and imaging center. It also includes the first of several medical office buildings. 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. In June 2008, the Texas State University Board of Regents approved a new nursing program that will be offering classes in the fall of 2010. This new campus will become a full-service college including a nursing school strategically located in close proximity to the growing health care facilities in north Round Rock

In May 2008, Round Rock citizens voted to join the jurisdiction of the Austin Community College (ACC). The new campus in northeast Round Rock will eventually accommodate approximately 12,000 students. This move will also allow ACC to double its nursing program, and will open the door to develop its new health science and hi-tech center.

The state legislature has set aside funds for Texas A&M University System Health Science Center to build a clinical campus in Round Rock. The center, which will open next fall, is located near the campuses of Texas State University, Austin Community College and Seton Medical Center Williamson. The first building is expected to be about 134,000 square feet and will include both educational space and clinical facilities. The Health Science Center's new campus is expected to provide clinical training for third and fourth-year medical students, who, for the most part, will have spent their first two years at the College Station campus of Texas A&M. It is anticipated that the students will do clinical rotations among Round Rock's three hospitals.

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 2008, 21 hotels with 2,173 rooms were open for business maintaining solid occupancy rates. 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 occurring, 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 6-10 years and represent a significant upgrade and expansion of the City's infrastructure. In July of 2007, the City issued the final \$ 34.5 million of the authorization and the improvements are well underway. In addition, \$ 14.9 million in certificates of obligation were issued in 2007 for park improvements.

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 updated its comprehensive 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 ½ 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 \$ 17 million. 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 over the past year have brought significant improvement to local and commuter traffic, thereby helping to protect the region's economic well being. While Texas State Highway 45 is open, improvements to this major highway project funded by state and local funds, continue. This extremely important road project is adjacent to Dell Computer and the La Frontera development. Also completed is the A.W. Grimes arterial that connects north and south Round Rock, as well as IH 35 improvements to facilitate access to several major retail developments. 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 \$ 126 million. The local portion, \$ 97 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.

Round Rock has taken 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 were estimated, public input was utilized and options on how to control costs and develop revenue sources to pay for services were explored. The final result provides 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.

Economic development and diversification continues to be the City's top strategic priority. The City and the Round Rock Chamber of Commerce partnered to update the City's economic development plan. In accordance with this increased strategic emphasis on economic development, the economic development agreement between the City and the Chamber of Commerce was also updated and funding was increased. These funds are leveraged with the Chamber of Commerce Momentum funding to create a public/private partnership for economic development priorities. This partnership continues to yield a new, inspired approach to economic development for Round Rock.

As stated earlier, the local region and Round Rock saw rapid, unprecedented growth over the past decade. Population growth projections are expected to remain steady as the area continues show signs of continued development. 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. Significant investment in the medical industry including several state-of-the-art medical facilities expansions, combined with the impact of multiple higher education centers, will provide community development and unlimited opportunities. Not only will these initiatives shape the physical development of the City but they will also influence the knowledge base and creativity in the community.

With the City's natural commercial attractiveness, a strong economic development plan and a strengthening 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, 2007. This was the twenty-second 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, 2007. 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, Franklin & 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,

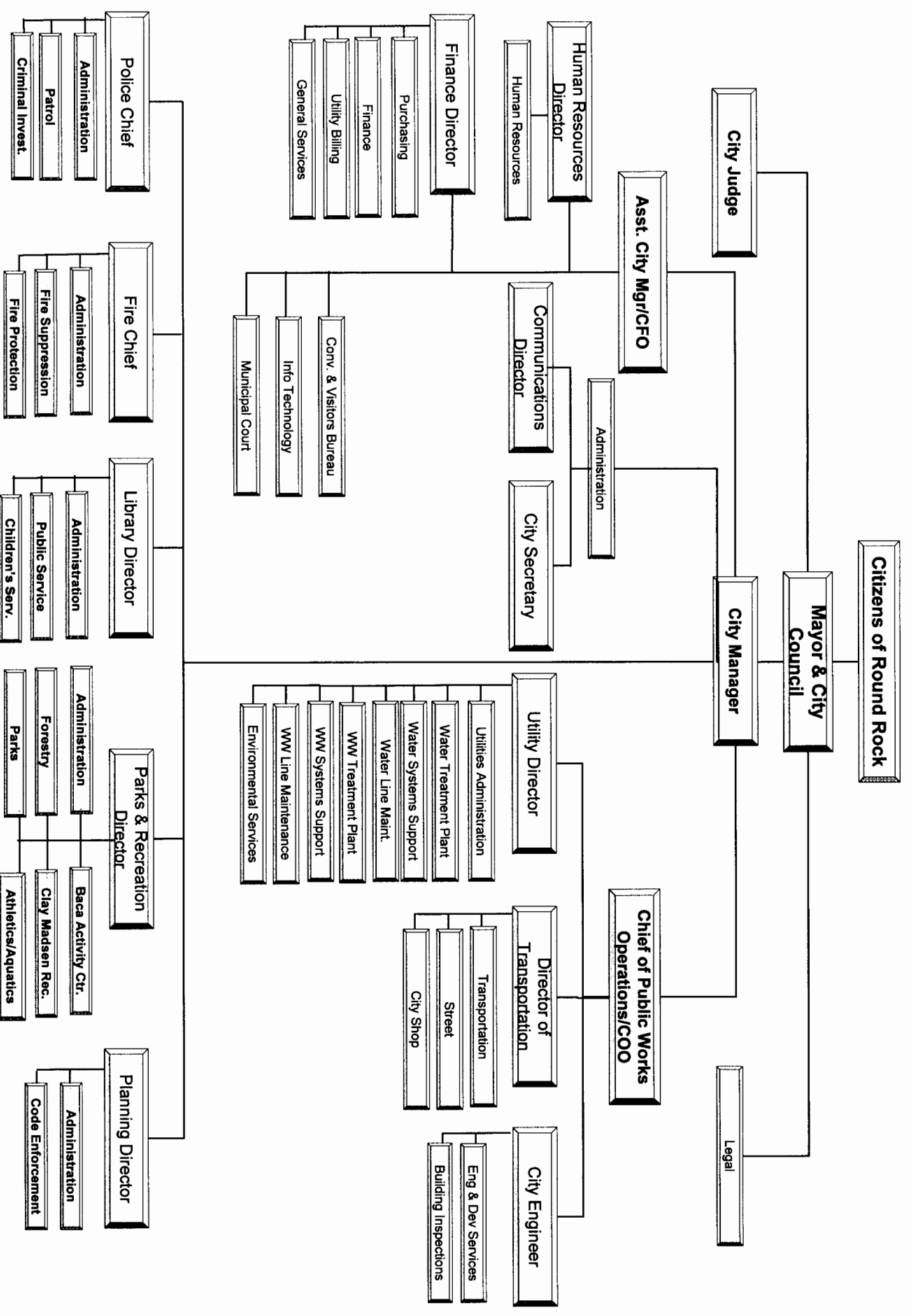


James R. Nuse, P.E.
City Manager



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, 2007

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





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, 2008, 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, 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 3, 2009, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

**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 sections 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.

Ernst & Young, LLP

March 3, 2009

**City of Round Rock, Texas
Management's Discussion and Analysis
September 30, 2008**

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, 2008. It should be read in conjunction with the accompanying transmittal letter and the accompanying basic financial statements.

Financial Highlights

- The assets of the City of Round Rock exceeded its liabilities at the close of the most recent fiscal year by \$ 723,311,333 (*net assets*). Of this amount, \$ 149,131,576 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to its citizens and creditors.
- The City's net assets increased by \$ 36,761,076. Approximately 37.2 percent of this increase is a result of contributions from developers and other entities. An additional increase of \$ 5,144,844 is due to a restatement of prior year net assets as more fully described in Note I(P) to the financial statements.
- As of the close of the current fiscal year, the City of Round Rock's governmental funds reported combined ending fund balances of \$ 193,250,011, a decrease of \$ 2,879,774 in comparison with the prior year. The decrease is primarily the result of major progress in the City's capital projects programs. Approximately 43 percent of the total fund balance amount, \$ 83,495,193, 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 \$ 40,685,364, or 55 percent of the total general fund expenditures.
- The City of Round Rock's total debt increased by \$ 15,211,160 during the current fiscal year. The increase is largely due to the issuance of \$ 8.06 million in utility system revenue bonds and approximately \$ 16.8 million in State infrastructure bank debt netted with regularly scheduled debt retirement.

Overview of the Financial Statements

This discussion and analysis are 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
Management's Discussion and Analysis - continued
September 30, 2008

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 only 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 24 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 2007 General Obligation Bond fund, all of which are considered to be major funds. Data from the other 18 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
Management's Discussion and Analysis - continued
September 30, 2008

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 funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Public Improvement Districts 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 \$ 723,311,333 as of September 30, 2008.

The largest portion of the City's net assets (62.5%) 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.

City of Round Rock, Texas
Management's Discussion and Analysis - continued
September 30, 2008

An additional portion of the City's net assets (16.9%) represents resources that are subject to external restriction on how they may be utilized. The remaining balance of unrestricted net assets \$ 149,131,576 may be used to meet the City's ongoing obligations to citizens and creditors.

As of September 30, 2008 and 2007, 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, 2008 and 2007.

Net Assets (in 000's)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 220,477	\$ 218,332	\$ 76,154	\$ 74,434	\$ 296,631	\$ 292,766
Capital assets	441,350	409,871	227,898	203,897	669,248	613,767
Total assets	661,827	628,203	304,052	278,331	965,879	906,534
Long term liabilities	212,369	204,926	10,075	2,048	222,444	206,974
Other liabilities	13,928	13,875	6,196	4,279	20,124	18,154
Total liabilities	226,297	218,801	16,271	6,327	242,568	225,128
Net assets:						
Invested in capital assets, net of related debt	232,391	207,796	219,608	203,542	451,999	411,338
Restricted	107,804	116,955	14,377	21,938	122,181	138,893
Unrestricted	95,335	84,651	53,796	46,524	149,131	131,175
Total net assets	\$ 435,530	\$ 409,401	\$ 287,781	\$ 272,004	\$ 723,311	\$ 681,406

City of Round Rock, Texas
Management's Discussion and Analysis - continued
September 30, 2008

Analysis of Changes in Net Assets

The following table summarized the changes in the City's net assets from its activities for the fiscal year ended September 30, 2008 with comparisons to the previous year.

	Changes in Net Assets (in 000's)					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 9,157	\$ 8,445	\$ 35,534	\$ 31,445	\$ 44,691	\$ 39,890
Operating grants and contributions	1,098	931	-	-	1,098	931
Capital grants and contributions	3,825	17,323	8,751	4,384	12,576	21,707
General revenues:						
Property taxes	27,561	24,410	-	-	27,561	24,410
Franchise taxes	5,748	5,499	-	-	5,748	5,499
Sales tax	68,217	68,988	-	-	68,217	68,988
Hotel occupancy tax	2,939	2,839	-	-	2,939	2,839
Public service taxes	286	257	-	-	286	257
Impact fees	-	-	5,216	10,609	5,216	10,609
Grants and contributions not restricted to specific programs	-	-	-	9,389	-	9,389
Investment earnings	8,220	9,913	1,618	1,055	9,838	10,968
Miscellaneous	257	153	-	-	257	153
Total revenues	127,308	138,758	51,119	56,882	178,427	195,640
Expenses:						
General government	24,097	21,926	-	-	24,097	21,926
Public safety	33,587	28,880	-	-	33,587	28,880
Public works	28,727	27,114	-	-	28,727	27,114
Culture and recreation	12,674	11,906	-	-	12,674	11,906
Interest on long-term debt	9,530	7,464	-	-	9,530	7,464
Water and sewer utility	-	-	32,866	28,874	32,866	28,874
Golf course	-	-	186	168	186	168
Total expenses	108,615	97,290	33,052	29,042	141,667	126,333
Increases in net assets before transfers	18,693	41,468	18,069	27,840	36,762	69,309
Transfers	2,292	1,668	(2,292)	(1,668)	-	-
Increase in net assets	20,985	43,136	15,777	26,172	36,762	69,309
Net assets, at beginning of the year	409,401	366,265	272,004	245,832	681,405	612,097
Adjustment	5,145	-	-	-	5,145	-
Net assets, as restated - beginning	414,546	366,265	272,004	245,832	686,550	612,097
Net assets, at the end of the year	\$ 435,531	\$ 409,401	\$ 287,781	\$ 272,004	\$ 723,312	\$ 681,406

City of Round Rock, Texas
Management's Discussion and Analysis - continued
September 30, 2008

Governmental activities. Governmental activities increased the City's net assets by \$ 20,984,226 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 \$ 2 million and are included in program revenues of public works activities.
- Amounts received for property taxes increased from last year by 12.9 percent primarily due to reduced reliance on sales tax and 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 tax collections of \$ 68.2 million mirrored those of the prior year largely influenced by a general economic downturn but offset somewhat by continued population growth.

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 53.6 percent of total revenues, while property taxes make up 21.6 percent of total revenues.

Expenses for governmental activities for the City totaled \$ 108,616,515 for the year ended September 30, 2008. 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 about \$ 33.6 million, or almost 31 percent of total expenses for governmental activities. Most significant are personnel costs which totaled \$ 25.9 million.
- Public works program costs totaling \$ 28.7 million reflect primarily depreciation charges on infrastructure along with 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 \$ 15,776,850 or 43 percent of the total growth in the net assets of the City over the prior year. Key factors for the increase follow.

**City of Round Rock, Texas
Management's Discussion and Analysis - continued
September 30, 2008**

The City's water and sewer utility continues to show increases in the number of customers and operating revenues. Scheduled uses of impact fees received have allowed current rates to remain stable while still providing adequate times coverage of utility bonded debt service. Comparative data for the past two fiscal years are presented as follows:

	<u>2008</u>	<u>2007</u>
Operating revenues	\$ 35,060,024	\$ 30,968,868
Operating income	\$ 2,156,592	\$ 1,788,833
Income available for debt service	\$ 12,080,113	\$ 10,551,767
Annual debt service	\$ 153,666	\$ 5,966
Coverage	78.61	1,768.65

The City has updated 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 combined 5.8% utility rate increase effective in January 2008. 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 and a large increase in consumption levels due to dry weather conditions provided strong revenue growth over the prior year.

Financial Analysis of the Government'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, 2008, the City's governmental funds reported combined ending fund balances of \$ 193,250,011. Approximately 43 percent of this total amount (\$ 83,495,193) 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 (\$ 3,431,063), 2) fund authorized capital projects (\$ 106,064,681), or 3) a variety of other restricted purposes (\$ 259,074).

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 \$ 40,685,364, all of which was unreserved. Unreserved fund balance represented 55 percent of total general fund expenditures.

City of Round Rock, Texas
Management's Discussion and Analysis - continued
September 30, 2008

The fund balance of the general fund increased by \$ 3,190,489 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.

The debt service fund had a total fund balance of \$ 3,431,063 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 (\$ 372,668). Debt service expenditure requirements increased by \$ 516,217 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 \$ 50,115,593, an increase of \$ 5,816,167 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 2007 general obligation bond fund had a combined total fund balance at year-end of \$ 66,180,188. The collective minimal increase of \$ 35,529 occurred as a result of transfers in for 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 \$ 51,573,090 at September 30, 2008. The total growth in net assets for the utility was \$ 15,701,194. The unrestricted net assets represented 18.4 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 \$ 995,000 or 1.2 percent. The amendment was primarily to reallocate available cash to fund specified capital purchases totaling \$ 3.7 million.

Funding sources for the above items were provided by various revenue budget amendments netting a total of \$ 995,000 along with various operational savings and delays implementing budgeted programs.

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, 2008, amounted to \$ 669,248,180 (net of accumulated depreciation). This investment includes land, buildings and improvements, improvements other than buildings (including infrastructure), machinery and equipment and construction in progress.

City of Round Rock, Texas
Management's Discussion and Analysis - continued
September 30, 2008

Major capital asset events during the year ended September 30, 2008, included the following:

- Work on the new police station was completed and opened in early 2008; total cost was \$ 20.9 million.
- Design work began on the new city hall business center and policy center complexes. The business center building was purchased in 2008 at a cost of \$ 3.1 million. Remodeling and construction is currently scheduled to begin in mid 2009.
- Work continued on the Old Settler's sports complex; total cost is estimated at \$ 18.2 million and construction in progress had reached \$ 12.3 million at year-end. Completion is expected for early 2009.
- Various park improvement projects are underway with completions totaling \$ 1.7 million and construction in progress of \$ 1.1 million at year-end.
- Major arterial and road projects are underway and are in various stages of completion. Completed projects totaled \$ 11.5 million while construction in progress at year-end approximated \$ 36.9 million.
- Various street, sidewalk and drainage improvement projects were underway with completions totaling \$ 2.8 million and construction in progress at \$ 5.9 million at year-end.
- Developers contributed infrastructure improvements for governmental activities of \$ 2.9 million and \$ 5.5 million for water and sewer system infrastructure improvements.
- Work was completed on the east side water main transmission line in mid 2008 at a total cost of \$ 6.5 million.
- Construction of a major wastewater interceptor was completed and placed in service in mid 2008 at a total cost of \$ 11.2 million.
- Construction of raw water delivery system improvements was near completion at year-end with a total estimated cost of \$ 15.8 million and construction in progress at \$ 12.5 million.
- Various major water line projects are underway with completions totaling \$ 4.5 million and construction in progress at \$ 5.3 million at year-end.
- Phase 6 of the sanitary sewer evaluation and rehabilitation program was completed at a cost of \$ 2.1 million. Phase 7 preliminary engineering is underway.
- Final design work is underway on a regional water project and should be complete in mid 2009. Construction of Phase 1 is scheduled to get underway in late 2009.

**City of Round Rock, Texas
Management's Discussion and Analysis - continued
September 30, 2008**

Capital Assets (in 000's)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Land	\$ 23,258	\$ 20,554	\$ 2,545	\$ 2,545	\$ 25,803	\$ 23,099
Buildings and Improvements	81,316	61,288	22,506	22,386	103,822	83,674
Improvements Other Than Buildings	447,758	428,184	237,552	207,788	685,310	635,972
Machinery and Equipment	45,342	40,763	6,903	7,031	52,245	47,794
Accumulated Depreciation	(217,582)	(193,631)	(68,511)	(61,686)	(286,093)	(255,317)
Construction in Progress	61,258	52,712	26,904	25,834	88,162	78,546
Total	\$ 441,350	\$ 409,871	\$ 227,899	\$ 203,898	\$ 669,249	\$ 613,768

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 \$ 211,099,532. Of this amount, \$ 135,360,000 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt is secured solely by specified revenue sources (i.e., revenue bonds and bank loans).

The City of Round Rock's total debt increased by \$ 15,211,160 during the current fiscal year. The net increase is largely due to regularly scheduled debt principal retirements of \$ 9,647,462 along with the issuance of \$ 16,798,622 in State infrastructure bank debt for major transportation system improvements and \$ 8,060,000 in utility system revenue bonds.

**City of Round Rock, Texas
Management's Discussion and Analysis - continued
September 30, 2008**

Long-Term Debt (in 000's)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 120,060	\$ 124,960	\$ -	\$ -	\$ 120,060	\$ 124,960
Certificates of obligation	15,300	16,120	-	-	15,300	16,120
Hotel tax revenue bonds	8,575	8,920	-	-	8,575	8,920
Sales tax revenue bonds	20,215	21,345	-	-	20,215	21,345
State infrastructure bank loans	38,660	24,188	-	-	38,660	24,188
Water and wastewater revenue bonds	-	-	8,290	355	8,290	355
Total	\$ 202,810	\$ 195,533	\$ 8,290	\$ 355	\$ 211,100	\$ 195,888

The City of Round Rock benefits substantially in reduced interest costs resulting from recently upgraded bond ratings by Moody's Investors Service of Aa2, and Standard & Poor's of AA.

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, 2007 certified assessed valuation of \$ 7,503,433,547 at 100% collection, tax revenue of \$ 112,551,503 would be produced. This revenue could service the debt on \$ 1,345,033,513 issued as 20-year serial bonds at 5.50% (with level debt service payment). The resulting legal debt margin is \$ 1,218,246,988.

The City had authorized but unissued water and wastewater system revenue bonds totaling \$ 1,585,000 at September 30, 2008.

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 - continued
September 30, 2008**

Economic Factors and Next Year's Budgets 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 2008-2009 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. Two primary priorities are addressed in the budget and those are to provide sufficient funding to adequately provide core operating services in the midst of an economic slowdown and, secondly, to maintain City services to meet the needs of a larger community.

Next year, the budget is influenced by a unique combination of a general economic slowdown and continued population growth. Consequently, while the City must respond to lower sales tax revenue projections, demand for services from a growing population remains strong. In order to balance these conditions a conservative budget strategy was utilized. New or expanded programs will be considered during the fiscal year if local economic conditions will support them. Generally, the City must continue to meet the demands of a larger day time population created by steady job growth, growing commercial/industrial, retail and healthcare sectors and a larger residential population.

Revenues for fiscal year 2008-2009 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, transportation and development services. The new programs include the addition of 9 new full-time equivalent positions. Of that number, 4 positions are for public safety personnel including 2 new police officers and 2 telecommunication operators. Increased operating costs of the new police headquarters are also included. To address transportation and development concerns, additional funding is provided for street maintenance programs as well the implementation of a storm water management program. The City continues to invest significant funds in Old Settlers Park. Two new parks maintenance staff are added for the upkeep of new athletic fields.

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

- Economic development funding;
- Fleet and equipment replacement;
- Specialized transit services.

Faced with a significant capital improvement program, increased operating costs and increasing system demand, the utility budget includes a 5.8% combined rate increase effective in January 2009. The City has updated the comprehensive rate study completed in 2006. Results of this update are expected to indicate continued scheduled rate increases to fund future capital improvement projects.

Additionally, the City has begun 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 2011 and future financial requirements of this project are incorporated in the City's rate planning model.

**City of Round Rock, Texas
Management's Discussion and Analysis - continued
September 30, 2008**

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 budget includes capital and operating costs associated with this regional water line.

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, the wastewater treatment plant budget reflects a continuation of facilities construction and operation by the Lower Colorado River Authority/Brazos River Authority 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. In addition, operating costs are increasing due to various factors such as inflation and growth. The City is closely monitoring these costs and their impacts on current and 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, 2008**

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 42,515,235	\$ 24,884,721	\$ 67,399,956
Investments	53,930,245	27,296,925	81,227,170
Receivables (net of allowances for uncollectibles)-			
Property taxes, including interest and penalties	320,125	-	320,125
Accounts & other	5,330,361	8,191,706	13,522,067
Loans	890,536	-	890,536
Accrued interest	1,076,257	336,914	1,413,171
Internal balances	(1,344,979)	1,344,979	-
Assessments	1,013,853	-	1,013,853
Intergovernmental	724,514	-	724,514
Inventories	147,644	326,194	473,838
Other current assets	156,875	745,985	902,860
Restricted assets -			
Cash and cash equivalents	78,686,216	12,804,199	91,490,415
Investments	29,533,411	-	29,533,411
Property taxes receivable	277,516	-	277,516
Accounts and other	1,277,505	222,448	1,499,953
Accrued interest	99,215	-	99,215
Deferred charges, net	5,842,240	-	5,842,240
Capital assets -			
Land and construction in progress	84,515,580	29,448,237	113,963,817
Capital assets, net of accumulated depreciation	<u>356,834,602</u>	<u>198,449,761</u>	<u>555,284,363</u>
 Total assets	 <u>661,826,951</u>	 <u>304,052,069</u>	 <u>965,879,020</u>

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

(Continued)

**CITY OF ROUND ROCK, TEXAS
STATEMENT OF NET ASSETS (CONTINUED)
SEPTEMBER 30, 2008**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 10,104,265	\$ 6,140,799	\$ 16,245,064
Accrued payroll	181,997	25,334	207,331
Unearned revenue	1,949,636	-	1,949,636
Accrued interest payable	1,692,171	30,284	1,722,455
Noncurrent liabilities:			
Due within one year	13,263,469	546,248	13,809,717
Due in more than one year	199,105,124	9,528,360	208,633,484
Total liabilities	<u>226,296,662</u>	<u>16,271,025</u>	<u>242,567,687</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	232,391,397	219,607,998	451,999,395
Temporarily restricted for:			
Debt service	1,738,892	18,145	1,757,037
Capital projects	106,064,681	14,358,644	120,423,325
Unrestricted	<u>95,335,319</u>	<u>53,796,257</u>	<u>149,131,576</u>
Total net assets	<u>\$ 435,530,289</u>	<u>\$ 287,781,044</u>	<u>\$ 723,311,333</u>

**CITY OF ROUND ROCK, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2008**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 24,097,129	\$ 1,941,519	\$ 1,051,057	\$ -
Public safety	33,587,423	3,197,900	46,676	-
Public works	28,727,136	1,295,783	-	2,181,946
Culture and recreation	12,674,371	2,721,570	-	1,643,389
Interest on long-term debt	9,530,456	-	-	-
Total governmental activities	108,616,515	9,156,772	1,097,733	3,825,335
Business-type activities:				
Water and sewer utility	32,865,979	35,060,024	-	8,750,891
Golf course	185,659	474,353	-	-
Total business-type activities	33,051,638	35,534,377	-	8,750,891
Total primary government	\$ 141,668,153	\$ 44,691,149	\$ 1,097,733	\$ 12,576,226

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	\$ (21,104,553)	\$ -	\$ (21,104,553)
Public safety	(30,342,847)	-	(30,342,847)
Public works	(25,249,407)	-	(25,249,407)
Culture and recreation	(8,309,412)	-	(8,309,412)
Interest on long-term debt	(9,530,456)	-	(9,530,456)
Total governmental activities	<u>(94,536,675)</u>	<u>-</u>	<u>(94,536,675)</u>
Business-type activities:			
Water and sewer utility	-	10,944,936	10,944,936
Golf course	-	288,694	288,694
Total business-type activities	<u>-</u>	<u>11,233,630</u>	<u>11,233,630</u>
Total primary government	<u>(94,536,675)</u>	<u>11,233,630</u>	<u>(83,303,045)</u>
General revenues:			
Taxes:			
Property taxes, levied for general purpose	14,740,174	-	14,740,174
Property taxes, levied for debt service	12,820,765	-	12,820,765
Franchise taxes	5,748,333	-	5,748,333
Sales tax	68,216,680	-	68,216,680
Hotel occupancy tax	2,939,352	-	2,939,352
Public service taxes	286,179	-	286,179
Impact fees	-	5,216,423	5,216,423
Unrestricted investment earnings	8,220,228	1,618,492	9,838,720
Miscellaneous	257,495	-	257,495
Transfers	2,291,695	(2,291,695)	-
Total general revenues and transfers	<u>115,520,901</u>	<u>4,543,220</u>	<u>120,064,121</u>
Change in net assets	20,984,226	15,776,850	36,761,076
Net assets as restated-beginning	<u>414,546,063</u>	<u>272,004,194</u>	<u>686,550,257</u>
Net assets-ending	<u>\$ 435,530,289</u>	<u>\$ 287,781,044</u>	<u>\$ 723,311,333</u>

**CITY OF ROUND ROCK, TEXAS
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2008**

<u>ASSETS</u>	General Fund	Debt Service Fund	Round Rock Transportation System Development Corporation Revenue Fund
Cash and cash equivalents	\$ 14,014,178	\$ -	\$ -
Investments	52,920,831	-	-
Receivables (net of allowances for uncollectibles) -			
Property taxes, including interest and penalties	320,125	-	-
Accounts and other	4,684,312	-	-
Loans	-	-	-
Accrued interest	614,627	-	-
Interfund receivables	39,156	29,100	-
Assessments	-	-	-
Intergovernmental	724,514	-	-
Inventories	147,644	-	-
Other current assets	69,375	-	-
Restricted assets -			
Cash and cash equivalents	-	3,408,249	38,648,873
Investments	-	-	10,090,000
Receivables -			
Property taxes, including interest and penalties	-	277,516	-
Sales tax	-	-	1,277,505
Accrued interest	-	-	99,215
Total assets	<u>\$ 73,534,762</u>	<u>\$ 3,714,865</u>	<u>\$ 50,115,593</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities-			
Accounts payable	\$ 4,960,365	\$ -	\$ -
Accrued payroll	181,997	-	-
Interfund payables	27,423,632	28,803	-
Deferred revenue	283,404	254,999	-
Total liabilities	<u>32,849,398</u>	<u>283,802</u>	<u>-</u>
Fund balances -			
Reserved for federal seizure	-	-	-
Reserved for debt service	-	3,431,063	-
Reserved for authorized construction	-	-	50,115,593
Unreserved, reported in-			
General fund	40,685,364	-	-
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Total fund balances	<u>40,685,364</u>	<u>3,431,063</u>	<u>50,115,593</u>
Total liabilities and fund balances	<u>\$ 73,534,762</u>	<u>\$ 3,714,865</u>	<u>\$ 50,115,593</u>

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

Round Rock Transportation System Development Corporation Project Fund	Self- Financed Construction	2007 General Obligation Bonds Fund	Other Governmental Funds	Total Governmental Funds
\$ 3,438,026	\$ 5,606,906	\$ -	\$ 10,510,534	\$ 33,569,644
-	-	-	-	52,920,831
-	-	-	-	320,125
14,760	-	-	631,289	5,330,361
-	890,536	-	-	890,536
-	-	168,037	281,589	1,064,253
-	27,388,707	-	-	27,456,963
-	-	-	1,013,853	1,013,853
-	-	-	-	724,514
-	-	-	-	147,644
-	-	-	-	69,375
-	-	18,173,055	18,456,039	78,686,216
-	-	13,155,079	6,288,332	29,533,411
-	-	-	-	277,516
-	-	-	-	1,277,505
-	-	-	-	99,215
<u>\$ 3,452,786</u>	<u>\$ 33,886,149</u>	<u>\$ 31,496,171</u>	<u>\$ 37,181,636</u>	<u>\$ 233,381,962</u>
\$ 1,575,881	\$ 647,919	\$ 431,118	\$ 2,394,197	\$ 10,009,480
-	-	-	-	181,997
-	-	-	-	27,452,435
-	-	-	1,949,636	2,488,039
<u>1,575,881</u>	<u>647,919</u>	<u>431,118</u>	<u>4,343,833</u>	<u>40,131,951</u>
-	-	-	259,074	259,074
-	-	-	-	3,431,063
1,876,905	-	31,065,053	23,007,130	106,064,681
-	-	-	-	40,685,364
-	-	-	8,346,596	8,346,596
-	33,238,230	-	1,225,003	34,463,233
<u>1,876,905</u>	<u>33,238,230</u>	<u>31,065,053</u>	<u>32,837,803</u>	<u>193,250,011</u>
<u>\$ 3,452,786</u>	<u>\$ 33,886,149</u>	<u>\$ 31,496,171</u>	<u>\$ 37,181,636</u>	<u>\$ 233,381,962</u>



**CITY OF ROUND ROCK, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008**

Total Fund Balances - Governmental Funds \$ 193,250,011

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	\$ 23,257,586	
Building and improvements	529,074,646	
Equipment	45,342,299	
Construction in progress	61,257,994	
Accumulated depreciation	<u>(217,582,343)</u>	
Total capital assets	<u>\$ 441,350,182</u>	441,350,182

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	\$ 538,403	
Total unearned revenues reclassified	<u>\$ 538,403</u>	538,403

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. 8,610,217

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. (208,218,524)

Net Assets of Governmental Activities \$ 435,530,289

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, 2008**

	General Fund	Debt Service Fund	Round Rock Transportation System Development Corporation Revenue Fund
Revenues -			
Taxes and franchise, including interest and penalties	\$ 72,063,439	\$ 12,820,765	\$ 17,054,170
Licenses, permits and fees	1,004,517	-	-
Charges for services	3,895,886	-	-
Fines and forfeitures	1,692,238	-	-
Intergovernmental	548,575	-	-
Hotel occupancy tax	-	-	-
Investment and other	5,052,819	411,770	1,634,148
Contributions	-	-	-
Total revenues	<u>84,257,474</u>	<u>13,232,535</u>	<u>18,688,318</u>
Expenditures -			
Current -			
General government	22,158,960	-	-
Public safety	31,593,320	-	-
Public works	9,170,499	-	190,500
Culture and recreation	10,915,432	-	-
Debt service -			
Principal retirement	-	10,448,506	-
Interest and fiscal charges	-	9,060,707	-
Capital projects			
Total expenditures	<u>73,838,211</u>	<u>19,509,213</u>	<u>190,500</u>
Excess (deficiency) of revenues over expenditures	<u>10,419,263</u>	<u>(6,276,678)</u>	<u>18,497,818</u>
Other financing sources (uses) -			
Issuance of lease	750,000	-	-
Issuance of debt	-	-	-
Transfers in	1,690,000	6,673,346	-
Transfers out	(9,668,774)	(24,000)	(12,681,651)
Total other financing sources (uses)	<u>(7,228,774)</u>	<u>6,649,346</u>	<u>(12,681,651)</u>
Net change in fund balances	<u>3,190,489</u>	<u>372,668</u>	<u>5,816,167</u>
Fund balances as restated, October 1, 2007	<u>37,494,875</u>	<u>3,058,395</u>	<u>44,299,426</u>
Fund balances, September 30, 2008	<u>\$ 40,685,364</u>	<u>\$ 3,431,063</u>	<u>\$ 50,115,593</u>

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

Round Rock Transportation System Development Corporation Project Fund	Self- Financed Construction	2007 General Obligation Bonds Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 101,938,374
-	-	-	589,194	1,593,711
-	-	-	-	3,895,886
-	-	-	322,141	2,014,379
-	243,436	-	525,495	1,317,506
-	-	-	2,939,352	2,939,352
73,409	160,160	1,050,935	1,593,862	9,977,103
750,000	753,570	9,500	581,305	2,094,375
<u>823,409</u>	<u>1,157,166</u>	<u>1,060,435</u>	<u>6,551,349</u>	<u>125,770,686</u>
-	-	-	642,133	22,801,093
-	-	-	402,688	31,996,008
-	-	-	-	9,360,999
-	-	-	609,473	11,524,905
-	-	-	-	10,448,506
-	-	-	-	9,060,707
23,873,529	8,587,738	3,997,652	16,839,640	53,298,559
<u>23,873,529</u>	<u>8,587,738</u>	<u>3,997,652</u>	<u>18,493,934</u>	<u>148,490,777</u>
<u>(23,050,120)</u>	<u>(7,430,572)</u>	<u>(2,937,217)</u>	<u>(11,942,585)</u>	<u>(22,720,091)</u>
-	-	-	-	750,000
16,798,622	-	-	-	16,798,622
7,400,000	9,680,104	-	985,853	26,429,303
-	(75,000)	(350,288)	(1,337,895)	(24,137,608)
<u>24,198,622</u>	<u>9,605,104</u>	<u>(350,288)</u>	<u>(352,042)</u>	<u>19,840,317</u>
<u>1,148,502</u>	<u>2,174,532</u>	<u>(3,287,505)</u>	<u>(12,294,627)</u>	<u>(2,879,774)</u>
728,403	31,063,698	34,352,558	45,132,430	196,129,785
<u>\$ 1,876,905</u>	<u>\$ 33,238,230</u>	<u>\$ 31,065,053</u>	<u>\$ 32,837,803</u>	<u>\$ 193,250,011</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, 2008**

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

Net Change in Fund Balances-Total Governmental Funds \$ (2,879,774)

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. 26,892,525

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals, and donations) is to increase net assets. 4,587,013

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (126,243)

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. (7,061,512)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (1,066,373)

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. 638,590

Change in Net Assets of Governmental Activities \$ 20,984,226

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, 2008

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues -				
Taxes and franchise, including interest and penalties	\$ 72,063,439	\$ 72,273,000	\$ 71,770,000	\$ 293,439
Licenses, permits and fees	1,004,517	1,119,000	916,000	88,517
Charges for services	3,895,886	3,545,000	3,918,000	(22,114)
Fines and forfeitures	1,692,238	1,692,000	1,605,000	87,238
Intergovernmental	548,575	367,000	377,000	171,575
Investment and other	5,052,819	3,661,884	5,066,884	(14,065)
Total revenues	<u>84,257,474</u>	<u>82,657,884</u>	<u>83,652,884</u>	<u>604,590</u>
Expenditures -				
Current -				
General government	22,158,960	24,930,754	22,923,584	764,624
Public safety	31,593,320	33,600,736	32,202,736	609,416
Public works	9,170,499	13,829,111	9,733,701	563,202
Culture and recreation	10,915,432	11,392,682	11,319,488	404,056
Total expenditures	<u>73,838,211</u>	<u>83,753,283</u>	<u>76,179,509</u>	<u>2,341,298</u>
Excess (deficiency) of revenues over expenditures	<u>10,419,263</u>	<u>(1,095,399)</u>	<u>7,473,375</u>	<u>2,945,888</u>
Other financing sources (uses) -				
Lease purchase proceeds	750,000	750,000	750,000	-
Transfers in	1,690,000	1,690,000	1,690,000	-
Transfers out	(9,668,774)	(1,100,000)	(9,668,774)	-
Total other financing sources (uses)	<u>(7,228,774)</u>	<u>1,340,000</u>	<u>(7,228,774)</u>	<u>-</u>
Net change in fund balances	3,190,489	<u>\$ 244,601</u>	<u>\$ 244,601</u>	<u>\$ 2,945,888</u>
Fund balance as restated, October 1, 2007	<u>37,494,875</u>			
Fund balance, September 30, 2008	<u>\$ 40,685,364</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, 2008**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues -				
Sales tax	\$ 17,054,170	\$ 17,433,333	\$ 17,433,333	\$ (379,163)
Investment and other	1,634,148	1,740,000	1,740,000	(105,852)
Total revenues	18,688,318	19,173,333	19,173,333	(485,015)
Expenditures -				
Current -				
Public works	190,500	190,500	190,500	-
Total expenditures	190,500	190,500	190,500	-
Excess of revenues over expenditures	18,497,818	18,982,833	18,982,833	(485,015)
Other financing uses-				
Transfers out	(12,681,651)	(12,681,651)	(12,681,651)	-
Total other financing uses	(12,681,651)	(12,681,651)	(12,681,651)	-
Net change in fund balances	5,816,167	\$ 6,301,182	\$ 6,301,182	\$ (485,015)
Fund balance, as restated October 1, 2007	44,299,426			
Fund balance, September 30, 2008	\$ 50,115,593			

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

**CITY OF ROUND ROCK, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008**

<u>ASSETS</u>	Business-Type Activities Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Golf Course Fund	Total	Internal Service
Current assets:				
Cash and cash equivalents	\$ 23,993,247	\$ 891,474	\$ 24,884,721	\$ 8,945,591
Investments	27,296,925	-	27,296,925	1,009,414
Receivables (net of allowance for uncollectibles of \$ 1,161,287) -				
Accounts	8,191,706	-	8,191,706	-
Accrued interest	336,914	-	336,914	12,004
Interfund	5,825	-	5,825	-
Inventories	326,194	-	326,194	-
Other current assets	745,985	-	745,985	87,500
Total current assets	60,896,796	891,474	61,788,270	10,054,509
Noncurrent assets:				
Restricted cash, cash equivalents, and investments:				
Customer deposits	1,272,746	-	1,272,746	-
Revenue bond covenant accounts	18,145	-	18,145	-
Impact fees	5,585,822	-	5,585,822	-
Construction	5,927,486	-	5,927,486	-
Restricted accounts and accrued interest receivable:				
Impact fees	222,448	-	222,448	-
Capital assets:				
Land and construction in progress	27,557,062	1,891,175	29,448,237	-
Capital assets being depreciated, (net of accumulated depreciation of \$ 68,510,879)	194,574,574	3,875,187	198,449,761	-
Total capital assets (net of accumulated depreciation)	222,131,636	5,766,362	227,897,998	-
Total noncurrent assets	235,158,283	5,766,362	240,924,645	-
Total assets	\$ 296,055,079	\$ 6,657,836	\$ 302,712,915	\$ 10,054,509

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, 2008**

	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	\$ 6,122,985	\$ 17,814	\$ 6,140,799	\$ 94,785
Accrued payroll	25,334	-	25,334	-
Accrued interest	30,284	-	30,284	-
Interfund payables	10,353	-	10,353	-
Current portion of bonds payable	320,000	-	320,000	-
Accrued compensated absences payable	226,248	-	226,248	-
Total current liabilities	6,735,204	17,814	6,753,018	94,785
Noncurrent liabilities:				
Unearned revenue	223,979	-	223,979	-
Bonds payable	7,970,000	-	7,970,000	-
Accrued compensated absences payable	61,635	-	61,635	-
Customer deposits	1,272,746	-	1,272,746	-
Total noncurrent liabilities	9,528,360	-	9,528,360	-
Total liabilities	16,263,564	17,814	16,281,378	94,785
Net assets:				
Invested in capital assets, net of related debt	213,841,636	5,766,362	219,607,998	-
Restricted for:				
Debt service	18,145	-	18,145	-
Capital projects	14,358,644	-	14,358,644	-
Unrestricted	51,573,090	873,660	52,446,750	9,959,724
Total net assets	\$ 279,791,515	\$ 6,640,022	286,431,537	\$ 9,959,724

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.	1,349,507
Net assets of business-type activities	\$ 287,781,044

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, 2008**

	Business-Type Activities- Enterprise Funds		Total	Governmental Activities
	Water and Sewer Fund	Golf Course Fund		Internal Service
Operating revenues -				
Charges for services	\$ 35,060,024	\$ 474,353	\$ 35,534,377	\$ 6,399,082
Total operating revenues	<u>35,060,024</u>	<u>474,353</u>	<u>35,534,377</u>	<u>6,399,082</u>
Operating expenses -				
Personnel services	6,354,652	-	6,354,652	-
Contractual services	14,161,138	1,558	14,162,696	1,219,491
Supplies	965,566	-	965,566	-
Materials	799,731	-	799,731	-
Heat, light and power	2,267,989	-	2,267,989	-
Claims expense	-	-	-	4,732,890
Depreciation	8,354,356	184,101	8,538,457	-
Total operating expenses	<u>32,903,432</u>	<u>185,659</u>	<u>33,089,091</u>	<u>5,952,381</u>
Operating income	<u>2,156,592</u>	<u>288,694</u>	<u>2,445,286</u>	<u>446,701</u>
Nonoperating revenues (expenses) -				
Investment and other revenues	1,569,165	49,327	1,618,492	308,123
Interest and fiscal charges	(78,781)	-	(78,781)	-
Total nonoperating revenues (expenses)	<u>1,490,384</u>	<u>49,327</u>	<u>1,539,711</u>	<u>308,123</u>
Income before contributions and transfers	<u>3,646,976</u>	<u>338,021</u>	<u>3,984,997</u>	<u>754,824</u>
Contributions and transfers -				
Contributions - impact fees	5,216,423	-	5,216,423	-
Contributions - other	3,236,003	-	3,236,003	-
Developer contributions - infrastructure	5,514,888	-	5,514,888	-
Transfers in	-	75,000	75,000	-
Transfers out	(1,913,096)	(453,599)	(2,366,695)	-
Total contributions and transfers	<u>12,054,218</u>	<u>(378,599)</u>	<u>11,675,619</u>	<u>-</u>
Change in net assets	15,701,194	(40,578)	15,660,616	754,824
Net assets, October 1, 2007	<u>264,090,321</u>	<u>6,680,600</u>		<u>9,204,900</u>
Net assets, September 30, 2008	<u>\$ 279,791,515</u>	<u>\$ 6,640,022</u>		<u>\$ 9,959,724</u>
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.			116,234	
Change in net assets of business-type activities			<u>\$ 15,776,850</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, 2008**

	Business Type Activities- Enterprise Funds		Total	Governmental Activities
	Water and Sewer Fund	Golf Course		Internal Service
Cash flows from operating activities:				
Cash received from customers	\$ 34,913,486	\$ 478,796	\$ 35,392,282	\$ 303,134
Cash received from other funds for services provided	-	-	-	6,095,948
Cash payments to suppliers for goods and services	(17,948,676)	-	(17,948,676)	(6,077,054)
Cash payments to employees for services	(5,563,040)	-	(5,563,040)	-
Cash payments to other funds for services	(761,971)	-	(761,971)	-
Net cash provided by operating activities	<u>10,639,799</u>	<u>478,796</u>	<u>11,118,595</u>	<u>322,028</u>
Cash flows from noncapital financing activities:				
Transfer from other funds	-	75,000	75,000	-
Transfers to other funds	(1,913,096)	(453,599)	(2,366,695)	-
Net cash provided by (used for) noncapital financing activities	<u>(1,913,096)</u>	<u>(378,599)</u>	<u>(2,291,695)</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Proceeds from capital debt	8,060,000	-	8,060,000	-
Receipts of capital contributions	8,452,426	-	8,452,426	-
Acquisition and construction of capital assets	(26,984,942)	(167,313)	(27,152,255)	-
Proceeds from sale of capital assets	5,825	-	5,825	-
Principal paid on revenue bonds	(125,000)	-	(125,000)	-
Collection of loans	39,089	-	39,089	-
Interest and fiscal charges paid	(28,666)	-	(28,666)	-
Net cash used by capital and related financing activities	<u>(10,581,268)</u>	<u>(167,313)</u>	<u>(10,748,581)</u>	<u>-</u>
Cash flows from investing activities:				
Purchase of investments	(27,765,948)	-	(27,765,948)	(4,047,252)
Proceeds from sale of investments	25,250,000	-	25,250,000	5,000,000
Investment and other income	1,728,443	49,318	1,777,761	365,990
Net cash provided by (used for) investing activities	<u>(787,505)</u>	<u>49,318</u>	<u>(738,187)</u>	<u>1,318,738</u>
Net increase (decrease) in cash and cash equivalents	(2,642,070)	(17,798)	(2,659,868)	1,640,766
Cash and cash equivalents at beginning of year	39,439,516	909,272	40,348,788	7,304,825
Cash and cash equivalents at end of year	<u>\$ 36,797,446</u>	<u>\$ 891,474</u>	<u>\$ 37,688,920</u>	<u>\$ 8,945,591</u>

(Continued)

**CITY OF ROUND ROCK, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS (CONTINUED)
 YEAR ENDED SEPTEMBER 30, 2008**

	Business-Type Activities			Governmental
	Enterprise Funds			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	\$ 23,993,247	\$ 891,474	\$ 24,884,721	\$ 8,945,591
Restricted assets -				
Cash and cash equivalents	12,804,199	-	12,804,199	-
Cash and cash equivalents	<u>\$ 36,797,446</u>	<u>\$ 891,474</u>	<u>\$ 37,688,920</u>	<u>\$ 8,945,591</u>
<u>Reconciliation of operating income to net cash provided by operating activities</u>				
Operating income	\$ 2,156,592	\$ 288,694	\$ 2,445,286	\$ 446,701
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	8,354,356	184,101	8,538,457	-
Provision for bad debts	52,825	-	52,825	-
(Increase) decrease in receivables	(248,298)	6,001	(242,297)	-
(Increase) decrease in inventory	56,427	-	56,427	-
(Increase) decrease in other assets	(9,893)	-	(9,893)	-
Increase (decrease) in accounts payable	148,199	-	148,199	(124,673)
Increase (decrease) in accrued payroll	3,525	-	3,525	-
Increase in payables				
from restricted assets	99,950	-	99,950	-
Increase in compensated absences	26,116	-	26,116	-
Total adjustments	<u>8,483,207</u>	<u>190,102</u>	<u>8,673,309</u>	<u>(124,673)</u>
Net cash provided by operations	<u>\$ 10,639,799</u>	<u>\$ 478,796</u>	<u>\$ 11,118,595</u>	<u>\$ 322,028</u>

NOTES:

(1) Noncash capital and related financing activities:

In fiscal year 2008, the Water and Sewer Fund had \$ 5,514,888 in capital assets contributed, and recognized \$ 217,804 in unrealized investment losses.

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, 2008**

AGENCY FUND

Public
Improvement Districts

<u>ASSETS</u>	
Cash and cash equivalents	<u>\$ 683,248</u>
Total assets	<u>\$ 683,248</u>
 <u>LIABILITIES</u>	
Liabilities -	
Due to participants	<u>\$ 683,248</u>
Total liabilities	<u>\$ 683,248</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, 2008**

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, convention and tourism support, 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, 2008**

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, 2008**

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 2007 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, 2008

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 ten 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*
- *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, 2008**

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

- *Streets and Drainage*
- *2004 General Obligation Bonds*
- *Park Development*
- *2007 Series Certificates of Obligation*
- *2002 Series General Obligation Bonds*
- *Self-Financed Construction*
- *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)*
- *Tourism Development Fund*
- *2007 General Obligation Bond Fund*

The Round Rock Transportation System Development Corporation capital projects fund, the Self-Financed construction fund and the 2007 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 2007 Series GO Bonds fund accounts for street, traffic safety and sidewalk improvement projects, parks and recreation facilities, public safety facilities and improvements, municipal office facilities and public works improvements.

**CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. PROPRIETARY FUND 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 Public Improvement Districts 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, 2008**

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. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

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 deferred revenue.

Hotel taxes, franchise fees, and special assessments are recorded when susceptible to accrual, both measurable and available. Sales taxes collected and held by the State at year-end on behalf of the City are also recognized as revenue. 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, 2008**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. BASIS OF ACCOUNTING (CONTINUED)

Governmental Funds (Continued)

Revenue Recognition (Continued)

The City reports deferred revenue on its fund financial statements. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred 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 deferred 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, 2008**

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, 2008

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 \$ 57,648.

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, 2008

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, 2008**

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, 2008**

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. Debt service – reserved for the retirement of general long-term debt.
- iii. Authorized construction – reserved to fund capital projects.
- iv. 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. PRIOR PERIOD ADJUSTMENT

The City is restating net assets as of October 1, 2007 due to recognizing sales tax revenue on the susceptible to accrual method. In doing so the October 2007 collected sales tax will be recorded in the 2006-07 fiscal year and the October 2008 collected sales tax will be recorded in the 2007-08 fiscal year. In prior years the difference in those months was immaterial and twelve months was recorded. Due to the economic environment changes the difference is not longer immaterial.

	General Fund	RRTSDC Revenue Fund	Hotel/Motel Occupancy Tax	Total Governmental Funds
Fund balance October 1, 2007 as original reported	\$ 34,340,001	\$ 43,043,676	\$ 4,457,721	\$190,984,941
Adjustment for taxes	3,154,874	1,255,750	734,220	5,144,844
Fund balance October 1, 2007 as restated	<u>\$ 37,494,875</u>	<u>\$ 44,299,426</u>	<u>\$ 5,191,941</u>	<u>\$196,129,785</u>
	Governmental Funds			
Net assets October 1, 2007 as original reported	\$ 409,401,219			
Adjustment for taxes	5,144,844			
Net assets October 1, 2007 as restated	<u>\$ 414,546,063</u>			

**CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. 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.

R. 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.

S. 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.

**CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008**

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. BUDGETARY ACCOUNTING (CONTINUED)

- (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.
- (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 9, 2008. 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 2008. The following table compares original to final budgets. The largest amendment was to reallocate \$ 995,000 of available cash to fund specified capital purchases.

	Original Budget	Amendments Increase (Decrease)	Final Budget
Revenues -			
Taxes and franchise, including interest and penalties	\$ 72,273,000	\$ (503,000)	\$ 71,770,000
Licenses, permits and fees	1,119,000	(203,000)	916,000
Charges for services	3,545,000	373,000	3,918,000
Fines and forfeitures	1,692,000	(87,000)	1,605,000
Intergovernmental	367,000	10,000	377,000
Investment and other	3,661,884	1,405,000	5,066,884
Total revenues	82,657,884	995,000	83,652,884
Expenditures -			
Current -			
General government	24,930,754	(2,007,170)	22,923,584
Public safety	33,600,736	(1,398,000)	32,202,736
Public works	13,829,111	(4,095,410)	9,733,701
Culture and recreation	11,392,682	(73,194)	11,319,488
Total expenditures	83,753,283	(7,573,774)	76,179,509
Excess (deficiency) of revenues over expenditures	(1,095,399)	(8,568,774)	7,473,375

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. BUDGETARY ACCOUNTING (CONTINUED)

	Original Budget	Amendments Increase (Decrease)	Final Budget
Other financing sources (uses) -			
Lease purchase proceeds	\$ 750,000	\$ -	\$ 750,000
Transfers in	1,690,000	-	1,690,000
Transfers out	(1,100,000)	(8,568,774)	(9,668,774)
Total other financing sources (uses)	1,340,000	(8,568,774)	(7,228,774)
Net change in fund balances	\$ 244,601	\$ -	\$ 244,601

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	\$ 202,809,532
Plus: Issuance premium (to be amortized against interest expense)	2,724,382
Less: Issuance discount (to be amortized against interest expense)	(225,183)
Less: Deferred charge from issuance costs (to be amortized over life of debt)	(2,618,682)
Less: Deferred charge on refundings (to be amortized over life of debt)	(3,223,558)
Accrued interest payable	1,692,171
Capital leases payable	3,650,054
Compensated absences	3,409,808
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 208,218,524</u>

**CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008**

**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	\$ 53,298,559
Depreciation expense	<u>(26,406,034)</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>\$ 26,892,525</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	\$ 4,587,013
Reclassifications, disposals, and transfers	<u>-</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>\$ 4,587,013</u>

**CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008**

**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:

Capital lease proceeds	\$ (750,000)
Governmental bonded debt payments/refundings	9,522,462
Capital leases payments	964,648
Issuance of state infrastructure bank loans	<u>(16,798,622)</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>\$ (7,061,512)</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/discount	\$ 177,331
Change in compensated absences	(558,020)
Change in accrued interest	(264,280)
Amortization of issuance costs	<u>(421,404)</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>\$ (1,066,373)</u>

**CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008**

IV. DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

At September 30, 2008, the carrying amount of deposits was a credit balance of \$ 1,612,561 primarily consisting of outstanding checks; and the respective bank balances totaled \$ 1,139,079. 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, 2008 is as follows:

Fair value at September 30, 2008	\$ 110,760,581
Add: Proceeds of investments matured this fiscal year	83,115,000
Less: Cost of investments purchased this fiscal year	(86,278,371)
Less: Fair value at September 30, 2007	<u>(108,229,981)</u>
Change in fair value of investments	<u>\$ (632,771)</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	\$ (1,612,561)
Investments	<u>271,263,513</u>
Total cash and investments	<u>\$ 269,650,952</u>

Statement of net assets presentation:

Cash and cash equivalents	\$ 67,399,956
Investments	81,227,170
Restricted assets -	
Cash and cash equivalents	91,490,415
Investments	<u>29,533,411</u>
Total cash and cash equivalents and investments	<u>\$ 269,650,952</u>

**CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008**

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	\$ 110,760,580	\$ 110,760,580	349
Investments in State Investment Pools	160,502,933	160,502,933	1
	\$ 271,263,513	\$ 271,263,513	
Portfolio weighted average maturity			143

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, 2008

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.
5. Credit Risk – In compliance with the City’s Investment Policy, as of September 30, 2008, the City minimized credit risk losses due to default of security issuer or backer by:
 - a) limiting investments to the safest rated securities. All the City’s purchased investments in U. S. Agencies were rated AAA, AAA, and Aaa by Standard & Poors, Fitch and Moody’s respectively;
 - b) using a registered investment advisor to provide investment and market advice; and
 - c) diversifying the investment portfolio so that potential losses on individual securities were minimized.

The City invests on a short term basis in two investment pools. At September 30, 2008, \$ 135,616,553 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, \$ 24,886,380 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 2008 were of the aforementioned categories. There are no positions of 5 percent or more in the securities of a single issuer.

**CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008**

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

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 2007 tax roll. The tax rate, based on total taxable assessed valuation of \$ 7,503,433,547 was \$.36522 on each \$ 100 valuation and was allocated to the General Fund and Debt Service Fund at \$.19601 and \$.16921 respectively.

Property taxes receivable at September 30, 2008, consisted of the following:

	General Fund	Debt Service Fund	Total
Current year levy	\$ 111,128	\$ 95,934	\$ 207,062
Prior years' levies	235,689	204,631	440,320
	<u>346,817</u>	<u>300,565</u>	<u>647,382</u>
Less - allowance for uncollectible taxes	(26,692)	(23,049)	(49,741)
	<u>\$ 320,125</u>	<u>\$ 277,516</u>	<u>\$ 597,641</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.

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008 was as follows:

	October 1, 2007	Additions/ Completions	Retirements/ Adjustments	September 30, 2008
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 20,553,925	\$ 2,703,661	\$ -	\$ 23,257,586
Construction in progress	52,711,791	51,916,377	(43,370,174)	61,257,994
Total capital assets not being depreciated	<u>73,265,716</u>	<u>54,620,038</u>	<u>(43,370,174)</u>	<u>84,515,580</u>
Capital assets being depreciated:				
Buildings and improvements	489,472,393	39,602,253	-	529,074,646
Equipment	40,763,497	9,153,569	(4,574,767)	45,342,299
Total capital assets being depreciated	<u>530,235,890</u>	<u>48,755,822</u>	<u>(4,574,767)</u>	<u>574,416,945</u>
Less accumulated depreciation for:				
Buildings and improvements	166,039,289	21,567,755	-	187,607,044
Equipment	27,591,673	4,838,279	(2,454,653)	29,975,299
Total accumulated depreciation	<u>193,630,962</u>	<u>26,406,034</u>	<u>(2,454,653)</u>	<u>217,582,343</u>
Total capital assets being depreciated, net	<u>336,604,928</u>	<u>22,349,788</u>	<u>(2,120,114)</u>	<u>356,834,602</u>
Governmental activities capital assets, net	<u>\$ 409,870,644</u>	<u>\$ 76,969,826</u>	<u>\$(45,490,288)</u>	<u>\$ 441,350,182</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 2,544,504	\$ -	\$ -	\$ 2,544,504
Construction in progress	25,833,913	26,924,171	(25,854,351)	26,903,733
Total capital assets not being depreciated	<u>28,378,417</u>	<u>26,924,171</u>	<u>(25,854,351)</u>	<u>29,448,237</u>
Capital assets being depreciated:				
Buildings and improvements	230,173,907	31,025,596	(1,141,827)	260,057,676
Equipment	7,030,547	453,929	(581,512)	6,902,964
Total capital assets being depreciated	<u>237,204,454</u>	<u>31,479,525</u>	<u>(1,723,339)</u>	<u>266,960,640</u>
Less accumulated depreciation for:				
Building and improvements	56,027,203	7,996,649	(1,141,825)	62,882,027
Equipment	5,659,110	541,808	(572,066)	5,628,852
Total accumulated depreciation	<u>61,686,313</u>	<u>8,538,457</u>	<u>(1,713,891)</u>	<u>68,510,879</u>
Total capital assets being depreciated, net	<u>175,518,141</u>	<u>22,941,068</u>	<u>(9,448)</u>	<u>198,449,761</u>
Business-type activities capital assets, net	<u>\$ 203,896,558</u>	<u>\$ 49,865,239</u>	<u>\$(25,863,799)</u>	<u>\$ 227,897,998</u>

**CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008**

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:

General government	\$ 1,481,219
Public safety	3,062,600
Public works	19,851,616
Culture and recreation	2,010,599
Total depreciation expense-governmental activities	<u>\$ 26,406,034</u>

Business-type activities:

Water and sewer utility	\$ 8,354,356
Golf course	184,101
Total depreciation expense-business-type activities	<u>\$ 8,538,457</u>

Major construction contracts in progress from inception to September 30, 2008, consisted of the following:

	Project Authorization	Expended to 9/30/2008	Committed	Future Financing
Projects funded principally by general obligation debt -				
Streets, parks, library, public safety and general improvements	\$ 10,879,997	\$ 10,879,997	\$ -	None
Parks and recreation facilities	14,089,973	12,120,168	1,969,805	None
Parks, public safety, streets and public service facilities	74,510,655	35,638,181	38,872,474	None
Municipal complex, parkland and streets	11,016,821	10,577,751	439,070	None
Municipal complex, public safety and street improvements	16,863,657	11,531,096	5,332,561	None
Self-financed construction	69,008,475	64,732,304	4,276,171	None
Round Rock Transportation System- road improvements	162,330,913	113,474,923	48,855,990	None
Convention Center Complex	910,933	910,933	-	None
	<u>\$359,611,424</u>	<u>\$ 259,865,353</u>	<u>\$ 99,746,071</u>	
Projects funded by revenue bonds and developer contributions:				
Utility line improvements	\$ 2,296,615	\$ 1,572,982	\$ 723,633	None
Self-financed construction	80,552,018	57,254,471	23,297,547	None
	<u>\$ 82,848,633</u>	<u>\$ 58,827,453</u>	<u>\$ 24,021,180</u>	

**CITY OF ROUND ROCK, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2008**

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. INTERFUND, RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables as of September 30, 2008 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt service	\$ 28,803
	Water and Sewer	10,353
Debt Service	General Fund	29,100
Self-Financed Construction	General Fund	27,388,707
Water and Sewer	General Fund	<u>5,825</u>
		<u>\$ 27,462,788</u>

The balance of \$ 27,388,707 due to the self-financed construction fund from the general fund resulted from scheduled transfers to fund approved capital programs.

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, 2008, transfers were as follows:

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

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	-	9,668,774
	<u>1,690,000</u>	<u>9,668,774</u>
Debt Service Fund -		
Water and Sewer Fund	223,096	-
Golf Course Fund	453,599	-
Round Rock Transportation Development Corporation Revenue Fund	5,281,651	-
Nonmajor Governmental Funds	715,000	24,000
	<u>6,673,346</u>	<u>24,000</u>
Round Rock Transportation Development Corporation Revenue Fund -		
Round Rock Transportation Development Corporation Project Fund	-	7,400,000
Debt Service Fund	-	5,281,651
	<u>-</u>	<u>12,681,651</u>
Round Rock Transportation Development Corporation Project Fund -		
Round Rock Transportation Development Corporation Revenue Fund	7,400,000	-
Debt Service Fund	-	-
	<u>7,400,000</u>	<u>-</u>
Self-Financed Construction -		
General Fund	9,668,774	-
Nonmajor Governmental Funds	11,330	-
Golf Course Fund	-	75,000
	<u>9,680,104</u>	<u>75,000</u>
Nonmajor Governmental Funds -		
Debt Service Fund	24,000	11,330
2007 General Obligation Bonds Fund	350,288	715,000
Nonmajor Governmental Funds	611,565	611,565
	<u>985,853</u>	<u>1,337,895</u>
Water and Sewer Fund-		
General Fund	-	1,690,000
Debt Service Fund	-	223,096
	<u>-</u>	<u>1,913,096</u>
2007 General Obligation Bonds Fund -		
Nonmajor Governmental Funds	-	350,288
	<u>-</u>	<u>350,288</u>
Golf Course Fund-		
Self-financed Construction	75,000	-
Debt Service Fund	-	453,599
	<u>75,000</u>	<u>453,599</u>
	<u>\$ 26,504,303</u>	<u>\$ 26,504,303</u>

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

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, 2008:

	Balance October 1, 2007	Additions	Refundings/ Retirements	Balance September 30, 2008	Due within one year
<u>Governmental Activities</u>					
General obligation bonds	\$ 124,960,000	\$ -	\$ (4,900,000)	\$ 120,060,000	\$ 4,335,000
Certificates of obligation	16,120,000	-	(820,000)	15,300,000	825,000
Hotel tax revenue bonds	8,920,000	-	(345,000)	8,575,000	360,000
State infrastructure bank loans	24,188,372	16,798,622	(2,327,462)	38,659,532	3,086,020
Sales tax revenue bonds	21,345,000	-	(1,130,000)	20,215,000	1,180,000
Plus deferred amount:					
For issuance premium	2,915,392	-	(191,010)	2,724,382	191,010
For issuance discount	(238,862)	-	13,679	(225,183)	(13,679)
Lease purchase payable	3,864,702	750,000	(964,648)	3,650,054	1,029,269
Compensated absences	2,851,788	2,769,644	(2,211,624)	3,409,808	2,270,849
Total governmental activities	204,926,392	20,318,266	(12,876,065)	212,368,593	13,263,469
<u>Business-Type Activities</u>					
Revenue bonds	355,000	8,060,000	(125,000)	8,290,000	320,000
Compensated absences	261,767	248,453	(222,337)	287,883	226,248
Total business-type activities	616,767	8,308,453	(347,337)	8,577,883	546,248
Total government	\$ 205,543,159	\$ 28,626,719	\$ (13,223,402)	\$ 220,946,476	\$ 13,809,717

**CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008**

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. LONG-TERM DEBT (CONTINUED)

Long-term debt at September 30, 2008 is comprised of the following:

	Governmental Activities	Business - Type Activities
General obligation bonds:		
\$ 45,465,000 2002 GO and refunding bonds due in annual installments of \$ 315,000 to \$ 2,495,000 through 2027; interest at 3.25% to 5.5%	\$ 28,605,000	\$ -
\$ 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%	29,210,000	-
\$ 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%	18,945,000	-
\$ 44,770,000 2007 GO and refunding bonds due in annual installments of \$ 720,000 to \$ 3,455,000 through 2032; interest at 4.0% to 5.0%	43,300,000	-
	120,060,000	-
Certificates of obligation:		
\$ 10,750,000 2000 certificates due in annual installments of \$ 100,000 to \$ 405,000 through 2010; interest at 5.00% to 5.5%	760,000	-
\$ 14,915,000 2007 Combination tax and revenue certificates of obligation due in installments of \$ 375,000 to \$ 1,100,000 through 2027; interest at 4.0% to 4.625%	14,540,000	-
	15,300,000	-
State Infrastructure Bank Loans:		
\$ 16,000,000 2000 note due in annual installments of \$ 1,500,081 through 2015 including interest at 4.6%	8,807,272	-
\$ 15,000,000 2002 loan due in annual installments of \$ 1,153,142 through 2016 including interest at 4.5%	7,484,056	-
\$ 6,201,377 note due in annual installments of \$ 557,759 through 2021 including interest at 4%	6,368,204	-
\$ 16,000,000 2008 note due in annual installments of \$ 1,459,255 through 2023 including interest at 4.2%	16,000,000	-
	38,659,532	-
Hotel Tax Revenue Bonds:		
\$ 8,920,000 2007 refunding bonds due in annual installments of \$ 345,000 to \$ 690,000 through 2025; interest at 4.0% to 4.5%	8,575,000	-
	8,575,000	-

**CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008**

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. LONG-TERM DEBT (CONTINUED)

	Governmental Activities	Business - Type Activities
Utility System Revenue Bonds:		
\$ 8,415,000 2006 bonds due in annual installments of \$ 365,000 to \$ 725,000 through 2022; interest at 2.2-2.8%	\$ -	\$ 8,290,000
	-	8,290,000
Sales Tax Revenue Bonds:		
\$ 25,890,000 2001 bonds due in annual installments of \$ 915,000 to \$ 1,460,000 through 2015; interest at 3.9-5.0%	8,940,000	-
\$ 11,505,000 2006 refunding bonds due in annual installments of \$ 60,000 to \$ 1,980,000 through 2021; interest at 4.0-4.5%	11,275,000	-
	20,215,000	-
Compensated absences	3,409,808	287,883
Issuance premium	2,724,382	-
Issuance discount	(225,133)	-
Lease purchases payable:		
\$ 4,600,000 leases due in semi annual installments of \$ 578,400 including interest ranging from 3.45% -4.07% due in 2011. The lease obligation is funded with general revenue sources. Equipment under capital lease totaled \$ 4,600,000 at September 30, 2008.	3,650,054	-
Total primary government debt	\$ 212,368,643	\$ 8,577,883

The annual requirements to amortize bonded, certificates of obligation, loan and lease debt at September 30, 2008, including interest, are as follows:

Governmental Activities:

<u>Year Ended September 30,</u>	General and Certificates of Obligation Debt		
	Principal	Interest	Total
	2009	\$ 5,160,000	\$ 6,381,463
2010	5,365,000	6,188,438	11,553,438
2011	5,755,000	5,951,535	11,706,535
2012	5,980,000	5,709,973	11,689,973
2013	6,245,000	5,450,956	11,695,956
2014-2018	35,880,000	22,594,050	58,474,050
2019-2023	39,235,000	13,397,590	52,632,590
2024-2028	23,560,000	5,030,121	28,590,121
2029-2032	8,180,000	1,043,700	9,223,700
	\$ 135,360,000	\$ 71,747,826	\$ 207,107,826

**CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008**

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. LONG-TERM DEBT (CONTINUED)

Governmental Activities (Continued):

Year Ended September 30,	State Infrastructure Bank Loans		
	Principal	Interest	Total
2009	\$ 3,086,020	\$ 1,664,194	\$ 4,750,214
2010	3,217,236	1,532,978	4,750,214
2011	3,358,703	1,391,510	4,750,213
2012	3,506,407	1,243,807	4,750,214
2013	3,660,621	1,089,594	4,750,215
2014-2018	13,607,102	3,164,032	16,771,134
2019-2021	8,223,443	978,910	9,202,353
	<u>\$ 38,659,532</u>	<u>\$ 11,065,025</u>	<u>\$ 49,724,557</u>

Year Ended September 30,	Sales Tax Revenue		
	Principal	Interest	Total
2009	\$ 1,180,000	\$ 893,864	\$ 2,073,864
2010	1,230,000	843,876	2,073,876
2011	1,280,000	790,326	2,070,326
2012	1,345,000	727,026	2,072,026
2013	1,405,000	665,288	2,070,288
2014-2018	8,075,000	2,286,540	10,361,540
2019-2021	5,700,000	513,130	6,213,130
	<u>\$ 20,215,000</u>	<u>\$ 6,720,050</u>	<u>\$ 26,935,050</u>

Year Ended September 30,	Hotel Tax Revenue		
	Principal	Interest	Total
2009	\$ 360,000	\$ 347,436	\$ 707,436
2010	370,000	332,836	702,836
2011	390,000	317,636	707,636
2012	405,000	301,736	706,736
2013	420,000	285,236	705,236
2014-2018	2,375,000	1,153,880	3,528,880
2019-2023	2,905,000	619,014	3,524,014
2024-2025	1,350,000	61,098	1,411,098
	<u>\$ 8,575,000</u>	<u>\$ 3,418,872</u>	<u>\$ 11,993,872</u>

**CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008**

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. LONG-TERM DEBT (CONTINUED)

Governmental Activities (Continued):

Year Ended September 30,	Lease Purchases		
	Principal	Interest	Total
2009	\$ 1,029,269	\$ 117,531	\$ 1,146,800
2010	852,003	90,314	942,317
2011	614,237	60,891	675,128
2012	369,317	40,502	409,819
2013	383,521	26,298	409,819
2014	401,707	11,547	413,254
	<u>\$ 3,650,054</u>	<u>\$ 347,083</u>	<u>\$ 3,997,137</u>

Business-type Activities:

Year Ended September 30,	Utility System Revenue Bonds		
	Principal	Interest	Total
2009	\$ 320,000	\$ 197,743	\$ 517,743
2010	555,000	202,705	757,705
2011	565,000	190,218	755,218
2012	580,000	177,223	757,223
2013	595,000	163,883	758,883
2014-2018	3,190,000	592,553	3,782,553
2019-2022	2,485,000	158,098	2,643,098
	<u>\$ 8,290,000</u>	<u>\$ 1,682,423</u>	<u>\$ 9,972,423</u>

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, 2008, \$ 31,020,000 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, 2008, amounted to \$ 1,585,000.

**CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008**

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. LONG-TERM DEBT (CONTINUED)

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, 2008, the amount of debt outstanding was \$ 380,000.

(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 \$ 727,526 at September 30, 2008, 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.

The bond reserve fund for hotel tax revenue bond retirement aggregates \$ 706,067 at September 30, 2008. 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.

**CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008**

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. LONG-TERM DEBT (CONTINUED)

(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 \$ 449,754 at September 30, 2008, 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, 2008, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Balance, October 1, 2007	\$ 2,851,788	\$ 261,767
Additions	2,769,644	248,453
Reductions	<u>(2,211,624)</u>	<u>(222,337)</u>
Balance, September 30, 2008	<u>\$ 3,409,808</u>	<u>\$ 287,883</u>

Accrued compensated absences due within one year were \$ 2,270,849 for governmental activities and \$ 226,248 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, 2008**

IV. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. RESTRICTED ASSETS

The following summarizes restricted assets by purpose at September 30, 2008:

	<u>Cash & Cash Equivalents</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Property Taxes Receivable</u>	<u>Sales Tax Receivable</u>
Governmental Activities:					
Debt Service fund	\$ 3,408,249	\$ -	\$ -	\$ 277,516	\$ -
Restricted by debt covenants-					
Round Rock Transportation					
System Development Corp.	38,648,873	10,090,000	99,215	-	1,277,505
2007 General Obligation Bond Fund	18,173,055	13,155,079	-	-	-
Nonmajor capital projects funds	18,456,039	6,288,332	-	-	-
Total Governmental Activities	<u>\$ 78,686,216</u>	<u>\$ 29,533,411</u>	<u>\$ 99,215</u>	<u>\$ 277,516</u>	<u>\$ 1,277,505</u>
	<u>Cash & Cash Equivalents</u>	<u>Accounts Receivable</u>			
Business-Type Activities:					
Water and sewer fund-					
Revenue bond debt service	\$ 18,145	\$ -			
Construction	5,927,486	-			
Impact fees	5,585,822	222,448			
Customer deposits	1,272,746	-			
Total Business-Type Activities	<u>\$ 12,804,199</u>	<u>\$ 222,448</u>			

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 \$ 11,180.

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, 2008**

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, 2008, the City's cost under this contract was \$ 366,240.

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, 2008, the City's cost under this contract was \$ 988,303.

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. Two subsequent agreements granted Round Rock rights to 13,984 additional acre-feet of water per year from the Colorado River Basin. For the fiscal year ended September 30, 2008, the City's cost under these contracts was \$ 1,422,748.

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, 2008**

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, 2008, the City has paid fees totaling \$ 8,920,728 for use of the regional facilities.

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.

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, 2008, the potential rebate was calculated at \$ 0.

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, 2008**

V. OTHER INFORMATION (CONTINUED)

A. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Self-funded Health Insurance Fund (continued)

An analysis of claims activities is presented below:

Fiscal Year	Beginning Liability	Current Year Claims and Changes in Estimates	Actual Claim Payments	Balance at Year-End
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
2007	\$ 245,747	\$ 4,013,488	\$ 4,039,777	\$ 219,458
2008	\$ 219,458	\$ 4,732,890	\$ 4,857,563	\$ 94,785

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.

**CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008**

V. OTHER INFORMATION (CONTINUED)

A. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 40% of the City's sales tax collections for the year ended September 30, 2008.

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 827 administered by TMRS, an agent multiple-employer public employee retirement system.

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.

**CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008**

V. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE RETIREMENT PLAN (CONTINUED)

Plan Description (continued)

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

At its December 8, 2007 meeting, the TMRS Board of Trustees adopted actuarial assumptions to be used in the actuarial valuation for the year ended December 31, 2007. A summary of actuarial assumptions and definitions can be found in the December 31, 2007 TMRS Comprehensive Annual Financial Report (CAFR).

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by a city. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the Projected Unit Credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board of Trustee rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years. For cities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approx. 12.5% each year) to their full rate (or their required contribution rate).

If the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation, the City's unfunded actuarial accrued liability would have been \$ 18,844,831 and the funded ratio would have been 75.6%.

CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

V. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE RETIREMENT PLAN (CONTINUED)

Plan Description (continued)

In addition, TMRS is currently working on its legislative package for 2009. There is a possibility that the investment rate of return (IRR) assumption of 7% would need to be lowered if desired legislation for the 2009 session is unsuccessful. Maintaining a 7% IRR assumption is contingent in part on the continued diversification of the TMRS portfolio, from an almost exclusive bond portfolio to a portfolio that includes equities as well. If state legislation needed to facilitate the continued diversification is not enacted, TMRS may have to revisit the continued diversification of the portfolio and consider reducing the assumed IRR. A reduction in the IRR would result in increased actuarial accrued liabilities, thus causing further increases in city contribution rates, following the December 31, 2009 actuarial valuation.

The December 31, 2007 calculations were based upon the following benefits. Members can retire at ages 60 and above with 5 years or more of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

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, 2007 valuation is effective for rates beginning January 2009).

**CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008**

V. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE RETIREMENT PLAN (CONTINUED)

Contributions (Continued)

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/2003	12/31/2004	12/31/2005	12/31/2006	12/31/2007
Actuarial Value of Assets	\$ 36,402,438	\$ 41,575,455	\$ 47,476,091	\$ 52,370,089	\$ 58,508,817
Actuarial Accrued Liability	\$ 48,363,968	\$ 54,775,757	\$ 61,893,557	\$ 68,668,989	\$ 91,639,282
Percentage Funded	75.3%	75.9%	76.7%	76.26%	63.80%
Unfunded Actuarial Accrued Liability (UAAL)	\$ 11,961,530	\$ 13,200,302	\$ 14,417,466	\$ 16,298,900	\$ 33,130,465
Annual Covered Payroll	\$ 26,243,938	\$ 28,634,361	\$ 31,010,467	\$ 33,121,304	\$ 35,809,785
UAAL as a Percentage of Covered Payroll	45.6%	46.1%	46.5%	49.21%	92.50%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Pension Cost:					
Annual required contribution (ARC)	\$ 3,005,291	\$ 3,553,633	\$ 3,952,961	\$ 3,948,014	\$ 4,126,687
Interest on NPO	-	-	-	-	-
Adjustment to the ARC	-	-	-	-	-
Subtotal	<u>3,005,291</u>	<u>3,553,633</u>	<u>3,952,961</u>	<u>3,948,014</u>	<u>4,126,687</u>
Contributions Made	(3,005,291)	(3,553,633)	(3,952,961)	(3,948,014)	(4,126,687)
Increase in NPO	-	-	-	-	-
NPO at the end of the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF ROUND ROCK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008**

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 2007 *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 –	Projected Unit Credit
Amortization Method –	Level Percent of Payroll
Remaining Amortization Period –	30 Years – Closed Period
Asset Valuation Method –	Amortized Cost
Investment Rate of Return –	7%
Projected Salary Increases –	Varies by age and service
Includes Inflation At –	3.0%
Cost of Living Adjustments	2.1% (3.0% CPI)

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.

**CITY OF ROUND ROCK, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2008**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 8,118,405	\$ 2,392,129	\$ 10,510,534
Receivables -			
Accounts and other	625,474	5,815	631,289
Accrued interest	-	281,589	281,589
Assessments	-	1,013,853	1,013,853
Restricted assets-			
Cash and cash equivalents	-	18,456,039	18,456,039
Investments	-	6,288,332	6,288,332
Total assets	<u>\$ 8,743,879</u>	<u>\$ 28,437,757</u>	<u>\$ 37,181,636</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities -			
Accounts payable	\$ 138,209	\$ 2,255,988	\$ 2,394,197
Deferred revenue	-	1,949,636	1,949,636
Total liabilities	<u>138,209</u>	<u>4,205,624</u>	<u>4,343,833</u>
Fund balances -			
Reserved for federal seizure	259,074	-	259,074
Reserved for authorized construction	-	23,007,130	23,007,130
Unreserved - undesignated	8,346,596	1,225,003	9,571,599
Total fund balances	<u>8,605,670</u>	<u>24,232,133</u>	<u>32,837,803</u>
 Total liabilities and fund balances	 <u>\$ 8,743,879</u>	 <u>\$ 28,437,757</u>	 <u>\$ 37,181,636</u>

**CITY OF ROUND ROCK, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2008**

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
Revenues -			
Licenses, permits and fees	\$ 589,194	\$ -	\$ 589,194
Fines and forfeitures	322,141	-	322,141
Intergovernmental	525,495	-	525,495
Hotel occupancy tax	2,939,352	-	2,939,352
Investment and other	222,448	1,371,414	1,593,862
Contributions	1,508	579,797	581,305
Total revenues	<u>4,600,138</u>	<u>1,951,211</u>	<u>6,551,349</u>
Expenditures -			
Current -			
General government	642,133	-	642,133
Public safety	402,688	-	402,688
Culture and recreation	609,473	-	609,473
Capital projects	-	16,839,640	16,839,640
Total expenditures	<u>1,654,294</u>	<u>16,839,640</u>	<u>18,493,934</u>
Excess (deficiency) of revenues over expenditures	<u>2,945,844</u>	<u>(14,888,429)</u>	<u>(11,942,585)</u>
Other financing sources /(uses) -			
Transfers in	24,000	961,853	985,853
Transfers out	(1,337,895)	-	(1,337,895)
Total other financing sources/(uses)	<u>(1,313,895)</u>	<u>961,853</u>	<u>(352,042)</u>
Net change in fund balances	<u>1,631,949</u>	<u>(13,926,576)</u>	<u>(12,294,627)</u>
Fund balances as restated, October 1, 2007	<u>6,973,721</u>	<u>38,158,709</u>	<u>45,132,430</u>
Fund balances, September 30, 2008	<u>\$ 8,605,670</u>	<u>\$ 24,232,133</u>	<u>\$ 32,837,803</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.

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, 2008**

	1981 Community Development Block Grant	Street and Bridge	Hotel-Motel Occupancy Tax	Police	Municipal Court
<u>ASSETS</u>					
Cash and cash equivalents	\$ -	\$ 747,326	\$ 5,771,901	\$ 307,598	\$ 262,280
Receivables -					
Accounts and other	-	-	618,765	-	-
Total assets	\$ -	\$ 747,326	\$ 6,390,666	\$ 307,598	\$ 262,280
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities -					
Accounts payable	\$ -	\$ -	\$ 15,470	\$ 48,524	\$ -
Total liabilities	-	-	15,470	48,524	-
Fund balances -					
Reserved for federal seizure	-	-	-	259,074	-
Unreserved - undesignated	-	747,326	6,375,196	-	262,280
Total fund balances	-	747,326	6,375,196	259,074	262,280
Total liabilities and fund balances	\$ -	\$ 747,326	\$ 6,390,666	\$ 307,598	\$ 262,280

<u>Landscape</u>	<u>Community Development Block Grant</u>	<u>Annexation Fees</u>	<u>Library Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 852,765	\$ 3,147	\$ 158,190	\$ 15,198	\$ 8,118,405
-	6,709	-	-	625,474
<u>\$ 852,765</u>	<u>\$ 9,856</u>	<u>\$ 158,190</u>	<u>\$ 15,198</u>	<u>\$ 8,743,879</u>
\$ 64,325	\$ 9,856	\$ -	\$ 34	\$ 138,209
<u>64,325</u>	<u>9,856</u>	<u>-</u>	<u>34</u>	<u>138,209</u>
-	-	-	-	259,074
788,440	-	158,190	15,164	8,346,596
<u>788,440</u>	<u>-</u>	<u>158,190</u>	<u>15,164</u>	<u>8,605,670</u>
<u>\$ 852,765</u>	<u>\$ 9,856</u>	<u>\$ 158,190</u>	<u>\$ 15,198</u>	<u>\$ 8,743,879</u>

**CITY OF ROUND ROCK, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2008**

	1981 Community Development Block Grant	Street and Bridge	Hotel-Motel Occupancy Tax	Police	Municipal Court
Revenues -					
Licenses, permits and fees	\$ -	\$ -	\$ -	\$ -	\$ 92,694
Fines and forfeitures	-	-	-	322,141	-
Intergovernmental	-	-	-	-	-
Hotel occupancy tax	-	-	2,939,352	-	-
Investment and other	-	14,384	155,941	7,503	4,796
Contributions	-	-	-	-	-
Total revenues	<u>-</u>	<u>14,384</u>	<u>3,095,293</u>	<u>329,644</u>	<u>97,490</u>
Expenditures -					
Current-					
General government	19,181	-	-	-	56,153
Public safety	-	-	-	402,688	-
Culture and recreation	-	-	609,473	-	-
Total expenditures	<u>19,181</u>	<u>-</u>	<u>609,473</u>	<u>402,688</u>	<u>56,153</u>
Excess (deficiency) of revenues over expenditures	<u>(19,181)</u>	<u>14,384</u>	<u>2,485,820</u>	<u>(73,044)</u>	<u>41,337</u>
Other financing sources /(uses) -					
Transfers in	-	-	24,000	-	-
Transfers out	-	-	(1,326,565)	(11,330)	-
Total other financing sources/(uses)	<u>-</u>	<u>-</u>	<u>(1,302,565)</u>	<u>(11,330)</u>	<u>-</u>
Net change in fund balances	<u>(19,181)</u>	<u>14,384</u>	<u>1,183,255</u>	<u>(84,374)</u>	<u>41,337</u>
Fund balances as restated, October 1, 2007	<u>19,181</u>	<u>732,942</u>	<u>5,191,941</u>	<u>343,448</u>	<u>220,943</u>
Fund balances, September 30, 2008	<u>\$ -</u>	<u>\$ 747,326</u>	<u>\$ 6,375,196</u>	<u>\$ 259,074</u>	<u>\$ 262,280</u>

<u>Landscape</u>	<u>Community Development Block Grant</u>	<u>Annexation Fees</u>	<u>Library Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 402,900	\$ -	\$ 93,600	\$ -	\$ 589,194
-	-	-	-	322,141
-	525,495	-	-	525,495
-	-	-	-	2,939,352
21,194	16,088	2,250	292	222,448
1,225	-	-	283	1,508
<u>425,319</u>	<u>541,583</u>	<u>95,850</u>	<u>575</u>	<u>4,600,138</u>
24,990	541,583	-	226	642,133
-	-	-	-	402,688
-	-	-	-	609,473
<u>24,990</u>	<u>541,583</u>	<u>-</u>	<u>226</u>	<u>1,654,294</u>
<u>400,329</u>	<u>-</u>	<u>95,850</u>	<u>349</u>	<u>2,945,844</u>
-	-	-	-	24,000
-	-	-	-	(1,337,895)
-	-	-	-	(1,313,895)
<u>400,329</u>	<u>-</u>	<u>95,850</u>	<u>349</u>	<u>1,631,949</u>
<u>388,111</u>	<u>-</u>	<u>62,340</u>	<u>14,815</u>	<u>6,973,721</u>
<u>\$ 788,440</u>	<u>\$ -</u>	<u>\$ 158,190</u>	<u>\$ 15,164</u>	<u>\$ 8,605,670</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.

2004 General Obligation Bonds Fund – To account for street, traffic safety and sidewalk improvement projects, improvements and equipment for police, fire and municipal office facilities.

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

2007 Certificates of Obligation Fund – To account for costs of various parks and recreational facilities and improvements including a portion of the construction of a swimming pool complex.

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

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, 2008**

	<u>Streets and Drainage</u>	<u>2004 General Obligation Bonds</u>	<u>Park Development</u>	<u>2007 Series CO</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 843,895	\$ -	\$ 1,071,900	\$ 101,680
Receivables -				
Accounts and other	5,815	-	-	-
Accrued interest	239,296	42,293	-	-
Assessments	1,013,853	-	-	-
Restricted assets-				
Cash and cash equivalents	-	5,929,881	-	2,378,886
Investments	-	4,288,906	-	1,999,426
Total assets	<u>\$ 2,102,859</u>	<u>\$ 10,261,080</u>	<u>\$ 1,071,900</u>	<u>\$ 4,479,992</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities -				
Accounts payable	\$ 120	\$ 223,472	\$ -	\$ 1,569,467
Deferred revenue	1,013,853	-	935,783	-
Total liabilities	<u>1,013,973</u>	<u>223,472</u>	<u>935,783</u>	<u>1,569,467</u>
Fund balances -				
Reserved for authorized construction	-	10,037,608	-	2,910,525
Unreserved - unrestricted	1,088,886	-	136,117	-
Total fund balances	<u>1,088,886</u>	<u>10,037,608</u>	<u>136,117</u>	<u>2,910,525</u>
Total liabilities and fund balances	<u>\$ 2,102,859</u>	<u>\$ 10,261,080</u>	<u>\$ 1,071,900</u>	<u>\$ 4,479,992</u>

<u>2002 General Obligation Bonds Fund</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>
\$ -	\$ -	\$ 374,654	\$ -	\$ -	\$ 2,392,129
-	-	-	-	-	5,815
-	-	-	-	-	281,589
-	-	-	-	-	1,013,853
8,231,472	-	-	703,084	1,212,716	18,456,039
-	-	-	-	-	6,288,332
<u>\$ 8,231,472</u>	<u>\$ -</u>	<u>\$ 374,654</u>	<u>\$ 703,084</u>	<u>\$ 1,212,716</u>	<u>\$ 28,437,757</u>
\$ 412,874	\$ -	\$ 6,565	\$ 31,490	\$ 12,000	\$ 2,255,988
-	-	-	-	-	1,949,636
<u>412,874</u>	<u>-</u>	<u>6,565</u>	<u>31,490</u>	<u>12,000</u>	<u>4,205,624</u>
7,818,598	-	368,089	671,594	1,200,716	23,007,130
-	-	-	-	-	1,225,003
<u>7,818,598</u>	<u>-</u>	<u>368,089</u>	<u>671,594</u>	<u>1,200,716</u>	<u>24,232,133</u>
<u>\$ 8,231,472</u>	<u>\$ -</u>	<u>\$ 374,654</u>	<u>\$ 703,084</u>	<u>\$ 1,212,716</u>	<u>\$ 28,437,757</u>

**CITY OF ROUND, TEXAS
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2008**

	Streets and Drainage	2004 General Obligation Bonds	Park Development	2007 Series CO
Revenues -				
Investment and other	\$ 86,760	\$ 342,783	\$ 35,971	\$ 416,201
Contributions	142,177	-	35,071	-
Total revenues	228,937	342,783	71,042	416,201
Expenditures -				
Capital projects	-	690,513	34,194	12,120,168
Total expenditures	-	690,513	34,194	12,120,168
Excess (deficiency) of revenues over expenditures	228,937	(347,730)	36,848	(11,703,967)
Other financing sources /(uses) -				
Transfers in	-	-	-	-
Transfers out	-	32,476	-	-
Total other financing sources/(uses)	-	32,476	-	-
Net change in fund balances	228,937	(315,254)	36,848	(11,703,967)
Fund balances, October 1, 2007	859,949	10,352,862	99,269	14,614,492
Fund balances, September 30, 2008	\$ 1,088,886	\$ 10,037,608	\$ 136,117	\$ 2,910,525

2002 General Obligation Bonds Fund	1998 Series GO	Convention Center Complex	2000 Series CO	Tourism Development Fund	Total Nonmajor Capital Projects Funds
\$ 438,503	\$ -	\$ 7,675	\$ 20,240	\$ 23,281	\$ 1,371,414
-	-	402,549	-	-	579,797
<u>438,503</u>	<u>-</u>	<u>410,224</u>	<u>20,240</u>	<u>23,281</u>	<u>1,951,211</u>
<u>2,942,796</u>	<u>429,927</u>	<u>425,034</u>	<u>115,467</u>	<u>81,541</u>	<u>16,839,640</u>
<u>2,942,796</u>	<u>429,927</u>	<u>425,034</u>	<u>115,467</u>	<u>81,541</u>	<u>16,839,640</u>
<u>(2,504,293)</u>	<u>(429,927)</u>	<u>(14,810)</u>	<u>(95,227)</u>	<u>(58,260)</u>	<u>(14,888,429)</u>
350,288	-	111,565	-	500,000	961,853
-	(32,476)	-	-	-	-
<u>350,288</u>	<u>(32,476)</u>	<u>111,565</u>	<u>-</u>	<u>500,000</u>	<u>961,853</u>
<u>(2,154,005)</u>	<u>(462,403)</u>	<u>96,755</u>	<u>(95,227)</u>	<u>441,740</u>	<u>(13,926,576)</u>
<u>9,972,603</u>	<u>462,403</u>	<u>271,334</u>	<u>766,821</u>	<u>758,976</u>	<u>38,158,709</u>
<u>\$ 7,818,598</u>	<u>\$ -</u>	<u>\$ 368,089</u>	<u>\$ 671,594</u>	<u>\$ 1,200,716</u>	<u>\$ 24,232,133</u>

**CITY OF ROUND ROCK, TEXAS
PROJECT - LENGTH SCHEDULE OF CONSTRUCTION PROJECTS -
ALL CAPITAL PROJECTS FUNDS
BEGINNING OF PROJECTS TO SEPTEMBER 30, 2008**

	<u>Streets and Drainage</u>	<u>2007 Series GO</u>	<u>Park Development</u>	<u>2007 Series CO</u>	<u>Self- Financed Construction</u>
Total funding authorization	\$ -	\$ 38,191,699	\$ 975,510	\$ 14,500,000	\$ 77,326,178
Revenues and other financing sources -					
Intergovernmental	\$ -	\$ -	\$ 80,366	\$ -	\$ 1,380,337
Contributions	-	9,500	160,386	-	10,274,942
Investment and other	-	1,306,493	639,250	525,720	799,985
Lease purchase proceeds	-	-	-	-	4,033,453
Issuance of general obligation bonds	-	34,475,000	-	14,915,000	-
Transfers in	-	-	231,620	-	88,078,368
Other sources/transfers	-	537,303	-	-	1,423,235
	<u>\$ -</u>	<u>\$ 36,328,296</u>	<u>\$ 1,111,622</u>	<u>\$ 15,440,720</u>	<u>\$105,990,320</u>
Expenditures and other uses -					
Capital projects	\$ -	\$ 4,417,652	\$ 865,510	\$ 12,120,168	\$ 64,732,304
Transfers out	-	350,288	110,000	-	8,317,703
Other costs/transfers	-	495,303	-	410,027	-
	<u>\$ -</u>	<u>\$ 5,263,243</u>	<u>\$ 975,510</u>	<u>\$ 12,530,195</u>	<u>\$ 73,050,007</u>

1998 Series GO	Round Rock Transportation System Development Corporation	Convention Center Complex	2000 Series CO	2002 Series GO	2004 Series GO	Tourism Development Fund
<u>\$11,442,272</u>	<u>\$166,272,503</u>	<u>\$ 940,801</u>	<u>\$ 11,175,330</u>	<u>\$ 37,453,849</u>	<u>\$ 17,553,551</u>	<u>\$ 317,916</u>
\$ 400,000	\$ 1,153,320	\$ -	\$ 50,000	\$ -	\$ -	\$ -
-	750,000	402,549	-	91,989	-	37,500
1,249,338	1,779,615	42,766	764,067	3,556,267	2,100,423	52,132
-	-	-	-	-	-	-
8,905,000	53,474,331	-	10,493,786	35,000,000	19,435,000	-
887,934	62,136,152	863,575	100,000	680,173	32,476	1,429,000
-	-	-	-	-	690,600	-
<u>\$11,442,272</u>	<u>\$119,293,418</u>	<u>\$ 1,308,890</u>	<u>\$ 11,407,853</u>	<u>\$ 39,328,429</u>	<u>\$ 22,258,499</u>	<u>\$ 1,518,632</u>
\$10,879,997	\$113,474,923	\$ 910,933	\$ 10,577,751	\$ 31,220,528	\$ 11,531,097	\$ 317,916
562,275	3,941,590	29,868	-	-	329,885	-
-	-	-	158,509	289,302	359,909	-
<u>\$11,442,272</u>	<u>\$117,416,513</u>	<u>\$ 940,801</u>	<u>\$ 10,736,260</u>	<u>\$ 31,509,830</u>	<u>\$ 12,220,891</u>	<u>\$ 317,916</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, 2008
WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2007**

	Actual	Budgeted Amounts		Variance -	2007
		Original	Final	Positive (Negative)	Actual
Revenues -					
Taxes and franchise -					
General property tax	\$ 14,762,456	\$ 14,475,000	\$ 14,717,000	\$ 45,456	\$ 14,110,618
Penalty and interest	103,961	65,000	103,000	961	84,501
City sales tax	51,162,510	52,300,000	51,100,000	62,510	51,741,069
Franchise	5,748,332	5,195,000	5,562,000	186,332	5,499,220
Bingo tax	26,015	28,000	28,000	(1,985)	26,028
Mixed drink tax	260,165	210,000	260,000	165	231,356
Total taxes and franchise	<u>72,063,439</u>	<u>72,273,000</u>	<u>71,770,000</u>	<u>293,439</u>	<u>71,692,792</u>
Licenses, permits and fees -					
Building permits	395,509	375,000	375,000	20,509	497,693
Other permits	20,632	22,000	22,000	(1,368)	28,058
Fees	588,376	722,000	519,000	69,376	655,459
Total licenses, permits and fees	<u>1,004,517</u>	<u>1,119,000</u>	<u>916,000</u>	<u>88,517</u>	<u>1,181,210</u>
Charges for services -					
Trash collection fees	1,344,529	1,180,000	1,294,000	50,529	1,215,562
Swimming pool fees	494,801	516,000	535,000	(40,199)	437,747
Recreation program fees	1,946,514	1,798,000	1,967,000	(20,486)	1,832,736
Filing and reproduction fees	16,557	16,000	16,000	557	17,625
Other	93,485	35,000	106,000	(12,515)	65,407
Total charges for services	<u>3,895,886</u>	<u>3,545,000</u>	<u>3,918,000</u>	<u>(22,114)</u>	<u>3,569,077</u>
Fines and forfeitures	<u>1,692,238</u>	<u>1,692,000</u>	<u>1,605,000</u>	<u>87,238</u>	<u>1,701,302</u>
Intergovernmental	<u>548,575</u>	<u>367,000</u>	<u>377,000</u>	<u>171,575</u>	<u>697,696</u>
Investment and other -					
Investment income	3,070,617	2,251,000	3,151,000	(80,383)	4,057,987
Other	1,982,202	1,410,884	1,915,884	66,318	1,940,211
Total investment and other	<u>5,052,819</u>	<u>3,661,884</u>	<u>5,066,884</u>	<u>(14,065)</u>	<u>5,998,198</u>
Total revenues	<u>84,257,474</u>	<u>82,657,884</u>	<u>83,652,884</u>	<u>604,590</u>	<u>84,840,275</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, 2008
WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2007**

	Actual	Budgeted Amounts		Variance -	2007
		Original	Final	Positive (Negative)	Actual
Expenditures -					
Current -					
General government					
Executive -					
Personnel services	\$ 7,111,927	\$ 7,663,672	\$ 7,337,797	\$ 225,870	\$ 6,457,140
Contractual services	2,321,988	2,869,514	2,719,829	397,841	2,231,832
Supplies and materials	275,444	269,909	288,284	12,840	265,997
Other services and charges	11,539,019	12,922,440	11,558,375	19,356	12,170,994
Capital outlay	293,137	459,175	363,255	70,118	211,135
Total executive	21,541,515	24,184,710	22,267,540	726,025	21,337,098
Judicial -					
Personnel services	507,850	640,289	550,289	42,439	501,829
Contractual services	84,356	79,683	79,683	(4,673)	90,217
Supplies and materials	20,988	21,802	21,802	814	19,422
Other services and charges	4,251	4,270	4,270	19	4,939
Total judicial	617,445	746,044	656,044	38,599	616,407
Total general government	22,158,960	24,930,754	22,923,584	764,624	21,953,505
Public safety					
Police-					
Personnel services	15,622,870	16,640,078	15,640,078	17,208	14,282,247
Contractual services	912,741	1,008,487	904,687	(8,054)	646,074
Supplies and materials	1,253,949	1,192,909	1,244,504	(9,445)	1,062,754
Other services and charges	629,062	711,065	666,711	37,649	597,659
Capital outlay	1,490,799	1,848,059	1,826,618	335,819	1,239,349
Total police	19,909,421	21,400,598	20,282,598	373,177	17,828,083
Fire -					
Personnel services	10,316,705	10,892,311	10,583,013	266,308	8,667,503
Contractual services	290,419	342,374	285,374	(5,045)	323,219
Supplies and materials	802,748	690,639	773,895	(28,853)	753,149
Other services and charges	99,192	122,800	102,800	3,608	108,412
Capital outlay	174,835	152,014	175,056	221	443,722
Total fire	11,683,899	12,200,138	11,920,138	236,239	10,296,005
Total public safety	31,593,320	33,600,736	32,202,736	609,416	28,124,088

(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, 2008
WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2007**

	Actual	Budgeted Amounts		Variance -	2007
		Original	Final	Positive (Negative)	Actual
Expenditures - (cont'd)					
Current - (cont'd)					
Public works					
Administration -					
Personnel services	\$ 3,190,617	\$ 3,601,491	3,344,491	\$ 153,874	\$ 2,860,008
Contractual services	188,700	394,748	204,448	15,748	175,700
Supplies and materials	169,461	182,024	188,655	19,194	157,861
Other services and charges	28,477	44,485	37,380	8,903	28,219
Capital outlay	177,080	402,150	202,324	25,244	43,037
Total administration	<u>3,754,335</u>	<u>4,624,898</u>	<u>3,977,298</u>	<u>222,963</u>	<u>3,264,825</u>
Streets -					
Personnel services	2,235,341	2,386,603	2,306,603	71,262	2,089,148
Contractual services	1,183,771	4,523,897	1,326,837	143,066	1,309,190
Supplies and materials	645,328	712,967	712,967	67,639	684,365
Other services and charges	29,564	28,521	28,521	(1,043)	10,815
Capital outlay	274,521	402,650	318,900	44,379	202,395
Total streets	<u>4,368,525</u>	<u>8,054,638</u>	<u>4,693,828</u>	<u>325,303</u>	<u>4,295,913</u>
Maintenance shop -					
Personnel services	858,425	876,610	873,610	15,185	815,230
Contractual services	53,991	55,601	55,601	1,610	52,084
Supplies and materials	94,403	89,723	89,723	(4,680)	81,254
Other services and charges	8,394	10,641	10,641	2,247	11,539
Capital outlay	32,426	117,000	33,000	574	14,356
Total maintenance shop	<u>1,047,639</u>	<u>1,149,575</u>	<u>1,062,575</u>	<u>14,936</u>	<u>974,463</u>
Total public works	<u>9,170,499</u>	<u>13,829,111</u>	<u>9,733,701</u>	<u>563,202</u>	<u>8,535,201</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, 2008
WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2007**

	Actual	Budgeted Amounts		Variance -	2007
		Original	Final	Positive (Negative)	Actual
Expenditures - (cont'd)					
Current - (cont'd)					
Culture and recreation					
Library -					
Personnel services	\$ 1,534,736	\$ 1,576,665	\$ 1,556,665	\$ 21,929	\$ 1,464,619
Contractual services	213,119	211,636	211,636	(1,483)	193,258
Supplies and materials	93,480	99,492	98,192	4,712	104,798
Other services and charges	89,249	106,899	106,681	17,432	75,520
Capital outlay	411,206	414,055	437,379	26,173	405,337
Total library	<u>2,341,790</u>	<u>2,408,747</u>	<u>2,410,553</u>	<u>68,763</u>	<u>2,243,532</u>
Parks and recreation -					
Personnel services	5,055,948	5,330,884	5,255,884	199,936	4,576,989
Contractual services	1,643,940	1,806,700	1,766,425	122,485	1,639,965
Supplies and materials	1,227,546	1,108,719	1,211,807	(15,739)	1,085,121
Other services and charges	198,552	196,807	205,317	6,765	188,062
Capital outlay	447,656	540,825	469,502	21,846	339,486
Total parks and recreation	<u>8,573,642</u>	<u>8,983,935</u>	<u>8,908,935</u>	<u>335,293</u>	<u>7,829,623</u>
Total culture and recreation	<u>10,915,432</u>	<u>11,392,682</u>	<u>11,319,488</u>	<u>404,056</u>	<u>10,073,155</u>
Total expenditures	<u>73,838,211</u>	<u>83,753,283</u>	<u>76,179,509</u>	<u>2,341,298</u>	<u>68,685,949</u>
Excess (deficiency) of revenues over expenditures	<u>10,419,263</u>	<u>(1,095,399)</u>	<u>7,473,375</u>	<u>2,945,888</u>	<u>16,154,326</u>
Other financing sources (uses) -					
Lease purchase proceeds	750,000	750,000	750,000	-	750,000
Transfers in	1,690,000	1,690,000	1,690,000	-	1,690,000
Transfers out	(9,668,774)	(1,100,000)	(9,668,774)	-	(16,727,009)
Total other financing sources (uses)	<u>(7,228,774)</u>	<u>1,340,000</u>	<u>(7,228,774)</u>	<u>-</u>	<u>(14,287,009)</u>
Net change in fund balances	3,190,489	<u>\$ 244,601</u>	<u>\$ 244,601</u>	<u>\$ 2,945,888</u>	<u>\$ 1,867,317</u>
Fund balance as restated, October 1, 2007	<u>37,494,875</u>				
Fund balance, September 30, 2008	<u>\$ 40,685,364</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, 2008**

	<u>Actual</u>	<u>Original and Final Budgeted Amounts</u>	<u>Variance - Positive (Negative)</u>
Revenues -			
Property taxes, including interest and penalties	\$ 12,820,765	\$ 12,550,000	\$ 270,765
Investment and other	411,770	315,000	96,770
Total revenues	<u>13,232,535</u>	<u>12,865,000</u>	<u>367,535</u>
Expenditures -			
Debt service -			
Principal retirement	10,448,506	10,304,436	(144,070)
Interest and fiscal charges	9,060,707	9,213,945	153,238
Total expenditures	<u>19,509,213</u>	<u>19,518,381</u>	<u>9,168</u>
Excess (deficiency) of revenues over expenditures	<u>(6,276,678)</u>	<u>(6,653,381)</u>	<u>376,703</u>
Other financing sources (uses) -			
Transfers in	6,673,346	6,676,651	(3,305)
Transfers out	(24,000)	(24,000)	-
Total other financing sources (uses)	<u>6,649,346</u>	<u>6,652,651</u>	<u>(3,305)</u>
 Net change in fund balances	 <u>372,668</u>	 <u>\$ (730)</u>	 <u>\$ 373,398</u>
 Fund balance, October 1, 2007	 <u>3,058,395</u>		
 Fund balance, September 30, 2008	 <u>\$ 3,431,063</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, 2008**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance- Positive (Negative)</u>
Expenditures -			
Current -			
General government	<u>\$ 19,181</u>	<u>\$ 19,181</u>	<u>\$ -</u>
Excess (deficiency) of revenues over expenditures	(19,181)	<u>\$ 19,181</u>	<u>\$ -</u>
Fund balance, October 1, 2007	<u>19,181</u>		
Fund balance, September 30, 2008	<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, 2008**

	Actual	Final Budget	Variance- Positive (Negative)
Revenues -			
Investment and other	\$ 14,384	\$ 14,384	\$ -
Total revenues	14,384	\$ 14,384	\$ -
Fund balance, October 1, 2007	732,942		
Fund balance, September 30, 2008	\$ 747,326		

**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, 2008**

	Actual	Budgeted Amounts		Variance- Positive (Negative)
		Original	Final	
Revenues -				
Hotel occupancy tax	\$ 2,939,352	\$ 2,600,000	\$ 2,600,000	\$ 339,352
Investment and other	155,941	80,000	80,000	75,941
Total revenues	<u>3,095,293</u>	<u>2,680,000</u>	<u>2,680,000</u>	<u>415,293</u>
Expenditures -				
Current -				
Culture and recreation -				
Personnel services	226,022	274,880	274,880	48,858
Contractual services	141,540	249,212	249,212	107,672
Supplies and materials	20,695	18,840	18,840	(1,855)
Other services and charges	217,513	340,500	340,500	122,987
Capital outlay	3,703	8,500	8,500	4,797
Total expenditures	<u>609,473</u>	<u>891,932</u>	<u>891,932</u>	<u>282,459</u>
Excess of revenues over expenditures	<u>2,485,820</u>	<u>1,788,068</u>	<u>1,788,068</u>	<u>697,752</u>
Other financing sources /(uses) -				
Transfers in	24,000	24,000	24,000	-
Transfers out	<u>(1,326,565)</u>	<u>(1,390,000)</u>	<u>(1,390,000)</u>	<u>63,435</u>
Total other financing sources/(uses)	<u>(1,302,565)</u>	<u>(1,366,000)</u>	<u>(1,366,000)</u>	<u>63,435</u>
Net change in fund balances	1,183,255	<u>\$ 422,068</u>	<u>\$ 422,068</u>	<u>\$ 761,187</u>
Fund balance as restated, October 1, 2007	<u>5,191,941</u>			
Fund balance, September 30, 2008	<u>\$ 6,375,196</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, 2008**

	Actual	Budgeted Amounts		Variance- Positive (Negative)
		Original	Final	
Revenues -				
Fines and forfeitures	\$ 322,141	\$ -	\$ 216,617	\$ 105,524
Investment and other	7,503	8,300	8,300	(797)
Total revenues	<u>329,644</u>	<u>8,300</u>	<u>224,917</u>	<u>104,727</u>
Expenditures -				
Current -				
Public safety -				
Capital outlay	<u>402,688</u>	<u>305,965</u>	<u>503,753</u>	<u>101,065</u>
Total expenditures	<u>402,688</u>	<u>305,965</u>	<u>503,753</u>	<u>101,065</u>
Excess (deficiency) of revenues over expenditures	<u>(73,044)</u>	<u>(297,665)</u>	<u>(278,836)</u>	<u>205,792</u>
Other financing uses -				
Transfer out	<u>(11,330)</u>	<u>-</u>	<u>(11,330)</u>	<u>-</u>
Net change in fund balances	<u>(84,374)</u>	<u>\$ (297,665)</u>	<u>\$ (290,166)</u>	<u>\$ 205,792</u>
Fund balance, October 1, 2007	<u>343,448</u>			
Fund balance, September 30, 2008	<u>\$ 259,074</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, 2008**

	Actual	Budgeted Amounts		Variance- Positive (Negative)
		Original	Final	
Revenues -				
Licenses, permits and fees	\$ 92,694	\$ 91,000	\$ 91,000	\$ 1,694
Investment and other	4,796	3,650	3,650	1,146
Total revenues	97,490	94,650	94,650	2,840
Expenditures -				
Current -				
General government -				
Personnel services	28,128	35,000	35,000	6,872
Supplies and materials	433	4,100	4,100	3,667
Other services and charges	1,296	1,820	1,820	524
Capital outlay	26,296	57,500	57,500	31,204
Total expenditures	56,153	98,420	98,420	42,267
Excess (deficiency) of revenues over expenditures	41,337	\$ (3,770)	\$ (3,770)	\$ 45,107
Fund balance, October 1, 2007	220,943			
Fund balance, September 30, 2008	\$ 262,280			

**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, 2008**

	Actual	Final Budget	Variance- Positive (Negative)
Revenues -			
Licenses, permits and fees	\$ 402,900	\$ 1,500	\$ 401,400
Investment and other	21,194	10,000	11,194
Contributions	1,225	500	725
Total revenues	425,319	12,000	413,319
Expenditures -			
Current -			
Supplies and materials	24,990	250,000	225,010
Total expenditures	24,990	250,000	225,010
Excess (deficiency) of revenues over expenditures	400,329	\$ (238,000)	\$ 638,329
Fund balance, October 1, 2007	388,111		
Fund balance, September 30, 2008	\$ 788,440		

**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, 2008**

	Actual	Final Budget	Variance- Positive (Negative)
Revenues -			
Intergovernmental	\$ 525,495	\$ 525,495	\$ -
Investment and other	16,088	16,088	-
Total revenues	541,583	541,583	-
Expenditures -			
Current -			
General government -			
Personnel services	66,289	66,289	-
Contractual services	22,179	22,179	-
Supplies and materials	134,466	134,466	-
Other services and charges	318,649	318,649	-
Total expenditures	541,583	541,583	-
Excess of revenues over expenditures	-	\$ -	\$ -
Fund balance, October 1, 2007	-		
Fund balance, September 30, 2008	\$ -		

**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, 2008**

	Actual	Final Budget	Variance- Positive (Negative)
Revenues -			
Licenses, permits and fees	\$ 93,600	\$ 93,600	\$ -
Investment and other	2,250	2,250	-
Total revenues	95,850	95,850	-
Excess of revenues over expenditures	95,850	\$ 95,850	\$ -
Fund balance, October 1, 2007	62,340		
Fund balance, September 30, 2008	\$ 158,190		

**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, 2008**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance- Positive (Negative)</u>
Revenues-			
Investment and other	\$ 292	\$ 500	\$ (208)
Contributions	<u>283</u>	<u>3,000</u>	<u>(2,717)</u>
Total revenues	<u>575</u>	<u>3,500</u>	<u>(2,925)</u>
Expenditures -			
Current -			
General government -			
Supplies and materials	<u>226</u>	<u>5,000</u>	<u>4,774</u>
Total expenditures	<u>226</u>	<u>5,000</u>	<u>4,774</u>
Excess (deficiency) of revenues over expenditures	349	<u>\$ (1,500)</u>	<u>\$ 1,849</u>
Fund balance, October 1, 2007	<u>14,815</u>		
Fund balance, September 30, 2008	<u>\$ 15,164</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
 PUBLIC IMPROVEMENT DISTRICTS
 YEAR ENDED SEPTEMBER 30, 2008**

	Balances October 1, <u>2007</u>	<u>Additions</u>	<u>Deductions</u>	Balances September 30, <u>2008</u>
<u>Assets</u>				
Cash and cash equivalents	<u>\$ 797,244</u>	<u>\$ 874,832</u>	<u>\$ 988,828</u>	<u>\$ 683,248</u>
Total assets	<u>\$ 797,244</u>	<u>\$ 874,832</u>	<u>\$ 988,828</u>	<u>\$ 683,248</u>
<u>Liabilities</u>				
Due to participants	<u>\$ 797,244</u>	<u>\$ 874,832</u>	<u>\$ 988,828</u>	<u>\$ 683,248</u>
Total liabilities	<u>\$ 797,244</u>	<u>\$ 874,832</u>	<u>\$ 988,828</u>	<u>\$ 683,248</u>

CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS



**CITY OF ROUND ROCK, TEXAS
SCHEDULE OF CAPITAL ASSETS - BY SOURCES
SEPTEMBER 30, 2008**

Capital assets -	
Land	\$ 23,257,586
Buildings and improvements	529,074,646
Equipment	45,342,299
Construction in progress	<u>61,257,994</u>
	<u>\$ 658,932,525</u>
Investment in capital assets from -	
Capital Projects Funds -	
General obligation bonds	\$ 185,426,253
Federal grants	284,527
State grants	1,008,753
General Fund revenues	79,067,479
Special Revenue Fund revenues	120,852,575
Hotel Occupancy Tax revenues	20,607,754
Gifts	250,968,275
Special assessments	<u>716,909</u>
	<u>\$ 658,932,525</u>

**CITY OF ROUND ROCK, TEXAS
SCHEDULE OF CAPITAL ASSETS -
BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2008**

<u>Function and Activity</u>	<u>Total</u>	<u>Land</u>
General Government -		
Control -		
Executive	\$ 282,862	\$ -
Staff agencies -		
Public works	6,977,154	293,740
Finance	969,217	-
Law	167,194	-
Planning and zoning	1,711,517	-
General government	41,675,441	3,814,168
Total staff agencies	<u>51,500,523</u>	<u>4,107,908</u>
Total general government	<u>51,783,385</u>	<u>4,107,908</u>
Public safety -		
Police protection	35,357,994	2,622,159
Fire protection	17,596,322	1,413,835
Inspection	261,474	-
Total public safety	<u>53,215,790</u>	<u>4,035,994</u>
Public works -		
City shop	2,079,604	-
Streets and drainage	431,098,126	3,549
Total public works	<u>433,177,730</u>	<u>3,549</u>
Culture and recreation -		
Library	7,696,233	278,252
Recreation	51,801,393	14,831,883
Total culture and recreation	<u>59,497,626</u>	<u>15,110,135</u>
Total capital assets allocated to functions	597,674,531	<u>\$ 23,257,586</u>
Construction in progress	<u>61,257,994</u>	
Total capital assets	<u>\$ 658,932,525</u>	

<u>Buildings and Improvements</u>	<u>Improvements Other Than Buildings</u>	<u>Machinery and Equipment</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 282,862</u>
3,155,307	2,748,881	779,226
-	-	969,217
-	-	167,194
31,230	751,653	928,634
<u>31,626,338</u>	<u>3,887,521</u>	<u>2,347,414</u>
<u>34,812,875</u>	<u>7,388,055</u>	<u>5,191,685</u>
<u>34,812,875</u>	<u>7,388,055</u>	<u>5,474,547</u>
18,200,442	1,029,105	13,506,288
7,444,872	420,187	8,317,428
-	-	261,474
<u>25,645,314</u>	<u>1,449,292</u>	<u>22,085,190</u>
50,892	1,332,663	696,049
<u>889,211</u>	<u>421,548,870</u>	<u>8,656,496</u>
<u>940,103</u>	<u>422,881,533</u>	<u>9,352,545</u>
3,874,456	21,940	3,521,585
<u>16,043,432</u>	<u>16,017,646</u>	<u>4,908,432</u>
<u>19,917,888</u>	<u>16,039,586</u>	<u>8,430,017</u>
<u>\$ 81,316,180</u>	<u>\$ 447,758,466</u>	<u>\$ 45,342,299</u>

**CITY OF ROUND ROCK, TEXAS
SCHEDULE OF CHANGES IN CAPITAL ASSETS -
BY FUNCTION AND ACTIVITY
YEAR ENDED SEPTEMBER 30, 2008**

<u>Function and Activity</u>	<u>Capital Assets 10-1-07</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Capital Assets 09-30-08</u>
General Government -				
Control -				
Executive	\$ 247,336	\$ 65,913	\$ (30,387)	\$ 282,862
Staff Agencies -				
Public works	7,087,309	68,513	(178,668)	6,977,154
Finance	748,047	340,211	(119,041)	969,217
Law	236,646	24,678	(94,130)	167,194
Planning and zoning	1,719,402	15,072	(22,957)	1,711,517
General government	40,092,988	4,012,936	(2,430,483)	41,675,441
Total staff agencies	<u>49,884,392</u>	<u>4,461,410</u>	<u>(2,845,279)</u>	<u>51,500,523</u>
Total general government	<u>50,131,728</u>	<u>4,527,323</u>	<u>(2,875,666)</u>	<u>51,783,385</u>
Public safety -				
Police protection	12,422,799	23,911,936	(976,741)	35,357,994
Fire protection	16,839,728	1,052,897	(296,303)	17,596,322
Inspection	257,002	34,712	(30,240)	261,474
Total public safety	<u>29,519,529</u>	<u>24,999,545</u>	<u>(1,303,284)</u>	<u>53,215,790</u>
Public works -				
City shop	1,923,607	204,892	(48,895)	2,079,604
Streets and drainage	412,241,173	18,913,310	(56,357)	431,098,126
Total public works	<u>414,164,780</u>	<u>19,118,202</u>	<u>(105,252)</u>	<u>433,177,730</u>
Culture and recreation -				
Library	7,370,439	411,916	(86,122)	7,696,233
Recreation	49,603,339	2,402,497	(204,443)	51,801,393
Total culture and recreation	<u>56,973,778</u>	<u>2,814,413</u>	<u>(290,565)</u>	<u>59,497,626</u>
Construction in progress	<u>52,711,791</u>	<u>51,916,377</u>	<u>(43,370,174)</u>	<u>61,257,994</u>
Total capital assets	<u>\$ 603,501,606</u>	<u>\$ 103,375,860</u>	<u>\$ (47,944,941)</u>	<u>\$ 658,932,525</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.	140
Revenue Capacity	
These schedules contain information to help the reader assess the City's significant local revenue sources, the property and sales tax.	150
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.	158
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.	165
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.	167

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 SIX 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	<u>59,450,222</u>	<u>59,840,433</u>	<u>66,432,282</u>	<u>75,249,052</u>
Total governmental activities net assets	<u>\$ 283,971,141</u>	<u>\$ 304,431,996</u>	<u>\$ 335,294,613</u>	<u>\$ 366,265,247</u>
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	<u>30,211,234</u>	<u>30,540,616</u>	<u>35,012,093</u>	<u>44,027,327</u>
Total business-type activities net assets	<u>\$ 190,713,883</u>	<u>\$ 205,846,565</u>	<u>\$ 222,444,933</u>	<u>\$ 245,832,208</u>
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	<u>89,661,456</u>	<u>90,381,049</u>	<u>101,444,375</u>	<u>119,276,379</u>
Total primary government activities net assets	<u>\$ 474,685,024</u>	<u>\$ 510,278,561</u>	<u>\$ 557,739,546</u>	<u>\$ 612,097,455</u>

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.

<u>2007</u>	<u>2008</u>
\$ 207,796,040	\$ 232,391,397
116,954,632	107,803,573
<u>84,650,547</u>	<u>95,335,319</u>
<u>\$ 409,401,219</u>	<u>\$ 435,530,289</u>
\$ 203,541,558	\$ 219,607,998
21,938,288	14,376,789
<u>46,524,348</u>	<u>53,796,257</u>
<u>\$ 272,004,194</u>	<u>\$ 287,781,044</u>
\$ 411,337,598	\$ 451,999,395
138,892,920	122,180,362
<u>131,174,895</u>	<u>149,131,576</u>
<u>\$ 681,405,413</u>	<u>\$ 723,311,333</u>

**CITY OF ROUND ROCK, TEXAS
CHANGES IN NET ASSETS
LAST SIX 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	9,305,820	8,717,960	7,352,889	10,445,072
Total business-type activities program revenues	33,761,254	34,166,164	34,942,134	41,487,257
Total primary government program revenues	58,335,382	52,727,310	57,012,696	63,034,959
Net (expense) revenue-				
Governmental activities	(47,441,987)	(57,871,481)	(61,173,323)	(72,279,766)
Business-type activities	13,415,699	11,449,449	9,675,001	13,554,010
Total primary government net expense	\$ (34,026,288)	\$ (46,422,032)	\$ (51,498,322)	\$ (58,725,756)

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.

	2007	2008
\$	21,926,050	\$ 24,097,129
	28,879,882	33,587,423
	27,114,039	28,727,136
	11,905,643	12,674,371
	7,463,588	9,530,456
	<u>97,289,202</u>	<u>108,616,515</u>
	28,873,665	32,865,979
	167,906	185,659
	<u>29,041,571</u>	<u>33,051,638</u>
	<u>126,330,773</u>	<u>141,668,153</u>
	1,766,153	1,941,519
	2,851,787	3,197,900
	1,337,371	1,295,783
	2,489,438	2,721,570
	931,269	1,097,733
	17,322,551	3,825,335
	<u>26,698,569</u>	<u>14,079,840</u>
	30,968,868	35,060,024
	476,025	474,353
	<u>13,772,431</u>	<u>8,750,891</u>
	<u>45,217,324</u>	<u>44,285,268</u>
	<u>71,915,893</u>	<u>58,365,108</u>
	(70,590,633)	(94,536,675)
	16,175,753	11,233,630
\$	<u>(54,414,880)</u>	<u>\$ (83,303,045)</u>

(Continued)

**CITY OF ROUND ROCK, TEXAS
CHANGES IN NET ASSETS (CONTINUED)
LAST SIX 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
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	4,879,207	3,683,233	6,923,367	9,833,265
Total primary government	78,009,152	82,015,569	98,959,307	113,083,665
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.

<u>2007</u>	<u>2008</u>
\$ 24,409,535	\$ 27,560,939
5,499,222	5,748,333
68,988,092	68,216,680
2,838,689	2,939,352
257,384	286,179
9,912,657	8,220,228
152,805	257,495
<u>1,668,221</u>	<u>2,291,695</u>
<u>113,726,605</u>	<u>115,520,901</u>
10,609,090	5,216,423
1,055,364	1,618,492
-	-
<u>(1,668,221)</u>	<u>(2,291,695)</u>
<u>9,996,233</u>	<u>4,543,220</u>
<u>123,722,838</u>	<u>120,064,121</u>
43,135,972	20,984,226
<u>26,171,986</u>	<u>15,776,850</u>
<u>\$ 69,307,958</u>	<u>\$ 36,761,076</u>

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

	Fiscal Year			
	1999	2000	2001	2002
General fund-				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	17,022,971	19,881,188	22,185,654	23,261,921
Total general fund	\$ 17,022,971	\$ 19,881,188	\$ 22,185,654	\$ 23,261,921
All other governmental funds-				
Reserved for-				
Federal seizure	\$ 103,298	\$ 121,389	\$ 131,924	\$ 36,633
Non-current loans receivable	19,181	19,181	19,181	19,181
Debt service	1,876,382	1,471,892	2,132,743	2,074,841
Nonexpendable endowments	100,000	100,000	100,000	100,000
Authorized construction	23,358,845	26,673,808	31,551,635	66,939,857
Unreserved, reported in-				
Special revenue funds	6,600,155	13,147,967	16,005,647	23,560,762
Capital projects funds	4,291,154	7,173,012	13,307,241	15,251,568
Permanent fund	7,122	7,361	3,969	6,096
Total all other governmental funds	\$ 36,356,137	\$ 48,714,610	\$ 63,252,340	\$ 107,988,938

Fiscal Year

2003	2004	2005	2006	2007	2008
\$ 46,600	\$ 23,200	\$ -	\$ -	\$ -	\$ -
<u>25,204,136</u>	<u>26,759,957</u>	<u>28,705,017</u>	<u>32,472,684</u>	<u>34,340,001</u>	<u>40,685,364</u>
<u>\$ 25,250,736</u>	<u>\$ 26,783,157</u>	<u>\$ 28,705,017</u>	<u>\$ 32,472,684</u>	<u>\$ 34,340,001</u>	<u>\$ 40,685,364</u>
\$ 84,044	\$ 112,857	\$ 357,985	\$ 391,661	\$ 343,448	\$ 259,074
19,181	19,181	19,181	19,181	19,181	-
2,304,816	2,338,493	2,600,354	3,200,508	3,058,395	3,431,063
100,000	100,000	100,000	-	-	-
58,100,810	79,421,798	75,863,062	70,912,738	115,324,128	106,064,681
10,411,681	5,519,397	4,535,452	4,731,971	5,876,872	8,346,596
25,872,318	24,633,882	26,432,736	29,682,330	32,022,916	34,463,233
7,437	8,611	4,262	-	-	-
<u>\$ 96,900,287</u>	<u>\$ 112,154,219</u>	<u>\$ 109,913,032</u>	<u>\$ 108,938,389</u>	<u>\$ 156,644,940</u>	<u>\$ 152,564,647</u>

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

	Fiscal Year			
	1999	2000	2001	2002
Revenues-				
Taxes and franchise	\$ 39,598,214	\$ 47,424,826	\$ 58,333,682	\$ 59,029,046
Licenses, permits and fees	743,791	970,656	799,550	628,550
Charges for services	1,609,133	2,268,857	3,010,382	3,282,764
Fines and forfeitures	879,865	729,172	834,185	1,078,089
Intergovernmental	694,221	1,122,445	1,260,810	735,590
Hotel occupancy tax	616,483	1,017,826	1,354,429	1,477,050
Investment and other	3,200,016	4,124,001	5,508,858	3,701,703
Contributions	7,657,065	11,323,039	791,421	269,114
Total revenues	54,998,788	68,980,822	71,893,317	70,201,906
Expenditures-				
General government	8,897,742	11,979,536	14,675,517	15,071,967
Public safety	10,958,903	12,698,746	15,074,503	16,767,233
Public works	4,035,009	5,234,245	6,240,934	6,448,449
Culture and recreation	4,079,773	5,170,540	7,232,737	7,568,798
Capital projects	20,499,156	40,367,935	30,831,239	19,412,193
Debt service-				
Principal retirement	4,268,300	4,156,328	5,095,748	5,777,190
Interest and fiscal charges	3,320,740	3,739,412	4,938,673	5,732,117
Other charges	-	-	-	-
Total expenditures	56,059,623	83,346,742	84,089,351	76,777,947
Excess of revenues				
over (under) expenditures	(1,060,835)	(14,365,920)	(12,196,034)	(6,576,041)
Other financing sources (uses)-				
Proceeds from sale of capital assets	-	-	-	-
Issuance of lease	500,000	525,000	1,000,000	575,000
Issuance of debt	8,183,664	26,423,117	25,435,000	60,448,959
Issuance of premium	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	(11,084,861)
Transfers in	10,914,358	20,770,546	20,430,957	13,565,477
Transfers out	(7,633,317)	(18,136,054)	(17,827,727)	(11,115,669)
Total other financing sources (uses)	11,964,705	29,582,609	29,038,230	52,388,906
Net change in fund balances	\$ 10,903,870	\$ 15,216,689	\$ 16,842,196	\$ 45,812,865
Capital outlay including amounts reported				
under departmental current expenditures	\$ 22,503,476	\$ 43,457,868	\$ 34,495,580	\$ 20,906,177
Debt service as a percentage of				
noncapital expenditures	22.6%	19.8%	20.2%	20.6%

Fiscal Year						
2003	2004	2005	2006	2007	2008	
\$ 66,699,982	\$ 71,743,446	\$ 83,437,892	\$ 91,672,097	\$ 99,100,555	\$ 101,938,374	
801,108	679,754	1,218,975	970,570	1,585,091	1,593,711	
3,451,103	3,727,507	4,100,595	4,311,153	3,569,077	3,895,886	
1,043,055	1,286,754	1,455,280	1,696,474	1,849,523	2,014,379	
754,431	746,042	885,038	1,165,978	2,578,680	1,317,506	
1,618,744	1,650,148	1,905,049	2,268,619	2,838,689	2,939,352	
3,610,459	2,637,520	4,853,019	8,640,878	11,424,988	9,977,103	
828,134	626,201	1,258,618	165,670	826,807	2,094,375	
<u>78,807,016</u>	<u>83,097,372</u>	<u>99,114,466</u>	<u>110,891,439</u>	<u>123,773,410</u>	<u>125,770,686</u>	
17,231,171	18,343,416	20,638,875	22,163,330	22,207,904	22,801,093	
18,099,093	19,818,241	21,674,409	25,785,545	28,456,892	31,996,008	
7,277,171	7,430,727	7,587,502	8,506,994	8,719,701	9,360,999	
8,412,271	9,088,693	9,382,752	10,021,489	10,711,796	11,524,905	
25,564,047	20,138,116	27,972,915	36,896,924	36,542,219	53,298,559	
5,179,568	6,879,318	7,518,388	7,090,383	11,940,981	10,448,506	
8,381,599	7,343,728	8,046,683	7,698,552	7,052,015	9,060,707	
-	929,692	313,483	-	3,994,688	-	
<u>90,144,920</u>	<u>89,971,931</u>	<u>103,135,007</u>	<u>118,163,217</u>	<u>129,626,196</u>	<u>148,490,777</u>	
<u>(11,337,904)</u>	<u>(6,874,559)</u>	<u>(4,020,541)</u>	<u>(7,271,778)</u>	<u>(5,852,786)</u>	<u>(22,720,091)</u>	
-	-	-	1,423,235	-	-	
-	575,000	600,000	600,000	3,250,000	750,000	
-	31,945,000	19,915,000	6,201,378	80,110,000	16,798,622	
-	1,209,144	1,361,510	-	573,448	-	
-	(12,803,761)	(20,927,719)	-	(30,175,015)	-	
14,761,767	18,998,512	27,802,722	29,387,915	45,681,150	26,429,303	
<u>(12,523,699)</u>	<u>(16,262,983)</u>	<u>(25,050,299)</u>	<u>(27,547,726)</u>	<u>(44,012,929)</u>	<u>(24,137,608)</u>	
<u>2,238,068</u>	<u>23,660,912</u>	<u>3,701,214</u>	<u>10,064,802</u>	<u>55,426,654</u>	<u>19,840,317</u>	
<u>\$ (9,099,836)</u>	<u>\$ 16,786,353</u>	<u>\$ (319,327)</u>	<u>\$ 2,793,024</u>	<u>\$ 49,573,868</u>	<u>\$ (2,879,774)</u>	
\$ 26,877,769	\$ 21,407,334	\$ 29,621,906	\$ 38,693,259	\$ 39,815,761	\$ 57,032,906	
21.4%	22.1%	21.6%	18.6%	21.1%	20.8%	

**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			
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
2007	5,929,650,836	783,793,471	6,713,444,307	198,475,704	6,514,968,603	0.3711
2008	6,954,733,744	852,374,495	7,807,108,239	303,674,692	7,503,433,547	0.3652

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	
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
2007	0.2164	0.1547	0.3711	1.6406	0.4997	2.5114
2008	0.1960	0.1692	0.3652	1.3238	0.4891	2.1781

Source: Williamson County Tax Office

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

Name of Taxpayer	2008			1999		
	Net Assessed Valuation	Rank	% of Total Net Assessed Valuation	Net Assessed Valuation	Rank	% of Total Net Assessed Valuation
Dell Computer Holdings, LP	\$ 195,290,162	1	2.603%	\$ 124,520,757	1	4.848%
CPG Round Rock, LP	108,535,031	2	1.446%	-	-	-
Baltgem Development Corp.	89,155,876	3	1.188%	-	-	-
Scott & White Memorial Hospital	71,827,805	4	0.957%	-	-	-
Columbia/St. David Healthcare	55,449,016	5	0.739%	-	-	-
Dell Computer Corp.	55,082,430	6	0.734%	-	-	-
Toppan Photomasks, Inc.	46,624,323	7	0.621%	-	-	-
TXU Electric Delivery Co.	40,237,994	8	0.536%	19,096,277	6	0.744%
Drever, Limestone, LP	33,621,294	9	0.448%	-	-	-
2800 LaFrontera #1A, Ltd.	32,309,217	10	0.431%	-	-	-
Res. Of Limestone Ridge, Ltd	-	-	-	29,952,000	2	1.166%
Cypress Semiconductor	-	-	-	24,898,200	3	0.969%
Dupont Photo Mask	-	-	-	22,779,888	4	0.887%
McNeil Consumer Products Co.	-	-	-	19,929,706	5	0.776%
Acquiport Steeplechase Downs	-	-	-	18,850,000	7	0.734%
Southwestern Bell	-	-	-	17,467,339	8	0.680%
Security Capital	-	-	-	16,968,065	9	0.661%
Austin Rocking Horse Ranch	-	-	-	14,167,470	10	0.552%
	<u>\$ 728,133,148</u>		<u>9.703%</u>	<u>\$ 308,629,702</u>		<u>12.017%</u>

Source: Williamson Central Appraisal District

**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
1999	\$ 10,008,185	\$ 9,790,084	97.82%	\$ 209,134	\$ 9,999,218	99.91%
2000	10,941,903	10,686,138	97.66%	244,711	10,930,849	99.90%
2001	12,408,442	12,181,034	98.17%	211,305	12,392,339	99.87%
2002	14,553,616	14,335,048	98.50%	195,763	14,530,811	99.84%
2003	17,293,407	17,129,231	99.05%	145,362	17,274,593	99.89%
2004	18,342,750	18,117,224	98.77%	189,864	18,307,088	99.81%
2005	20,297,131	20,103,093	99.04%	156,134	20,259,227	99.81%
2006	21,439,975	21,260,880	99.16%	141,853	21,402,733	99.83%
2007	24,178,580	24,010,335	99.30%	125,740	24,136,075	99.82%
2008	27,404,040	27,232,914	99.38%	-	27,232,914	99.38%

**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>
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	1,022,046,302	1,164,889,028	271,930,962	23,056,605	13,835,732
2006	1,204,017,407	1,286,347,769	284,232,565	20,117,751	15,736,435
2007	1,145,110,919	1,591,303,790	304,759,747	27,335,653	18,904,449

Source: Texas Comptroller of Public Accounts

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

Due to State of Texas confidentiality issues, names of sales tax payers are not available. The categories presented provide alternative information indicative of sales tax revenue sources.

<u>Construction</u>	<u>Finance, Insurance</u>	<u>Other</u>	<u>Total</u>	<u>City Direct Sales Tax Rate</u>	<u>State Sales Tax Rate</u>	<u>Over- Lapping</u>
\$ 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%
13,971,691	3,994,116	1,247,650	2,013,251,942	2.0%	6.25%	8.25%
16,269,980	1,074,384	4,100,156	2,251,052,286	2.0%	6.25%	8.25%
16,760,649	1,189,215	2,977,318	2,349,433,011	2.0%	6.25%	8.25%
26,144,588	1,323,272	180,746,146	2,703,972,635	2.0%	6.25%	8.25%
26,619,939	1,410,360	62,554,068	2,901,036,294	2.0%	6.25%	8.25%
43,424,237	1,782,201	-	3,132,620,996	2.0%	6.25%	8.25%

**CITY OF ROUND ROCK, TEXAS
HOTEL TAXPAYERS
SEPTEMBER 30, 2008**

<u>Taxpayer</u>	<u>Total Collections Year Ended September 30, 2008</u>	<u>Number of Rooms</u>
Austin Marriott North	\$ 659,925	295
Hilton Garden Inn	226,190	122
Residence Inn	205,214	96
Hampton Inn	199,547	93
Courtyard by Marriott	198,148	113
Springhill Suites	168,183	104
Holiday Inn	137,715	90
La Quinta Inn	124,329	116
Baymont Inn	120,129	93
Staybridge Suites	118,796	81
Wingate Inn	118,274	101
Red Roof Inn	109,311	107
Best Western Executive Inn	83,820	67
Comfort Suites	78,576	62
Extended Stay America # 6030	71,254	138
Country Inn & Suites	70,083	61
Extended Stay America #6197	68,526	104
Candlewood Suites	60,616	98
Days Inn & Suites	49,817	49
Super 8 Motel	47,675	62
Value Place	23,224	121
	<u>\$ 2,939,352</u>	<u>2,173</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
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
2007	594,826	695,452	729,813	818,598	2,838,689
2008	669,345	749,897	806,813	713,297	2,939,352

**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			
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
2007	124,960,000	16,120,000	58,318,074	355,000	199,753,074	7.43%	2,159
2008	120,060,000	15,300,000	71,099,586	8,290,000	214,749,586	7.59%	2,232

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
1999	56,030	\$ 2,568,395	\$ 57,861,000 ⁽²⁾	\$ 1,876,382	\$ 55,984,618	2.18%	\$ 999
2000	60,340	2,976,853	65,004,000 ⁽²⁾	1,471,892	63,532,108	2.13%	1,053
2001	68,835	3,722,637	61,262,000 ⁽²⁾	2,132,743	59,129,257	1.59%	859
2002	73,295	4,498,128	92,640,000 ⁽²⁾	2,074,841	90,565,159	2.01%	1,236
2003	77,600	5,059,033	90,432,000 ⁽²⁾	2,304,816	88,127,184	1.74%	1,136
2004	81,825	5,139,963	106,244,000 ⁽²⁾	2,338,493	103,905,507	2.02%	1,270
2005	86,000	5,331,148	102,151,000 ⁽²⁾	2,600,354	99,550,646	1.87%	1,158
2006	89,800	5,773,483	97,988,000 ⁽²⁾	3,200,508	94,787,492	1.64%	1,056
2007	92,500	6,514,969	141,080,000 ⁽²⁾	3,058,395	138,021,605	2.12%	1,492
2008	96,200	7,503,434	135,360,000 ⁽²⁾	3,431,063	131,928,937	1.76%	1,371

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 \$ 5,142,412 at September 30, 2008.



**CITY OF ROUND ROCK, TEXAS
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
SEPTEMBER 30, 2008**

<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	\$ 135,360,000 *	100.00%	\$ 135,360,000
Round Rock Independent School District	502,241,975 **	33.83%	169,908,460
Williamson County	672,634,942 *	27.13%	182,485,860
Georgetown ISD	144,399,977 **	0.76%	1,097,440
Travis County	<u>534,967,887 *</u>	0.30%	<u>1,604,903</u>
Total	<u>\$ 1,989,604,781</u>		<u>\$ 490,456,663</u>

*Gross Debt as of 9-30-08

**Gross Debt as of 6-30-08

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			
	1999	2000	2001	2002
Debt limit	\$ 460,399,550	\$ 533,617,920	\$ 667,304,112	\$ 806,315,251
Total net debt applicable to limit	<u>45,458,417</u>	<u>53,744,875</u>	<u>50,262,992</u>	<u>82,569,295</u>
Legal debt margin	<u>\$ 414,941,133</u>	<u>\$ 479,873,045</u>	<u>\$ 617,041,120</u>	<u>\$ 723,745,956</u>
Total net debt applicable to the limit as a percentage of debt limit	9.87%	10.07%	7.53%	10.24%

Legal Debt Margin Calculation for Fiscal Year 2008

Total assessed value	<u>\$7,503,433,547</u>
Debt limit - Maximum serviceable at permitted allocation of \$1.50 per \$100 of assessed value	\$ 1,345,033,513
Amount of debt applicable to debt limit:	
Total General Obligation Debt	\$ 135,360,000
Less:	
Amount available in Debt Service Fund	(3,431,063)
Amounts considered self-supporting	<u>(5,142,412)</u>
Total net debt applicable to debt limit	<u>126,786,525</u>
Legal debt margin	<u>\$1,218,246,988</u>

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 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, 2007, assessed valuation of \$ 7,503,433,547 at 100% collection, tax revenue of \$ 112,551,503 would be produced. This revenue could service the debt on \$ 1,345,033,513 issued as 20- year serial bonds at 5.50% (with level debt service payment).

Fiscal Year					
2003	2004	2005	2006	2007	2008
\$ 906,860,750	\$ 921,367,824	\$ 955,638,811	\$ 1,034,929,880	\$ 1,167,845,500	\$ 1,345,033,513
<u>80,541,088</u>	<u>97,029,376</u>	<u>93,578,032</u>	<u>89,029,039</u>	<u>132,491,172</u>	<u>126,786,525</u>
<u>\$ 826,319,662</u>	<u>\$ 824,338,448</u>	<u>\$ 862,060,779</u>	<u>\$ 945,900,841</u>	<u>\$ 1,035,354,328</u>	<u>\$ 1,218,246,988</u>
8.88%	10.53%	9.79%	8.60%	11.34%	9.43%

**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	<u>Debt Service Requirements</u> Principal and Interest	Revenue Bond Coverage
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
2007	31,921,522	21,369,755	10,551,767	5,966	1768.65
2008	36,629,189	24,549,076	12,080,113	153,666	78.61

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

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

**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	(4) School Enrollment	(3) Unemployment Rate
1999	56,030	\$ 1,314,071,590	\$ 23,453	30.0	30,100	1.5%
2000	60,340	1,577,830,660	26,149	30.1	31,572	1.3%
2001	68,835	1,965,376,920	28,552	30.5	32,652	3.9%
2002	73,295	2,185,803,490	29,822	30.8	34,120	4.7%
2003	77,600	2,090,544,000	26,940	31.2	35,579	4.7%
2004	81,825	2,207,556,675	26,979	30.6	36,608	3.1%
2005	86,000	2,423,308,000	28,178	30.5	37,909	3.7%
2006	89,800	2,581,211,200	28,744	30.6	39,112	3.3%
2007	92,500	2,686,755,000	29,046	31.0	40,342	3.5%
2008	96,200	2,831,069,800	29,429	31.2	41,489	4.2%

- 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	2008			1999		
	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
Dell, Inc.	9,000	1	17.95%	9,500	1	29.66%
Round Rock Independent School District	5,200	2	10.37%	3,773	2	11.78%
Sears Customer Care	1,300	3	2.59%	900	3	2.81%
City of Round Rock, Texas	831	4	1.66%	458	8	1.43%
Round Rock Medical Center	710	5	1.42%			
Texas Guaranteed Student Loan	700	6	1.40%			
Scott & White University Medical Campus	600	7	1.20%			
Dresser Wayne, Inc.	550	8	1.10%	490	9	1.53%
Toppan Photomask	368	9	0.73%			
Michael Angelo's Gourmet Foods	350	10	0.70%	525	6	1.64%
Farmer's Insurance				765	4	2.39%
Trend Technologies				550	5	1.72%
Tellabs Texas, Inc.				470	7	1.47%
Westinghouse Motor Company				450	10	1.40%

Source: Round Rock Chamber of Commerce

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

Function:	<u>Full-time Equivalent Employees as of September 30</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>	<u>2007</u>	<u>2008</u>
General government	78	109	120	132	134	142	148	158	163	176
Public safety-										
Police-										
Officers	91	91	100	107	112	119	126	131	135	146
Civilians	31	33	37	42	41	47	47	55	58	62
Fire-										
Firefighters & officers	68	70	72	78	78	90	104	111	119	124
Civilians	3	3	4	4	4	4	4	4	5	5
Public works-										
Street	33	41	49	49	49	48	48	48	48	48
Shop	8	10	14	14	14	14	14	15	15	15
Culture & recreation-										
Library	27	27	23	24	26	27	28	29	29	29
Parks & Recreation	43	62	79	81	83	90	91	93	93	95
Water	60	65	66	78	80	90	93	92	93	95
Sewer	16	21	32	29	32	32	35	35	35	36
Total	458	532	596	638	653	703	738	771	793	831

Source:
Finance Department, City of Round Rock

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

Function:	Fiscal Year			
	1999	2000	2001	2002
Police-				
Arrests	2,389	1,836	1,512	1,735
Accident reports	2,712	2,095	2,675	2,667
Index crimes reported	1,037	1,053	2,061	1,495
Crimes per thousand residents	19.93	20.20	30.90	20.90
Officers per thousand of population	1.73	1.52	1.50	1.50
Fire-				
Incident volume	4,334	4,334	5,109	5,352
Priority calls answered	3,050	3,050	3,236	3,936
Non-emergency calls answered	1,284	1,284	1,873	1,396
Priority calls-response less than 6 minutes	78%	78%	82%	80%
Public Works-				
Street-				
Street resurfacing (lane miles)	76	81	81	84
Potholes repaired annually	N/A	N/A	2,500	2,500
Signals maintained	5	5	28	30
Shop-				
Work orders	2,750	2,975	2,960	2,960
Number of departments served	11	13	13	13
Culture and Recreation-				
Library-				
Number of items circulated	347,290	385,658	435,632	492,493
Number of card holders	26,713	27,333	35,637	37,457
Number of library visits	182,839	200,000	285,176	246,185
Parks & Recreation-				
Total park acres maintained	1,095	1,173	1,173	1,187
Number of athletic fields maintained	38	38	38	38
Number of trees planted	N/A	N/A	N/A	N/A
Number of recreation enrollees	99,586	112,783	255,670	285,242
Water-				
New connections	1,200	1,500	1,800	1,850
Line maintenance work orders	5,800	5,000	5,113	3,267
Average monthly consumption	334,000,000	412,000,000	385,000,000	438,000,000
Sewer-				
Average monthly treatment	245,100,000	234,110,666	262,719,166	262,750,000
Line feet reviewed for infiltration & inflow	30,000	35,000	35,000	77,655

Source: City of Round Rock Finance Department
N/A - Data not available

Fiscal Year					
2003	2004	2005	2006	2007	2008
1,684	2,625	3,592	4,013	3,754	3,749
2,360	2,669	1,942	1,907	1,990	1,728
1,813	1,679	2,326	2,072	2,512	2,449
25.50	21.00	28.30	22.80	27.90	26.10
1.49	1.49	1.50	1.50	1.50	1.50
5,076	5,219	6,709	6,430	7,463	8,400
3,787	3,959	5,376	4,977	4,592	5,100
1,289	1,260	1,333	1,453	2,871	3,000
83%	78%	86%	83%	83%	85%
84	72	71	124	130	135
3,000	3,223	3,223	4,000	4,000	4,000
36	36	42	52	57	59
4,485	4,650	4,468	4,118	5,418	5,618
13	15	15	18	18	19
545,921	648,609	647,343	671,816	725,370	750,000
40,532	42,321	41,448	42,792	44,820	45,500
258,017	288,100	298,996	302,900	306,000	311,000
1,573	1,532	1,532	1,547	1,610	1,610
38	38	38	38	38	38
238	350	325	843	500	772
314,814	330,036	359,128	372,998	371,201	380,000
1,172	1,578	1,228	1,549	1,181	572
3,810	5,938	5,434	4,242	4,400	4,400
447,000,000	439,000,000	474,500,000	553,600,000	432,101,000	552,610,000
263,416,666	286,166,666	287,948,166	303,103,333	327,351,600	359,768,000
110,236	142,817	163,143	181,316	152,515	161,291

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

	Fiscal Year			
	1999	2000	2001	2002
Function:				
Police-				
Number of stations	1	1	1	1
Number of patrol units	79	87	103	103
Fire-				
Number of stations	4	5	5	5
Number of fire trucks	5	5	6	6
Public Works-				
Street-				
Lane miles	201	215	215	220
Drainage miles	81	90	90	92
Number of street lights	4,610	4,610	4,610	4,610
Number of traffic signals	5	5	28	30
Shop-				
Repair facilities	1	1	1	1
Number of bays	10	10	10	10
Culture and Recreation-				
Library-				
Number of library books	95,076	107,262	115,853	130,000
Number of library facilities	1	1	1	1
Parks & Recreation-				
Total park acres	1,095	1,173	1,173	1,187
Number of athletic fields	38	38	38	38
Number of parks	35	57	60	76
Number of tennis courts	9	9	9	9
Number of pools	3	3	3	4
Water-				
Number of miles of water lines	275	299	299	299
Pumping stations	13	14	14	14
Tanks	19	19	19	19
Treatment capacity (millions of gallons/day)	21	27	30	35
Sewer-				
Number of miles of sewer maintained	198	200	220	220
Wastewater lift stations	16	16	16	13

Source: City of Round Rock Finance Department

Fiscal Year

2003	2004	2005	2006	2007	2008
1	1	1	1	1	1
120	126	136	142	186	189
5	5	6	6	6	7
8	9	10	10	11	11
220	266	898	997	1,036	1,124
92	92	92	92	92	100
4,610	4,656	4,702	4,796	5,034	5,264
36	36	42	52	57	59
1	1	1	1	1	1
19	19	19	19	19	19
134,899	150,436	160,559	133,111	147,000	180,397
1	1	1	1	1	1
1,573	1,532	1,532	1,547	1,610	1,610
38	38	38	38	38	38
72	70	52	52	53	53
9	21	23	23	23	23
4	4	4	5	5	5
394	394	425	458	481	487
14	14	14	14	14	14
18	18	18	18	18	18
48	48	48	48	48	48
242	242	355	365	376	392
12	12	11	11	11	12

**CITY OF ROUND ROCK, TEXAS
TOP TEN WATER CUSTOMERS
SEPTEMBER 30, 2008**

<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	328,689,900	5.161%
Williamson County Municipal Utility District # 10	Municipal Utility District	199,701,600	3.136%
Chandler Creek Municipal Utility District	Municipal Utility District	181,694,800	2.853%
Vista Oaks Municipal Utility District	Municipal Utility District	143,792,200	2.258%
Williamson County Municipal Utility District # 11	Municipal Utility District	133,330,000	2.094%
Dell, Inc.	Electronic Equipment	129,734,200	2.037%
Round Rock Independent School District	Public Schools	82,041,900	1.288%
Michael Angelo's	Food Production	68,043,000	1.068%
Walsh Ranch Municipal Utility District	Municipal Utility District	52,121,200	0.818%
Aquasource--Tonkawa Springs	Water Service Provider	<u>51,579,800</u>	<u>0.810%</u>
		<u>1,370,728,600</u>	<u>21.523%</u>

Source: City of Round Rock Finance Department

**CITY OF ROUND ROCK, TEXAS
WATER AND SEWER RETAIL RATES
SEPTEMBER 30, 2008**

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

<u>Volume Rate</u>	<u>Monthly Service Charge</u>	
\$2.13 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	\$ 12.55
	3/4 inch	17.49
	1 inch	27.62
	1 1/2 inch	52.91
	2 inch	83.28
	3 inch	154.12
	4 inch	255.33
	6 inch	796.06
	8 inch	1,391.41
	10 inch	2,185.21
	12 inch	2,681.33

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

<u>Volume Rate</u>	<u>Monthly Service Charge</u>	
\$2.82 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	\$ 11.03
	3/4 inch	14.39
	1 inch	20.64
	1 1/2 inch	37.63
	2 inch	58.02
	3 inch	105.59
	4 inch	173.55
	6 inch	511.52
	8 inch	892.62
	10 inch	1,400.74
	12 inch	1,718.31

* 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.