



# Comprehensive Annual Financial Report

---

**Year Ended September 30, 2004**

---

**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, 2004**

**ELECTED OFFICIALS**

*Nyle Maxwell, Mayor*  
*Alan McGraw, Mayor Pro-tem*  
*Tom Nielson, Council Member*  
*Scot Knight, Council Member*  
*Scott Rhode, Council Member*  
*Gary Coe, 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*

## TABLE OF CONTENTS

### INTRODUCTORY SECTION

	Page
Letter of transmittal .....	3
Organization chart.....	12
Certificate of achievement.....	13

### FINANCIAL SECTION

Independent auditors' report.....	17
Management's discussion and analysis (unaudited) .....	19
Basic financial statements:	
Government-wide financial statements:	
Statement of net assets.....	34
Statement of activities.....	36
Fund financial statements:	
Governmental funds:	
Balance sheet .....	38
Statement of revenues, expenditures and changes in fund balances.....	40
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities .....	42
Statement of revenues, expenditures and changes in fund balance - Budget and actual – General fund .....	43
Statement of revenues, expenditures and changes in fund balance - Budget and actual–Special revenue fund–Round Rock Transportation Development Corporation revenue fund.....	44
Proprietary funds:	
Statement of net assets.....	45
Statement of revenues, expenses and changes in fund net assets .....	47
Statement of cash flows .....	48
Fiduciary fund:	
Statement of fiduciary net assets .....	50
Notes to the financial statements .....	51

**TABLE OF CONTENTS-CONTINUED**

**FINANCIAL SECTION-CONTINUED**

	Page
Combining and individual fund statements and schedules -	
Combining financial statements - Non-major governmental funds:	
Combining balance sheet .....	92
Combining statement of revenues, expenditures and changes in fund balances ...	93
Combining balance sheet – Non-major special revenue funds.....	96
Combining statement of revenues, expenditures and changes in fund balances – Non-major special revenue funds .....	98
Combining balance sheet – Non-major capital projects funds .....	102
Combining statement of revenues, expenditures and changes in fund balances – Non-major capital projects funds.....	104
Project-length schedule of construction projects-All capital projects funds .....	106
 Schedules of revenues, expenditures and changes in fund balances – Budget and actual:	
General fund.....	110
Debt service fund .....	114
Non-major special revenue funds:	
1981 Community Development Block grant .....	115
Street and bridge .....	116
Hotel-motel occupancy tax .....	117
Brown Foundation grant .....	118
Police .....	119
Municipal court.....	120
Landscape .....	121
Convention center revenue .....	122
Community Development Block grant .....	123
Annexation fees .....	124
Library .....	125
 Statement of changes in assets and liabilities – Agency fund.....	128
 Schedule of capital assets - by sources .....	131
Schedule of capital assets - by function and activity .....	132
Schedule of changes in capital assets - by function and activity .....	134

**TABLE OF CONTENTS-CONTINUED**

**STATISTICAL SECTION (UNAUDITED)**

	Page
General revenues by source - Last ten years.....	136
General expenditures by function - Last ten years .....	139
Property tax levies and collections - Last ten years.....	140
Assessed value of taxable property - Last ten years .....	142
Property tax rates - Direct and overlapping governments per \$100 of assessed value - Last ten years .....	144
Special assessment collections - Last ten years .....	145
Ratio of net general bonded debt to assessed value and net bonded debt per capita - Last ten years.....	146
Computation of legal debt margin .....	147
Computation of direct and overlapping debt .....	148
Ratio of annual debt service expenditures for general bonded debt to total general expenditures - Last ten years .....	149
Schedule of revenue bond coverage - Last ten years.....	150
Demographic statistics - Last ten years .....	151
Property value, construction and bank deposits - Last ten years .....	152
Principal taxpayers.....	153
Hotel taxpayers .....	154
Hotel occupancy tax collection history by quarter – Last ten years.....	155
Top ten water customers .....	156
Water and sewer retail rates.....	157
Miscellaneous statistics.....	158



## **INTRODUCTORY SECTION**





**ROUND ROCK, TEXAS**  
PURPOSE. PASSION. PROSPERITY.

December 9, 2004

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, 2004, 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.

**Financial Statement Presentation**

The Comprehensive Annual Financial Report is divided into three sections. The Introductory Section includes the transmittal letter and an organization chart. The Financial Section includes the independent auditors' opinion, management's discussion and analysis (MD&A), the basic financial statements with notes thereto and combining and individual fund statements and schedules. The MD&A is a narrative introduction, overview and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors. The statistical section includes various schedules of unaudited data depicting the financial history of the City over the past ten years as well as demographic and miscellaneous statistics.

**Mayor**  
Nyle Maxwell

**Mayor Pro-tem**  
Alan McGraw

**Council Members**  
Tom Nielson  
Joe Clifford  
Scot Knight  
Scott Rhode  
Gary Coe

**City Manager**  
James R. Nuse, P.E.

**City Attorney**  
Stephan L. Sheets

This page intentionally left blank.

### **Accounting System and Budgetary Control**

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.

Budgetary control is maintained at the subfunction 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 subfunction balances are not released until additional appropriations are made available. The City had no material encumbrances as of September 30, 2004.

### **The Reporting Entity and Its Services**

The City of Round Rock, Texas operates under a Council-Manager form of government with six council members and a mayor. The City Manager is appointed by the City Council and is responsible to them for managing and administering all City affairs.

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

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

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

### **Cash Management**

The City's cash management program supports the goals of maintaining yield, security and liquidity. It is the City's policy to invest all idle cash, maximizing return on investment in compliance with the aforementioned goals. The City continued to participate in the Texas Local Government Investment Pool, an investment program administered by the Comptroller of the State of Texas. The City also invested in treasury and government agency securities and commercial paper. This program has enabled the City to maintain its cash management goals. The amount of investment income earned in fiscal year 2004 was \$2,138,779.

### **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.

### **Significant Local Economic Events**

As indicated in the body of this report, the City's financial condition remains healthy and has continued to improve year after year. The City's strong financial position is a result of prudent fiscal management as well as growth in the local economy experienced over the past several years. It is important to keep in mind the fact that Round Rock is located in the Austin-Round Rock Metropolitan Statistic Area (MSA) and within Williamson County. This area of central Texas has been one of the fastest growing areas in the nation. In March 2001, the 2000 census data was released and indicated that Round Rock, with a population listed at 61,136 had nearly doubled in size during the previous decade. Furthermore, the population growth was evidence that Round Rock was the fastest growing community when compared to cities that had at least 30,000 people in the 1990 census. Another way of looking at the information is that Round Rock grew by almost 100% from 1990 to 2000. Correspondingly, Williamson County, in which Round Rock is the largest city, grew by 79% over this period of time. The County was also one of five counties statewide responsible for 80% of all net migration into Texas for this period. As of the end of fiscal year 2004, Round Rock's population was estimated at 81,825.

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

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

After a decline from 2001 to 2002, sales tax receipts subsequent to fiscal year 2002 rebounded strongly, reflecting a recovering economy. Sales tax receipts for fiscal year 2004 were \$2,714,479 over fiscal year 2003. This figure represents an increase of 8%. Over the past 5 years, sales tax has increased 81% or an average growth rate of 12.6% per year. The sales tax revenue category produced 62.2% of the total revenue available to the City's general fund for this year, while the property tax levy produced 17.6%. Because of reliance on the sales tax, funding for operations is more sensitive to cyclical economic changes. While no adverse economic change is foreseen, financial operations are managed prudently and in anticipation of these economic influences.

Round Rock continues to see a healthy trend in single-family building permits issued with 1,317 permits issued in 2004. This compares to 1,353 permits issued in 2003 and 1,401 issued in 2002. Building activity is expected to remain strong, fueled by in-migration to the community while job creation will continue to remain moderate from the levels seen before the economic slowdown. The unemployment rate in Round Rock stabilized at 3.1% in 2004 and remained lower than the Austin metro and statewide rates at 4.7% and 5.8%, respectively.

Commercial and industrial construction activity has been strong for the past several years and therefore, a good supply of commercial office space is available. For example, in 2003, Texas Guaranteed Student Loan Corporation (TGSLC) purchased a new but vacant 193,000 square foot office building in Round Rock's La Frontera retail/commercial complex. TGSLC is in the process of moving approximately 550 permanent employees and 200 contract employees to the site.

Dell Computer has been in Round Rock since 1994 and continues to be a strong economic force in the community. Through operating efficiencies and successful marketing, Dell continues to show increased earnings. Latest figures show Dell to be up 17% in revenues and 26% in net income compared to the prior year.

Retail activity in Round Rock continues to see strength and expansion. La Frontera, a commercial and retail development west of Interstate 35 along State Highway 45 will provide expanded retail activity as it enters its fifth year in Round Rock. In addition, the Chelsea Property Group finalized its plans for a Premium Outlet retail center to open in fall 2006 north of Chandler Road at Interstate 35 in Round Rock. Chelsea will break ground on the 430,000 square foot, \$100 million project in the spring of 2005 and expects up to 140 high-end boutique and home furnishing tenants in an outdoor village setting. The center is expected to create up to 1,000 jobs, and generate more than \$5 million in local sales and property tax revenues. From 5 million to 7 million shoppers are expected annually to visit the outlet.

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) on 101 donated acres of land in northeast Round Rock. The RRHEC is a multi-institution teaching facility currently providing classes in portable buildings. In conjunction with Texas State University, it is anticipated that the new campus will become a full-service college and play a significant role in the development of the northeast section of Round Rock as well as influence economic activity within the community. The first building of the new campus site is expected to be open and holding classes by the fall of 2005.

Round Rock is also seeing significant expansion in the health care industry. Round Rock Medical Center, which is part of the St. David's network and a full service hospital, recently announced a \$58 million expansion project responding to the needs of the growing community. The first phase, a new three-story tower is expected to open in 2007. The entire expansion when complete will more than double the size of the current facility to 312,000 square feet. Scott and White, another regional healthcare provider, has purchased land for a day-surgery and testing facility in Round Rock and Seton Healthcare Network has purchased 75 acres of land adjacent to the Round Rock Higher Education Center and has announced plans for a hospital anticipated to open by 2010 that will include on-site training for Texas State University's planned nursing school program.

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 2004, 21 hotels with 2,057 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 being planned, Round Rock is marketing its tourism brand as the "Sports Capital of Texas". Tourism is expected to become an expanded component of the City's overall economic development strategy.

In conjunction with the "Sports Capital of Texas" theme, the City's AA minor league baseball team, the Round Rock Express, will become a AAA team in the 2005 season. This expansion will increase Round Rock's exposure across the United States, as the team will be affiliated with the Pacific Coast League and playing in several cities nationwide.

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

To continue to meet the projected service demands of existing and new customers, the water and wastewater utility faces a significant capital improvement program. The City recently completed a 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 were approximately \$12.16 million. Next year, revenue from this sales tax source is estimated to be higher than last year. These funds will help provide major improvements to the City's transportation system, significantly benefiting the local and regional economy.

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

### *Prospects for the Future*

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

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

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

The City recognizes its reliance on sales tax revenue and continues to take measures to effectively manage this significant revenue source. A new financial management policy is expected to be approved by the City Council in fiscal year 2005 and 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.

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

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

### **Independent Audit**

The City Charter requires an annual audit of the books of account, financial records and transactions of all administrative departments of the City by independent certified public accountants selected by the City Council. This requirement has been complied with, and the auditors' opinion has been included in this report.

### Certificate of Achievement

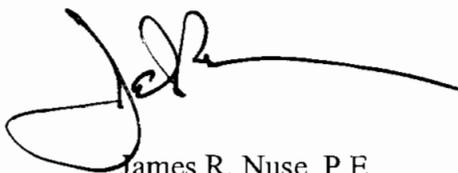
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Round Rock, Texas for its comprehensive annual financial report for the fiscal year ended September 30, 2003. This was the eighteenth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit 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.

### Acknowledgements

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 Peña Swayze & Co., L.L.P. 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,

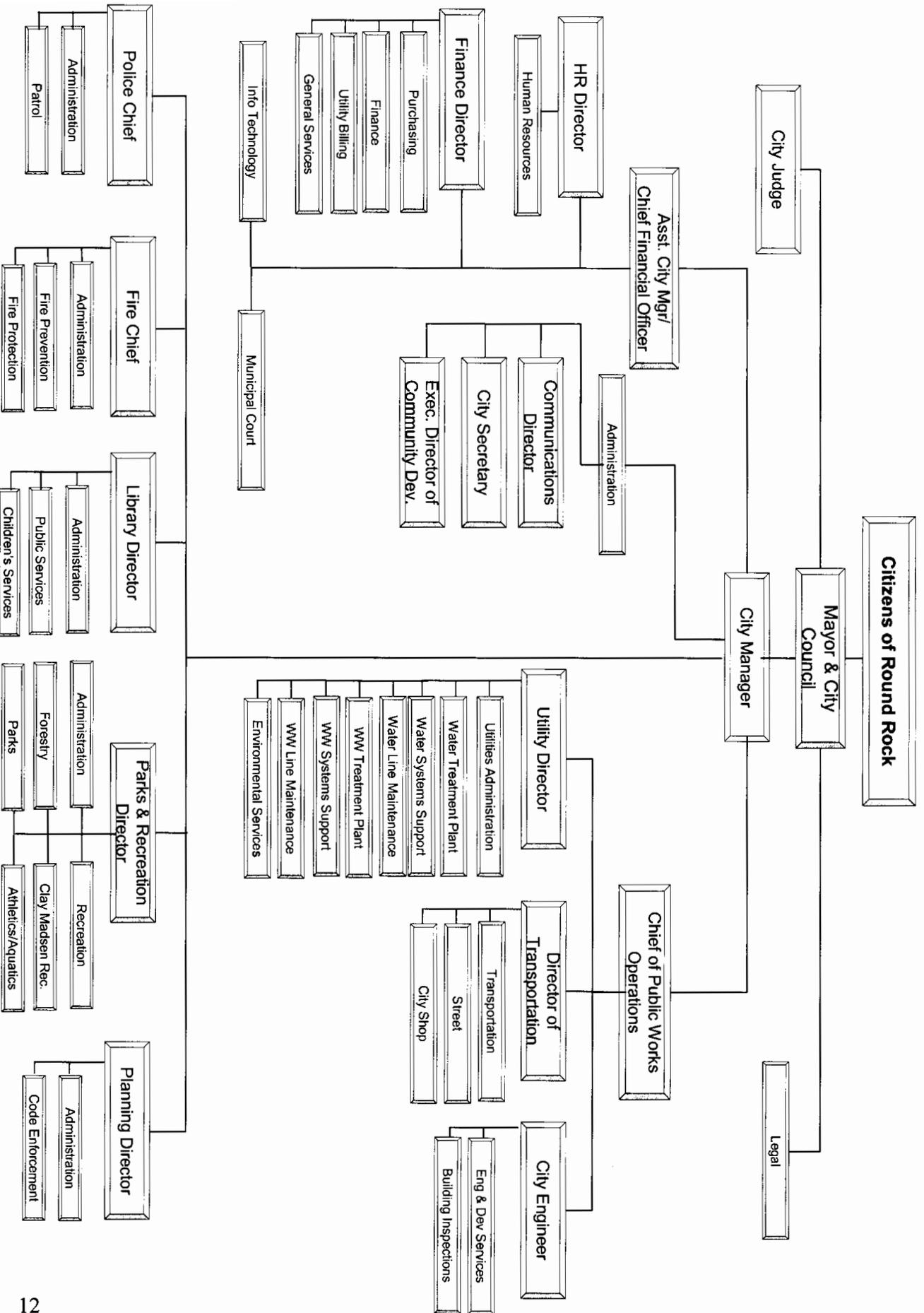


James R. Nuse, P.E.  
City Manager



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, 2003

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.



*Nancy L. Ziehl*

President

*Jeffrey R. Emer*

Executive Director



## **FINANCIAL SECTION**





## ***INDEPENDENT AUDITORS' REPORT***

Honorable Mayor, Members of the  
City Council, and City Manager  
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 of the City of Round Rock, Texas as of and for the year ended September 30, 2004, 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's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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 of the City of Round Rock, Texas as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the general fund and the major special revenue fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The 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 supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the City of Round Rock, Texas basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

December 9, 2004  
Round Rock, Texas

A handwritten signature in black ink, appearing to read "PwC" with a stylized flourish at the end.

**City of Round Rock, Texas**  
**Management's Discussion and Analysis**  
**September 30, 2004**

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, 2004. 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 \$510,278,561 (*net assets*). Of this amount, \$90,381,049 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to its citizens and creditors.
- The City's total net assets increased by \$35,593,537. Approximately 50.7 percent of this increase is a result of contributions from developers.
- As of the close of the current fiscal year, the City of Round Rock's governmental funds reported combined ending fund balances of \$138,937,376, an increase of \$16,786,353 in comparison with the prior year. The increase is primarily a result of the issuance of general obligation debt late in the fiscal year as further described below. Approximately 41 percent of the total fund balance amount, \$56,921,847, 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 \$26,759,957, or 50.1 percent of the total general fund expenditures.
- The City of Round Rock's total debt increased by \$12,335,967 during the current fiscal year. The increase is largely due to the issuance of \$19,435,000 in general obligation debt. Other factors include regularly scheduled debt retirement and savings from a refunding bond issue.

**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, 2004**

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*.

**City of Round Rock, Texas**  
**Management's Discussion and Analysis - continued**  
**September 30, 2004**

The City of Round Rock maintains 27 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, the Round Rock Transportation System Development Corporation (RRTSDC) revenue and project funds and the 2002 and 2004 General Obligation Bond funds, all of which are considered to be major funds. Data from the other 21 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in the report.

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

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

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

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

**City of Round Rock, Texas**  
**Management's Discussion and Analysis - continued**  
**September 30, 2004**

**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 \$510,278,561 as of September 30, 2004.

The largest portion of the City's net assets (72.1%) 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.

With the implementation of GASB Statement No. 34, the City is required to include all of its capital assets, net of accumulated depreciation, and net of related debt, as well as all of its long-term liabilities. Consequently, these long term considerations have a significant impact on the resulting net assets.

An additional portion of the City's net assets (10.2%) represents resources that are subject to external restriction on how they may be utilized. The remaining balance of unrestricted net assets \$90,381,049 may be used to meet the City's ongoing obligations to citizens and creditors.

As of September 30, 2004 and 2003, 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.

**City of Round Rock, Texas**  
**Management's Discussion and Analysis - continued**  
**September 30, 2004**

The following table provides a comparative summary of the City's net assets as of September 30, 2004 and 2003.

City of Round Rock's Net Assets (in 000's)						
	Governmental Activities		Business-Type Activities		Total	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 151,187	\$ 131,398	\$ 53,595	\$ 59,600	\$ 204,782	\$ 190,998
Capital assets	<u>329,902</u>	<u>313,367</u>	<u>156,277</u>	<u>137,907</u>	<u>486,178</u>	<u>451,274</u>
<b>Total assets</b>	<u>481,088</u>	<u>444,765</u>	<u>209,872</u>	<u>197,507</u>	<u>690,960</u>	<u>642,272</u>
Long term liabilities	160,679	146,456	257	1,192	160,936	147,649
Other liabilities	<u>15,977</u>	<u>14,338</u>	<u>3,768</u>	<u>5,601</u>	<u>19,745</u>	<u>19,939</u>
<b>Total liabilities</b>	<u>176,656</u>	<u>160,794</u>	<u>4,025</u>	<u>6,793</u>	<u>180,681</u>	<u>167,587</u>
Net assets:						
Invested in capital assets, net of related debt	213,972	162,113	153,896	133,189	367,868	295,303
Restricted	30,620	62,407	21,410	27,314	52,030	89,721
Unrestricted	<u>59,840</u>	<u>59,450</u>	<u>30,541</u>	<u>30,211</u>	<u>90,381</u>	<u>89,661</u>
<b>Total net assets</b>	<u>\$ 304,432</u>	<u>\$ 283,971</u>	<u>\$ 205,847</u>	<u>\$ 190,714</u>	<u>\$ 510,279</u>	<u>\$ 474,685</u>

**City of Round Rock, Texas**  
**Management's Discussion and Analysis - continued**  
**September 30, 2004**

**Analysis of Changes in Net Assets**

The following table summarizes the changes in the City's net assets from its activities for the fiscal year ended September 30, 2004 with comparisons to the previous year.

City of Round Rock's Changes in Net Assets  
(in 000's)

	Governmental Activities		Business-Type Activities		Total	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenues:						
Program revenues:						
Charges for services	\$ 6,132	\$ 5,920	\$ 25,448	\$ 24,455	\$ 31,581	\$ 30,375
Operating grants and contributions	660	672	-	-	660	672
Capital grants and contributions	11,768	17,982	662	99	12,430	18,081
General revenues:						
Property taxes	18,699	17,463	-	-	18,699	17,463
Franchise taxes	4,687	4,256	-	-	4,687	4,256
Sales tax	48,643	45,024	-	-	48,643	45,024
Hotel occupancy tax	1,650	1,619	-	-	1,650	1,619
Public service taxes	210	205	-	-	210	205
Impact fees	-	-	5,810	6,216	5,810	6,216
Grants and contributions not restricted to specific programs	-	-	8,056	9,207	8,056	9,207
Investment earnings	1,585	1,990	589	902	2,174	2,892
Miscellaneous	122	335	20	-	122	335
<b>Total revenues</b>	<u>94,158</u>	<u>95,466</u>	<u>40,585</u>	<u>40,879</u>	<u>134,743</u>	<u>136,345</u>
Expenses:						
General government	19,714	19,642	-	-	19,714	19,642
Public safety	20,966	19,066	-	-	20,966	19,066
Public works	18,072	16,589	-	-	18,072	16,589
Culture and recreation	10,247	9,326	-	-	10,247	9,326
Interest on long term debt	7,433	7,393	-	-	7,433	7,393
Water and sewer utility	-	-	22,544	20,183	22,544	20,183
Golf course	-	-	173	163	173	163
<b>Total expenses</b>	<u>76,433</u>	<u>72,016</u>	<u>22,717</u>	<u>20,346</u>	<u>99,149</u>	<u>92,362</u>
Increases in net assets before transfers	17,725	23,450	17,868	20,533	35,594	43,983
Transfers	2,736	2,238	(2,736)	(2,238)	-	-
<b>Increase in net assets</b>	<u>20,461</u>	<u>25,688</u>	<u>15,133</u>	<u>18,295</u>	<u>35,594</u>	<u>43,983</u>
Net assets, October 1, 2003	<u>283,971</u>	<u>258,283</u>	<u>190,714</u>	<u>172,419</u>	<u>474,685</u>	<u>430,702</u>
<b>Net assets, September 30, 2004</b>	<u>\$ 304,432</u>	<u>\$ 283,971</u>	<u>\$ 205,847</u>	<u>\$ 190,714</u>	<u>\$ 510,279</u>	<u>\$ 474,685</u>

**City of Round Rock, Texas**  
**Management's Discussion and Analysis - continued**  
**September 30, 2004**

**Governmental activities.** Governmental activities increased the City's net assets by \$20,460,855 or 57.5 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 \$10.2 million and are included in program revenues of public works activities.
- Amounts received for property taxes increased from last year by about 7.1 percent due to the addition of new property, an increase in assessed valuations and continued aggressive collection efforts.
- Sales taxes increased by 8 percent over the prior year as a result of fairly strong population and economic growth along with an improving technology sector.

Overall, general revenues, while not shown by program, are used to fund governmental program activities citywide. Of these, sales taxes are the largest single source of funds comprising 52 percent of total revenues, while property taxes make up 20 percent of total revenues.

Expenses for governmental activities for the City totaled \$76,432,627 for the year ended September 30, 2004. 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 approximately \$21 million, or over 27 percent of total expenses for governmental activities. Most significant are personnel costs which totaled \$17 million.
- Public works program costs totaling \$18.1 million reflect primarily depreciation charges on infrastructure along with expansion of the City's street maintenance and improvement programs and significant personnel costs.

**Business-type activities.** Business-type activities increased the City's net assets by \$15,132,682 or 42.5 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, 2004**

The City's water and sewer utility continues to show improvement 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>2004</u>	<u>2003</u>
Operating revenues	\$ 24,962,107	\$ 24,002,196
Operating income	\$ 2,455,512	\$ 3,797,125
Income available for debt service	\$ 9,115,613	\$ 9,567,353
Annual debt service	\$ 1,279,975	\$ 1,392,358
Coverage	7.12	6.87

In 2003, the City completed a comprehensive utility rate study. Findings from the study indicate 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 3% utility rate increase effective in January 2004. Even with the rate increases, Round Rock water and wastewater rates continue to be among the lowest in the region.

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

**Financial Analysis of the 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, 2004, the City's governmental funds reported combined ending fund balances of \$138,937,376. Approximately 41 percent of this total amount (\$56,921,847) 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 (\$2,338,493), 2) maintain an endowment (\$100,000), 3) fund authorized capital projects (\$79,421,798), or 4) a variety of other restricted purposes (\$155,238).

**City of Round Rock, Texas**  
**Management's Discussion and Analysis - continued**  
**September 30, 2004**

The general fund is the chief operating fund of the City. At the close of the current fiscal year, unreserved fund balance of the general fund was \$26,759,957, while total fund balance reached \$26,783,157. Unreserved fund balance represented 50.1 percent of total general fund expenditures.

The fund balance of the general fund increased by \$1,532,421 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 \$2,338,493 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 (\$33,677). Debt service expenditures increased by \$1,231,662 during the fiscal year but were adequately funded by the debt service portion of the property tax.

The fund balance of the RRTSDC revenue fund was \$31,931,451, an increase of \$4,962,997 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 and both the 2002 and 2004 general obligation bond funds had a combined total fund balance at year-end of \$54,793,822. The collective increase of \$11,513,422 occurred as a result of: 1) the funding of \$19,435,000 in bond proceeds and 2) scheduled project construction activity.

**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 \$29,762,656 at September 30, 2004. The total growth in net assets for the utility was \$15,158,802. The unrestricted net assets represented 14.9 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 \$3,984,630 or 7.1 percent. The amendments were primarily for the following purposes:

- The largest portion of the budget amendments was to reallocate available cash to fund specified capital purchases totaling \$5,945,609.
- Additional funding was provided for the new economic development initiative with the local chamber of commerce.

**City of Round Rock, Texas**  
**Management's Discussion and Analysis - continued**  
**September 30, 2004**

Funding sources for the above items were provided by revenue budget amendments netting a total of \$3,986,157 along with various operational savings and delays implementing budgeted programs. Sales tax revenue amendments were the primary source of additional revenues as described previously.

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

**Capital Assets**

The City of Round Rock's investment in capital assets for its governmental and business-type activities as of September 30, 2004, amounted to \$486,178,299 (net of accumulated depreciation). This investment includes land, buildings and improvements, improvements other than buildings (including infrastructure), machinery and equipment and construction in progress.

Major capital asset events during the year ended September 30, 2004, included the following:

- Work began on a new senior citizen center; total cost is estimated at \$4.6 million and was approximately 20% complete at year-end.
- Work continued on new police and fire facilities; total cost is estimated at \$10.4 million; construction in progress had reached \$3.1 million at year-end.
- A new storage location and facilities for parks and recreation were completed at a cost of \$1.2 million.
- Additional parkland was purchased during the year for \$1.9 million.
- Major arterial and road projects are underway and are in various stages of completion; construction in progress at year-end approximated \$42.6 million.
- Various street, sidewalk and drainage improvement projects were underway with completions totaling \$2.9 million and construction in progress at \$6.9 million at year-end.
- Developers contributed infrastructure improvements for governmental activities of \$10 million and \$7.9 million for water and sewer system infrastructure improvements.
- A 20 million gallon per day expansion of the water treatment plant was completed at a cost of \$17 million.
- The second phase of the east side water main transmission line was completed at a cost of \$2.8 million and the third phase had begun at an estimated cost of \$2 million.

**City of Round Rock, Texas**  
**Management's Discussion and Analysis - continued**  
**September 30, 2004**

- A new 2.7 million gallon water storage tank was completed at a cost of \$2.9 million.
- A wastewater interceptor line with related facilities was purchased for \$5.1 million.
- Phases 2 and 3 of the sanitary sewer evaluation and rehabilitation program are underway at a total estimated cost of \$4.3 million; construction in progress was \$1.3 million at year-end.
- Various wastewater systems improvements were underway at a total estimated cost of \$12.6 million.

	Capital Assets (in 000's)					
	Governmental Activities		Business-Type Activities		Total	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 19,005	\$ 17,107	\$ 2,545	\$ 2,451	\$ 21,550	\$ 19,558
Buildings and Improvements	47,606	43,893	21,710	21,689	69,316	65,582
Improvements Other Than Buildings	312,737	298,193	161,505	123,043	474,242	421,236
Machinery and Equipment	28,407	26,313	7,195	6,862	35,602	33,175
Accumulated Depreciation	(133,277)	(118,051)	(40,915)	(34,816)	(174,192)	(152,867)
Construction in Progress	<u>55,424</u>	<u>45,912</u>	<u>4,238</u>	<u>18,677</u>	<u>59,662</u>	<u>64,589</u>
<b>Total</b>	<b>\$ <u>329,902</u></b>	<b>\$ <u>313,367</u></b>	<b>\$ <u>156,277</u></b>	<b>\$ <u>137,907</u></b>	<b>\$ <u>486,179</u></b>	<b>\$ <u>451,274</u></b>

Additional information on the City of Round Rock's capital assets can be found in Note 4 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 \$166,294,372. Of this amount, \$106,244,000 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 \$12,335,967 during the current fiscal year. The increase is largely due to the issuance of \$19,435,000 in general obligation debt for street, traffic safety and sidewalk improvements along with police, fire and municipal office facilities.

**City of Round Rock, Texas**  
**Management's Discussion and Analysis - continued**  
**September 30, 2004**

During the current fiscal year, the City refinanced some existing debt to take advantage of favorable interest rates. The issuance of \$12,510,000 in general obligation refunding bonds to advance refund outstanding debt will reduce debt service payments over the next 23 years by \$696,178 and result in an economic gain of \$637,244.

	Long-Term Debt (in 000's)					
	Governmental Activities		Business-Type Activities		Total	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
General obligation bonds	\$ 87,965	\$ 70,265	\$ -	\$ -	\$ 87,965	\$ 70,265
Certificates of obligation	18,279	20,167	-	-	18,279	20,167
Hotel tax revenue bonds	8,545	8,580	-	-	8,545	8,580
Sales tax revenue bonds	23,550	24,465	-	-	23,550	24,465
State infrastructure bank loans	26,748	28,123	-	-	26,748	28,123
Water and wastewater revenue bonds	<u>-</u>	<u>-</u>	<u>1,207</u>	<u>2,359</u>	<u>1,207</u>	<u>2,359</u>
<b>Total</b>	<b>\$ <u>165,087</u></b>	<b>\$ <u>151,600</u></b>	<b>\$ <u>1,207</u></b>	<b>\$ <u>2,359</u></b>	<b>\$ <u>166,294</u></b>	<b>\$ <u>153,959</u></b>

The City of Round Rock received bond ratings of AA- and Aa3 with stable outlooks from Standard & Poor's and Moody's respectively, in July 2004. These ratings affirmed those previously issued.

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, 2003 certified assessed valuation of \$5,139,962,817 at 95% collection, tax revenue of \$77,099,442 would be produced. This revenue could service the debt on \$921,367,824 issued as 20-year serial bonds at 5.50% (with level debt service payment). The resulting legal debt margin is \$824,338,448.

The City had authorized but unissued bonds totaling \$36,385,000 at September 30, 2004; general obligation bonds of \$34,800,000 and water and wastewater system revenue bonds of \$1,585,000.

Additional information on the City's long-term debt can be found in Note 5 to the financial statements.

**City of Round Rock, Texas**  
**Management's Discussion and Analysis - continued**  
**September 30, 2004**

**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 need to continue to provide basic and improved customer services for a growing population. The fiscal year 2004-2005 budget plan adopted by the City Council adheres to the City's financial policies and preserves the City's strong financial position while providing excellent levels of service.

Revenue assumptions for fiscal year 2004-2005 are expected to generally follow the growth curve of job creation, population growth and housing starts. Revenue growth estimates, in general, are predicted to grow by 3 percent. Some specific revenues, such as property tax revenue and sales tax revenue, are forecast using historical results or specific calculations.

Major new programs in the general fund continue to focus on public safety and expansion of the City's economic development effort. The new programs include the addition of 23.75 new full-time equivalent positions. Of that number, 14 positions are for public safety personnel including 7 new police officers and 7 new firefighters. The budget also includes increased funding for economic development and the City's new senior activity center.

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

- Additional resources for the City's development review process;
- An additional facility maintenance position;
- The continuing street maintenance program;
- Fleet and equipment replacement;
- A contract management position to help ensure contract accountability;
- Storm sewer management program.

In August 2003, the City completed a water/wastewater utility rate study conducted by an independent rate consulting firm. Implementation of recommendations from the study began in January 2004. The fiscal year 2004-2005 budget includes an average 3% increase in water and wastewater rates. Future rate adjustments will be reviewed and implemented as needed.

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 expanded water treatment plant operations and water transmission lines maintenance. The treatment plant treats surface water transported to the City through a pipeline from Lake Georgetown. The water utility budget provides funding for additional personnel to monitor the increasing number of distribution lines in the City. Additionally, cost increases are expected in pumping costs, materials and supplies.

**City of Round Rock, Texas**  
**Management's Discussion and Analysis - continued**  
**September 30, 2004**

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 pipeline is expected to be substantially complete in 2004. The Brazos River Authority owns, operates and maintains the water line. The budget includes capital and operating costs associated with this regional water line.

The City 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. Funding is included in the budget for an additional wastewater line repair crew dedicated to inflow and infiltration repairs associated with the required TCEQ rehabilitation program.

**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, 2004**

	Governmental Activities	Business-Type Activities	Total
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 29,311,565	\$ 8,070,057	\$ 37,381,622
Investments	33,150,445	17,226,945	50,377,390
Receivables (net of allowances for uncollectibles)-			
Property taxes, including			
interest and penalties	387,050	-	387,050
Accounts & other	1,061,659	4,095,813	5,157,472
Loans	42,381	-	42,381
Accrued interest	240,592	83,779	324,371
Internal balances	(127,509)	127,509	-
Assessments	907,578	-	907,578
Intergovernmental	62,174	20,000	82,174
Inventories	65,842	99,714	165,556
Other current assets	32,129	141,042	173,171
Restricted assets -			
Cash and cash equivalents	67,461,291	19,457,705	86,918,996
Investments	15,879,584	3,986,740	19,866,324
Property taxes receivable	364,509	-	364,509
Accounts receivable	-	270,366	270,366
Accrued interest	23,151	15,111	38,262
Deferred charges, net	2,324,328	-	2,324,328
Capital assets, net	329,901,555	156,276,744	486,178,299
Total assets	481,088,324	209,871,525	690,959,849

(continued)

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

**CITY OF ROUND ROCK, TEXAS**

**STATEMENT OF NET ASSETS - CONTINUED**

**SEPTEMBER 30, 2004**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 2,957,785	\$ 1,306,155	\$ 4,263,940
Accrued payroll	553,743	82,934	636,677
Accrued compensated absences payable	1,289,700	195,163	1,484,863
Capital lease obligations payable	383,570	-	383,570
Payable from restricted assets -			
Accounts payable	1,410,604	159,612	1,570,216
Accrued interest	1,325,730	10,482	1,336,212
Customer deposits	-	776,725	776,725
Current portion of long-term debt	7,094,850	970,000	8,064,850
Deferred revenues	960,851	267,109	1,227,960
Noncurrent liabilities, net of current portion	<u>160,679,495</u>	<u>256,780</u>	<u>160,936,275</u>
Total liabilities	<u>176,656,328</u>	<u>4,024,960</u>	<u>180,681,288</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	213,971,965	153,895,969	367,867,934
Temporarily restricted for:			
Debt service	1,464,577	1,334,193	2,798,770
Capital projects	29,055,021	20,075,787	49,130,808
Permanently restricted for:			
Nonexpendable endowment	100,000	-	100,000
Unrestricted	59,840,433	30,540,616	90,381,049
Total net assets	<u>\$ 304,431,996</u>	<u>\$ 205,846,565</u>	<u>\$ 510,278,561</u>

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

**CITY OF ROUND ROCK, TEXAS**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED SEPTEMBER 30, 2004**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 19,713,687	\$ 1,409,825	\$ 458,484	\$ -
Public safety	20,966,487	1,712,535	201,789	19,628
Public works	18,072,178	872,929	-	11,748,001
Culture and recreation	10,246,850	2,137,179	-	776
Interest on long-term debt	7,433,425	-	-	-
Total governmental activities	<u>76,432,627</u>	<u>6,132,468</u>	<u>660,273</u>	<u>11,768,405</u>
<b>Business-type activities:</b>				
Water and sewer utility	22,543,579	24,962,107	-	661,869
Golf course	173,136	486,097	-	-
Total business-type activities	<u>22,716,715</u>	<u>25,448,204</u>	<u>-</u>	<u>661,869</u>
Total primary government	<u>\$ 99,149,342</u>	<u>\$ 31,580,672</u>	<u>\$ 660,273</u>	<u>\$ 12,430,274</u>

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

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>			
General government	\$ (17,845,378)	\$ -	\$ (17,845,378)
Public safety	(19,032,535)	-	(19,032,535)
Public works	(5,451,248)	-	(5,451,248)
Culture and recreation	(8,108,895)	-	(8,108,895)
Interest on long-term debt	(7,433,425)	-	(7,433,425)
Total governmental activities	<u>(57,871,481)</u>	<u>-</u>	<u>(57,871,481)</u>
<b>Business-type activities:</b>			
Water and sewer utility	-	3,080,397	3,080,397
Golf course	-	312,961	312,961
Total business-type activities	<u>-</u>	<u>3,393,358</u>	<u>3,393,358</u>
Total primary government	<u>(57,871,481)</u>	<u>3,393,358</u>	<u>(54,478,123)</u>
<b>General revenues:</b>			
<b>Taxes:</b>			
Property taxes, levied for general purpose	10,561,923	-	10,561,923
Property taxes, levied for debt service	8,137,455	-	8,137,455
Franchise taxes	4,687,213	-	4,687,213
Sales tax	48,642,969	-	48,642,969
Hotel occupancy tax	1,650,148	-	1,650,148
Public service taxes	210,090	-	210,090
Impact fees	-	5,810,326	5,810,326
Grants and contributions not restricted to specific programs	-	8,056,091	8,056,091
Unrestricted investment earnings	1,585,398	588,816	2,174,214
Miscellaneous	121,610	19,621	141,231
Transfers	2,735,530	(2,735,530)	-
Total general revenues and transfers	<u>78,332,336</u>	<u>11,739,324</u>	<u>90,071,660</u>
Change in net assets	20,460,855	15,132,682	35,593,537
Net assets-beginning	<u>283,971,141</u>	<u>190,713,883</u>	<u>474,685,024</u>
Net assets-ending	<u>\$ 304,431,996</u>	<u>\$ 205,846,565</u>	<u>\$ 510,278,561</u>

CITY OF ROUND ROCK, TEXAS

GOVERNMENTAL FUNDS  
BALANCE SHEET

SEPTEMBER 30, 2004

<u>ASSETS</u>	General Fund	Debt Service Fund	Round Rock Transportation System Development Corporation Revenue Fund
Cash and cash equivalents	\$ 7,158,108	\$ -	\$ 4,071,060
Investments	33,150,445	-	-
Receivables (net of allowances for uncollectibles) -			
Property taxes, including interest and penalties	387,050	-	-
Accounts and other	594,028	-	-
Loans	23,200	-	-
Accrued interest	181,939	-	-
Interfund receivables	203,190	12,952	-
Assessments	-	-	-
Intergovernmental	62,174	-	-
Inventories	65,842	-	-
Other current assets	32,129	-	-
Restricted assets -			
Cash and cash equivalents	-	2,430,876	26,240,000
Investments	-	-	3,966,320
Receivables -			
Property taxes, including interest and penalties	-	364,509	-
Accrued interest	-	525	1,563
Total assets	<u>\$ 41,858,105</u>	<u>\$ 2,808,862</u>	<u>\$ 34,278,943</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities-			
Accounts payable	\$ 2,442,749	\$ -	\$ -
Accrued payroll	550,066	-	-
Accrued interest	-	108,442	-
Interfund payables	11,731,056	18,555	2,347,492
Deferred revenue	351,077	343,372	-
Total liabilities	<u>15,074,948</u>	<u>470,369</u>	<u>2,347,492</u>
Fund balances -			
Reserved for federal seizure	-	-	-
Reserved for non-current loans receivable	23,200	-	-
Reserved for debt service	-	2,338,493	-
Reserved for nonexpendable endowments	-	-	-
Reserved for authorized construction	-	-	30,207,883
Unreserved, reported in-			
General fund	26,759,957	-	-
Special revenue funds	-	-	1,723,568
Capital projects funds	-	-	-
Permanent fund	-	-	-
Total fund balances	<u>26,783,157</u>	<u>2,338,493</u>	<u>31,931,451</u>
Total liabilities and fund balances	<u>\$ 41,858,105</u>	<u>\$ 2,808,862</u>	<u>\$ 34,278,943</u>

The accompanying notes are an integral part of this statement.

Round Rock Transportation System Development Corporation Project Fund	2002 General Obligation Bonds Fund	2004 General Obligation Bonds Fund	Other Governmental Funds	Total Governmental Funds
\$ 8,501,009	\$ -	\$ -	\$ 7,153,641	\$ 26,883,818
-	-	-	-	33,150,445
-	-	-	-	387,050
-	-	-	2,945	596,973
-	-	-	19,181	42,381
-	-	-	58,778	240,717
334,643	-	-	12,810,958	13,361,743
-	-	-	907,578	907,578
-	-	-	-	62,174
-	-	-	-	65,842
-	-	-	-	32,129
2,819,800	20,775,551	11,842,721	3,352,342	67,461,290
-	3,967,296	7,945,968	-	15,879,584
-	-	-	-	364,509
-	5,686	15,252	-	23,026
<u>\$ 11,655,452</u>	<u>\$ 24,748,533</u>	<u>\$ 19,803,941</u>	<u>\$ 24,305,423</u>	<u>\$ 159,459,259</u>
\$ 95,359	\$ 1,318,745	\$ -	\$ 247,881	\$ 4,104,734
-	-	-	-	550,066
-	-	-	-	108,442
-	-	-	6,238	14,103,341
-	-	-	960,851	1,655,300
<u>95,359</u>	<u>1,318,745</u>	<u>-</u>	<u>1,214,970</u>	<u>20,521,883</u>
-	-	-	112,857	112,857
-	-	-	19,181	42,381
-	-	-	-	2,338,493
-	-	-	100,000	100,000
2,767,392	23,429,788	19,803,941	3,212,794	79,421,798
-	-	-	-	26,759,957
-	-	-	3,795,829	5,519,397
8,792,701	-	-	15,841,181	24,633,882
-	-	-	8,611	8,611
<u>11,560,093</u>	<u>23,429,788</u>	<u>19,803,941</u>	<u>23,090,453</u>	<u>138,937,376</u>
<u>\$ 11,655,452</u>	<u>\$ 24,748,533</u>	<u>\$ 19,803,941</u>	<u>\$ 24,305,423</u>	

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.	329,901,555
Other long-term assets are not available to pay for current-period expenditures and; therefore, are deferred in the funds.	694,449
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.	3,239,192
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(168,340,576)
Net assets of governmental activities	<u>\$ 304,431,996</u>

CITY OF ROUND ROCK, TEXAS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES

YEAR ENDED SEPTEMBER 30, 2004

	General Fund	Debt Service Fund	Round Rock Transportation System Development Corporation Revenue Fund
<b>Revenues -</b>			
Taxes and franchise, including interest and penalties	\$ 51,552,727	\$ 8,029,977	\$ 12,160,742
Licenses, permits and fees	577,236	-	-
Charges for services	3,727,507	-	-
Fines and forfeitures	1,235,122	-	-
Assessments	-	-	-
Intergovernmental	382,270	-	-
Hotel occupancy tax	-	-	-
Investment and other	1,200,211	54,654	370,547
Contributions	-	-	-
Total revenues	<u>58,675,073</u>	<u>8,084,631</u>	<u>12,531,289</u>
<b>Expenditures -</b>			
<b>Current -</b>			
General government	17,971,640	-	-
Public safety	19,768,706	-	-
Public works	7,246,727	-	184,000
Culture and recreation	8,424,970	-	-
<b>Debt service -</b>			
Principal retirement	-	6,879,318	-
Interest and fiscal charges	-	7,343,728	-
Bond issuance costs	-	224,783	-
Advance refunding escrow	-	345,000	-
Capital projects	-	-	-
Total expenditures	<u>53,412,043</u>	<u>14,792,829</u>	<u>184,000</u>
Excess (deficiency) of revenues over expenditures	<u>5,263,030</u>	<u>(6,708,198)</u>	<u>12,347,289</u>
<b>Other financing sources (uses) -</b>			
Lease purchase proceeds	575,000	-	-
Bond proceeds - including refunding bonds	-	12,510,000	-
Premium on long-term debt issued	-	518,544	-
Payment to refunded bond escrow agent	-	(12,803,761)	-
Transfers in	1,640,000	6,517,387	-
Transfers out	(5,945,609)	(295)	(7,384,292)
Total other financing sources (uses)	<u>(3,730,609)</u>	<u>6,741,875</u>	<u>(7,384,292)</u>
Net change in fund balance	<u>1,532,421</u>	<u>33,677</u>	<u>4,962,997</u>
Fund balances, October 1, 2003	<u>25,250,736</u>	<u>2,304,816</u>	<u>26,968,454</u>
Fund balances, September 30, 2004	<u>\$ 26,783,157</u>	<u>\$ 2,338,493</u>	<u>\$ 31,931,451</u>

The accompanying notes are an integral part of this statement.

Round Rock Transportation System Development Corporation Project Fund	2002 General Obligation Bonds Fund	2004 General Obligation Bonds Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 71,743,446
-	-	-	102,518	679,754
-	-	-	-	3,727,507
-	-	-	51,632	1,286,754
-	-	-	305,993	305,993
-	-	-	363,772	746,042
-	-	-	1,650,148	1,650,148
129,663	297,155	38,250	241,047	2,331,527
-	-	-	626,201	626,201
<u>129,663</u>	<u>297,155</u>	<u>38,250</u>	<u>3,341,311</u>	<u>83,097,372</u>
-	-	-	371,776	18,343,416
-	-	-	49,535	19,818,241
-	-	-	-	7,430,727
-	-	-	663,723	9,088,693
-	-	-	-	6,879,318
-	-	-	-	7,343,728
-	-	359,909	-	584,692
-	-	-	-	345,000
<u>5,707,621</u>	<u>6,383,289</u>	<u>-</u>	<u>8,047,206</u>	<u>20,138,116</u>
<u>5,707,621</u>	<u>6,383,289</u>	<u>359,909</u>	<u>9,132,240</u>	<u>89,971,931</u>
<u>(5,577,958)</u>	<u>(6,086,134)</u>	<u>(321,659)</u>	<u>(5,790,929)</u>	<u>(6,874,559)</u>
-	-	-	-	575,000
-	-	19,435,000	-	31,945,000
-	-	690,600	-	1,209,144
-	-	-	-	(12,803,761)
3,373,573	-	-	7,467,552	18,998,512
-	-	-	(2,932,787)	(16,262,983)
<u>3,373,573</u>	<u>-</u>	<u>20,125,600</u>	<u>4,534,765</u>	<u>23,660,912</u>
<u>(2,204,385)</u>	<u>(6,086,134)</u>	<u>19,803,941</u>	<u>(1,256,164)</u>	<u>16,786,353</u>
<u>13,764,478</u>	<u>29,515,922</u>	<u>-</u>	<u>24,346,617</u>	<u>122,151,023</u>
<u>\$ 11,560,093</u>	<u>\$ 23,429,788</u>	<u>\$ 19,803,941</u>	<u>\$ 23,090,453</u>	<u>\$ 138,937,376</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, 2004

---

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

Net change in fund balance-total governmental funds	\$ 16,786,353
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.	5,722,212
The net effect of various miscellaneous transactions involving capital assets (ie. sales, disposals, and donations) is to increase net assets.	10,812,349
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	249,529
The issuance of long-term debt (ie. 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. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long- term debt and related items.	(13,116,370)
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.	(438,913)
Internal service funds are used to charge the costs of self-funded insurance to the individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities.	<u>445,695</u>
Change in net assets of governmental activities	<u>\$ 20,460,855</u>

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

**CITY OF ROUND ROCK, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL**

**GENERAL FUND**

**YEAR ENDED SEPTEMBER 30, 2004**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
<b>Revenues -</b>				
Taxes and franchise, including interest and penalties	\$ 51,552,727	\$ 47,589,000	\$ 51,604,000	\$ (51,273)
Licenses, permits and fees	577,236	549,000	549,000	28,236
Charges for services	3,727,507	3,473,850	3,566,669	160,838
Fines and forfeitures	1,235,122	1,029,800	1,179,800	55,322
Intergovernmental	382,270	175,000	396,338	(14,068)
Investment and other	1,200,211	1,322,700	829,700	370,511
Total revenues	<u>58,675,073</u>	<u>54,139,350</u>	<u>58,125,507</u>	<u>549,566</u>
<b>Expenditures -</b>				
Current -				
General government	17,971,640	17,553,925	18,395,925	424,285
Public safety	19,768,706	20,578,479	19,968,193	199,487
Public works	7,246,727	9,644,134	7,380,695	133,968
Culture and recreation	8,424,970	8,574,645	8,645,391	220,421
Total expenditures	<u>53,412,043</u>	<u>56,351,183</u>	<u>54,390,204</u>	<u>978,161</u>
Excess (deficiency) of revenues over expenditures	<u>5,263,030</u>	<u>(2,211,833)</u>	<u>3,735,303</u>	<u>1,527,727</u>
<b>Other financing sources (uses) -</b>				
Lease purchase proceeds	575,000	575,000	575,000	-
Transfers in	1,640,000	1,640,000	1,640,000	-
Transfers out	(5,945,609)	-	(5,945,609)	-
Total other financing sources (uses)	<u>(3,730,609)</u>	<u>2,215,000</u>	<u>(3,730,609)</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other uses	<u>1,532,421</u>	<u>\$ 3,167</u>	<u>\$ 4,694</u>	<u>\$ 1,527,727</u>
Fund balance, October 1, 2003	<u>25,250,736</u>			
Fund balance, September 30, 2004	<u>\$ 26,783,157</u>			

*The accompanying notes are an integral part of this 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, 2004**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues -				
Sales tax	\$ 12,160,742	\$ 11,016,667	\$ 11,016,667	\$ 1,144,075
Investment and other	370,547	125,000	125,000	245,547
Total revenues	<u>12,531,289</u>	<u>11,141,667</u>	<u>11,141,667</u>	<u>1,389,622</u>
Expenditures -				
Current -				
Public works	<u>184,000</u>	<u>184,000</u>	<u>184,000</u>	<u>-</u>
Total expenditures	<u>184,000</u>	<u>184,000</u>	<u>184,000</u>	<u>-</u>
Excess of revenues over expenditures	<u>12,347,289</u>	<u>10,957,667</u>	<u>10,957,667</u>	<u>1,389,622</u>
Other financing sources (uses)-				
Transfers out	<u>(7,384,292)</u>	<u>(7,394,870)</u>	<u>(7,394,870)</u>	<u>10,578</u>
Total other financing uses	<u>(7,384,292)</u>	<u>(7,394,870)</u>	<u>(7,394,870)</u>	<u>10,578</u>
Excess of revenues over expenditures and other financing uses	<u>4,962,997</u>	<u>\$ 3,562,797</u>	<u>\$ 3,562,797</u>	<u>\$ 1,400,200</u>
Fund balance, October 1, 2003	<u>26,968,454</u>			
Fund balance, September 30, 2004	<u>\$ 31,931,451</u>			

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

**CITY OF ROUND ROCK, TEXAS**

**PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS**

**SEPTEMBER 30, 2004**

	Business-Type Activities Enterprise Funds		Total	Governmental
	Water and Sewer Fund	Golf Course Fund		Internal Service
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 7,587,782	\$ 482,275	\$ 8,070,057	\$ 2,427,747
Investments	17,226,945	-	17,226,945	-
Receivables (net of allowance for uncollectibles of \$743,757) -				
Accounts	4,095,813	-	4,095,813	464,686
Accrued interest	83,779	-	83,779	-
Interfund	-	-	-	909,550
Intergovernmental	20,000	-	20,000	-
Inventories	99,714	-	99,714	-
Other current assets	140,818	224	141,042	-
Total current assets	<u>29,254,851</u>	<u>482,499</u>	<u>29,737,350</u>	<u>3,801,983</u>
Noncurrent assets:				
Restricted cash, cash equivalents, and investments:				
Customer deposits	776,725	-	776,725	-
Revenue bond covenant accounts	1,581,250	-	1,581,250	-
Impact fees	13,946,289	-	13,946,289	-
Construction	7,140,181	-	7,140,181	-
Restricted accounts and accrued interest receivable:				
Impact fees	285,477	-	285,477	-
Total noncurrent assets	<u>23,729,922</u>	<u>-</u>	<u>23,729,922</u>	<u>-</u>
Capital assets, (net of accumulated depreciation of \$40,915,269)	<u>150,997,829</u>	<u>5,278,915</u>	<u>156,276,744</u>	<u>-</u>
Total assets	<u>203,982,602</u>	<u>5,761,414</u>	<u>209,744,016</u>	<u>3,801,983</u>

(continued)

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

CITY OF ROUND ROCK, TEXAS

PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS - CONTINUED

SEPTEMBER 30, 2004

	Business-Type Activities Enterprise Funds		Total	Governmental Activities
	Water and Sewer Fund	Golf Course Fund		Internal Service
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Accounts payable	\$ 1,306,155	\$ -	\$ 1,306,155	\$ 267,331
Accrued payroll	82,934	-	82,934	-
Accrued interest	10,482	-	10,482	-
Interfund payables	167,952	-	167,952	-
Accrued compensated absences payable	195,163	-	195,163	-
Current liabilities payable from restricted assets:				
Accounts payable	159,612	-	159,612	-
Customer deposits	776,725	-	776,725	-
Revenue bonds	970,000	-	970,000	-
Total current liabilities	<u>3,669,023</u>	<u>-</u>	<u>3,669,023</u>	<u>267,331</u>
Noncurrent liabilities:				
Deferred revenue	267,109	-	267,109	-
Revenue bonds payable	236,925	-	236,925	-
Accrued compensated absences payable	19,855	-	19,855	-
Total noncurrent liabilities	<u>523,889</u>	<u>-</u>	<u>523,889</u>	<u>-</u>
Total liabilities	<u>4,192,912</u>	<u>-</u>	<u>4,192,912</u>	<u>267,331</u>
Net assets:				
Invested in capital assets, net of related debt	148,617,054	5,278,915	153,895,969	-
Restricted for:				
Debt service	1,334,193	-	1,334,193	-
Capital projects	20,075,787	-	20,075,787	-
Unrestricted	29,762,656	482,499	30,245,155	3,534,652
Total net assets	<u>\$ 199,789,690</u>	<u>\$ 5,761,414</u>	<u>205,551,104</u>	<u>\$ 3,534,652</u>

Reconciliation to government-wide statement of net assets:

Adjustment to reflect the cumulative net profit of the internal  
service fund that was allocated to enterprise fund functions.

Net assets of business-type activities

295,461  
\$ 205,846,565

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

CITY OF ROUND ROCK, TEXAS

PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

YEAR ENDED SEPTEMBER 30, 2004

	Business-Type Activities- Enterprise Funds		Total	Governmental Activities
	Water and Sewer Fund	Golf Course Fund		Internal Service
Operating revenues -				
Charges for services	\$ 24,962,107	\$ 486,097	\$ 25,448,204	\$ 5,966,333
Total operating revenues	<u>24,962,107</u>	<u>486,097</u>	<u>25,448,204</u>	<u>5,966,333</u>
Operating expenses -				
Personal services	5,385,325	-	5,385,325	-
Contractual services	8,002,443	-	8,002,443	894,472
Supplies	618,519	-	618,519	-
Materials	923,823	9,941	933,764	-
Heat, light and power	1,427,724	-	1,427,724	-
Claims expense	-	-	-	4,554,772
Bad debts	109,566	-	109,566	-
Depreciation	6,039,195	163,195	6,202,390	-
Total operating expenses	<u>22,506,595</u>	<u>173,136</u>	<u>22,679,731</u>	<u>5,449,244</u>
Operating income	<u>2,455,512</u>	<u>312,961</u>	<u>2,768,473</u>	<u>517,089</u>
Non-operating revenues (expenses) -				
Investment and other revenues	620,906	7,530	628,436	22,050
Interest and fiscal charges	<u>(130,428)</u>	<u>-</u>	<u>(130,428)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>490,478</u>	<u>7,530</u>	<u>498,008</u>	<u>22,050</u>
Income before contributions and transfers	<u>2,945,990</u>	<u>320,491</u>	<u>3,266,481</u>	<u>539,139</u>
Contributions and transfers				
Contributions - impact fees	5,810,326	-	5,810,326	-
Contributions - other	823,755	-	823,755	-
Developer contributions - infrastructure	7,874,205	-	7,874,205	-
Transfers out	<u>(2,295,474)</u>	<u>(440,055)</u>	<u>(2,735,529)</u>	<u>-</u>
Total contributions and transfers	<u>12,212,812</u>	<u>(440,055)</u>	<u>11,772,757</u>	<u>-</u>
Change in net assets	<u>15,158,802</u>	<u>(119,564)</u>	<u>15,039,238</u>	<u>539,139</u>
Net assets, October 1, 2003	<u>184,630,888</u>	<u>5,880,978</u>		<u>2,995,513</u>
Net assets, September 30, 2004	<u>\$ 199,789,690</u>	<u>\$ 5,761,414</u>		<u>\$ 3,534,652</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.	93,444
Change in net assets of business-type activities	<u>\$ 15,132,682</u>

The accompanying notes are an integral part of this statement.

# CITY OF ROUND ROCK, TEXAS

## PROPRIETARY FUNDS STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2004

	Business Type Activities- Enterprise Funds		Total	Governmental Activities
	Water and Sewer Fund	Golf Course		Internal Service
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 24,605,965	\$ 486,097	\$ 25,092,062	\$ 68,325
Cash received from other funds for services provided	-	-	-	6,117,398
Cash payments to suppliers for goods and services	(12,418,741)	(24,660)	(12,443,401)	(5,423,404)
Cash payments to employees for services	(4,711,613)	-	(4,711,613)	-
Cash payments to other funds for services	(878,285)	-	(878,285)	-
Net cash provided by operating activities	<u>6,597,326</u>	<u>461,437</u>	<u>7,058,763</u>	<u>762,319</u>
<b>Cash flows from noncapital financing activities:</b>				
Transfers to other funds	(2,295,474)	(440,055)	(2,735,529)	-
Net cash used for noncapital financing activities	<u>(2,295,474)</u>	<u>(440,055)</u>	<u>(2,735,529)</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>				
Receipts of capital contributions	6,634,081	-	6,634,081	-
Acquisition and construction of capital assets	(17,043,628)	(46,985)	(17,090,613)	-
Proceeds from sale of capital assets	20,795	-	20,795	-
Principal paid on revenue bonds	(1,185,000)	-	(1,185,000)	-
Collection of loans	39,089	-	39,089	-
Interest and fiscal charges paid	(97,797)	-	(97,797)	-
Net cash used by capital and related financing activities	<u>(11,632,460)</u>	<u>(46,985)</u>	<u>(11,679,445)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>				
Purchase of investments	(10,948,515)	-	(10,948,515)	-
Proceeds from sale of investments	19,480,372	-	19,480,372	-
Investment and other income	749,242	7,530	756,772	22,050
Net cash provided by investing activities	<u>9,281,099</u>	<u>7,530</u>	<u>9,288,629</u>	<u>22,050</u>
Net increase (decrease) in cash and cash equivalents	1,950,491	(18,073)	1,932,418	784,369
Cash and cash equivalents at beginning of year	<u>25,094,996</u>	<u>500,348</u>	<u>25,595,344</u>	<u>1,643,378</u>
Cash and cash equivalents at end of year	<u>\$ 27,045,487</u>	<u>\$ 482,275</u>	<u>\$ 27,527,762</u>	<u>\$ 2,427,747</u>

(continued)

**CITY OF ROUND ROCK, TEXAS**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS - CONTINUED**

**YEAR ENDED SEPTEMBER 30, 2004**

	Business-Type Activities Enterprise Funds		Total	Governmental
	Water and Sewer Fund	Golf Course		Internal Service
<u>Reconciliation of Cash and Cash Equivalents to Proprietary Fund Statement of Net Assets</u>				
Cash and cash equivalents	\$ 7,587,782	\$ 482,275	\$ 8,070,057	\$ 2,427,747
Restricted assets -				
Cash and cash equivalents	<u>19,457,705</u>	<u>-</u>	<u>19,457,705</u>	<u>-</u>
Cash and cash equivalents	<u>\$ 27,045,487</u>	<u>\$ 482,275</u>	<u>\$ 27,527,762</u>	<u>\$ 2,427,747</u>
 <u>Reconciliation of operating income to net cash provided by operating activities</u>				
Operating income	\$ 2,455,512	\$ 312,961	\$ 2,768,473	\$ 517,089
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	6,039,195	163,195	6,202,390	-
Provision for bad debts	109,566	-	109,566	-
(Increase) in receivables	(429,056)	-	(429,056)	(430,662)
Decrease in interfund receivables	-	-	-	570,764
(Increase) decrease in other assets	46,046	(224)	45,822	-
Increase (decrease) in accounts payable	(1,505,842)	(14,495)	(1,520,337)	105,128
(Decrease) in accrued payroll	(109,797)	-	(109,797)	-
(Decrease) in interfund payables	(104,534)	-	(104,534)	-
Increase in payables				
from restricted assets	86,478	-	86,478	-
Increase in compensated absences	9,758	-	9,758	-
Total adjustments	<u>4,141,814</u>	<u>148,476</u>	<u>4,290,290</u>	<u>245,230</u>
Net cash provided by operations	<u>\$ 6,597,326</u>	<u>\$ 461,437</u>	<u>\$ 7,058,763</u>	<u>\$ 762,319</u>

**NOTES:**

(1) Noncash capital and related financing activities:

In fiscal year 2004, the Water and Sewer Fund had \$ 7,874,205 in capital assets contributed, amortized \$ 33,075 of deferred loss on refunding of debt, and recognized \$ 112,987 in unrealized investment losses.

**CITY OF ROUND ROCK, TEXAS**

**FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET ASSETS**

**SEPTEMBER 30, 2004**

---

AGENCY FUND

Encino Plaza Public  
Improvement District

ASSETS

Cash and cash equivalents	<u>\$ 930,528</u>
Total assets	<u><u>\$ 930,528</u></u>

LIABILITIES

Liabilities -	
Due to participants	<u>\$ 930,528</u>
Total liabilities	<u><u>\$ 930,528</u></u>

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

**TABLE OF CONTENTS**

<b>Note</b>		<b>Page</b>
1	Summary of Principal Accounting Policies	53
2	Reconciliation of Government-wide and Fund Financial Statements	68
3	Property Taxes	70
4	Capital Assets	71
5	Bonded Debt	73
6	Interfund Receivables, Payables and Transfers	78
7	Restricted Assets	80
8	Employee Retirement Plan	80
9	Lease Purchases Payable	83
10	Accrued Compensated Absences	83
11	Cash and Investments	84
12	Municipal Golf Course	86
13	Commitments and Contingencies	86



---

**NOTE 1 – SUMMARY OF PRINCIPAL ACCOUNTING POLICIES**

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

**(A) Reporting Entity**

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

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

**Blended component unit**

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

**(B) Basis of Presentation-Government-wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. GASB Statement No. 34 requires certain supplementary information. Management's Discussion and Analysis includes an analytical overview of the City's financial activities. In addition, budgetary comparison statements are presented that compare the adopted and amended budgets of the General Fund and the Round Rock Transportation System Development Corporation Special Revenue Fund with their actual results.

---

NOTE 1 – SUMMARY OF PRINCIPAL 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.

---

NOTE 1 – SUMMARY OF PRINCIPAL 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, and the 2002 and 2004 General Obligation Bond capital projects funds. 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.

---

NOTE 1 – SUMMARY OF PRINCIPAL 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 twelve groups of funds within the Special Revenue Fund 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*
- *Brown Foundation Grant Fund*
- *Police Special Revenue Fund*
- *Municipal Court Fund*
- *Landscape Fund*
- *Convention Center Revenue Fund*
- *Round Rock Transportation System Development Corporation Revenue Fund*
- *Community Development Block Grant Fund*
- *Annexation Fees Fund*
- *Library Fund*

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

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

---

NOTE 1 – SUMMARY OF PRINCIPAL 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*
- *1995 Series Certificates of Obligation (Yard and Fire Improvements Fund)*
- *Park Development*
- *1990 Series Certificates of Obligation (City Hall Complex)*
- *Self-Financed Construction*
- *1997 Series Certificates of Obligation (Streets and Public Safety Improvements)*
- *1998 Series General Obligation Bonds (Public Works, Police and Parks Facilities Improvements)*
- *Round Rock Transportation System Development Corporation*
- *1999 Series Hotel Tax Revenue Bonds (Convention Center Complex)*
- *2000 Series Certificates of Obligation (Municipal Complex, Park Land & Streets)*
- *2002 Series General Obligation Bonds*
- *2004 Series General Obligation Bonds*

The Round Rock Transportation System Development Corporation capital project fund, the 2002 Series General Obligation Bonds and the 2004 Series General Obligation Bonds are considered major funds in the fund financial statements. The Round Rock Transportation System Development Corporation fund accounts for transportation system improvements funded by sales tax revenues. The 2002 Series GO Bonds fund accounts for the costs of public service and public safety facilities and streets and related improvements. The 2004 Series GO Bonds fund accounts for street, traffic safety and sidewalk improvement projects, and improvements and equipment for police, fire and municipal office facilities.

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

---

NOTE 1 – SUMMARY OF PRINCIPAL 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 Encino Plaza Public Improvement District Fund.

**(F) Non-current Governmental Assets/Liabilities:**

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

**(G) Basis of Accounting****(1) 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.

---

NOTE 1 – SUMMARY OF PRINCIPAL ACCOUNTING POLICIES- continued**(G) Basis of Accounting-continued****(2) Fund Financial Statements**

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

**Governmental Funds****Revenue Recognition**

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

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

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

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

---

NOTE 1 – SUMMARY OF PRINCIPAL ACCOUNTING POLICIES- continued**(G) Basis of Accounting-continued****Governmental Funds-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.

---

**NOTE 1 – SUMMARY OF PRINCIPAL ACCOUNTING POLICIES- continued*****(H) Budgets and Budgetary Accounting***

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

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

NOTE 1 – SUMMARY OF PRINCIPAL ACCOUNTING POLICIES- continued**(H) Budgets and Budgetary Accounting-continued**

Budgeted amounts are as originally adopted, or as amended by the City Council on October 14, 2004. Amendments to Special Revenue and Debt Service Funds were not material to the original appropriations. The original budget of the General Fund was amended twice during 2004. The following table compares original to final budgets.

	Original Budget	Amendments Increase (Decrease)	Final Budget
<b>Revenues -</b>			
Taxes and franchise, including interest and penalties	\$ 47,589,000	\$ 4,015,000	\$ 51,604,000
Licenses, permits and fees	549,000	-	549,000
Charges for services	3,473,850	92,819	3,566,669
Fines and forfeitures	1,029,800	150,000	1,179,800
Intergovernmental	175,000	221,338	396,338
Investment and other	1,322,700	(493,000)	829,700
Total revenues	<u>54,139,350</u>	<u>3,986,157</u>	<u>58,125,507</u>
<b>Expenditures -</b>			
<b>Current -</b>			
General government	17,553,925	842,000	18,395,925
Public safety	20,578,479	(610,286)	19,968,193
Public works	9,644,134	(2,263,439)	7,380,695
Culture and recreation	8,574,645	70,746	8,645,391
Total expenditures	<u>56,351,183</u>	<u>(1,960,979)</u>	<u>54,390,204</u>
Excess (deficiency) of revenues over expenditures	<u>(2,211,833)</u>	<u>5,947,136</u>	<u>3,735,303</u>
<b>Other financing sources (uses) -</b>			
Lease purchase proceeds	575,000	-	575,000
Transfers in	1,640,000	-	1,640,000
Transfers out	-	(5,945,609)	(5,945,609)
Total other financing sources (uses)	<u>2,215,000</u>	<u>(5,945,609)</u>	<u>(3,730,609)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>\$ 3,167</u>	<u>\$ 1,527</u>	<u>\$ 4,694</u>

---

NOTE 1 – SUMMARY OF PRINCIPAL ACCOUNTING POLICIES- continued**(I) Encumbrances**

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

**(J) 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.

**(K) 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.

**(L) 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 greater than 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.

NOTE 1 – SUMMARY OF PRINCIPAL ACCOUNTING POLICIES- continued**(L) 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 \$130,428.

**(M) 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. Premium 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.

---

**NOTE 1 – SUMMARY OF PRINCIPAL ACCOUNTING POLICIES- continued****(M) 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.

**(N) 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.

---

**NOTE 1 – SUMMARY OF PRINCIPAL ACCOUNTING POLICIES- continued****(O) 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.

**(P) 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.

**(Q) 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.

---

**NOTE 1 – SUMMARY OF PRINCIPAL ACCOUNTING POLICIES- continued*****(O) Fund Balance/Net Assets - continued***

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

## 1) Fund balance components:

- i. Federal seizure – reserved for expenditures on law enforcement expenditures as authorized by state law for asset forfeiture monies.
- ii. Non-current loans receivable – reserved for loans receivable that are not due within the next year.
- iii. Debt service – reserved for the retirement of general long-term debt.
- iv. Nonexpendable endowment – reserved for the principal amount of the original contribution.
- v. Authorized construction – reserved to fund capital projects.
- vi. 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. Self-insurance – restricted for future claims.
- v. Nonexpendable endowment – restricted for the principal amount of the original contribution.
- vi. Unrestricted – no limitations are imposed on the use of net assets.

***(R) 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 revenue in the Enterprise Fund.

NOTE 1 – SUMMARY OF PRINCIPAL ACCOUNTING POLICIES- continued**(S) 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.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**(A) Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental fund balance sheet includes 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	\$ 165,087,447
Plus: Issuance premium (to be amortized against interest expense)	1,209,140
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(1,364,406)
Less: Deferred charge on refunding (to be amortized over life of debt)	(959,920)
Accrued interest payable	1,217,288
Capital leases payable	772,001
Compensated absences	<u>2,379,026</u>
Net adjustment to reduce <i>fund balance- total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 168,340,576</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes 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	\$ 21,386,215
Depreciation expense	<u>(15,664,003)</u>
Net adjustment to increase <i>net changes in fund balances- total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 5,722,212</u>

---

NOTE 2 – 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 that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals, and donations) is to increase net assets.” The details of this difference are as follows:

Donations	\$ 10,862,256
Net book value – assets transferred from the Water and Sewer Fund	5,589
Asset disposals	<u>( 55,496)</u>
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 10,812,349</u>

Another element of that 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 \$ 13,116,370 difference are as follows:

Debt issued	
Issuance of Series 2004 General Obligation Bonds	\$ 31,945,000
Plus premium	1,209,140
Less issuance costs	( 584,691)
Less advance refunding escrow	( 345,000)
Capital lease financing	575,000
Principal payments	
Governmental bonded debt	( 6,342,107)
Capital leases	( 537,211)
Payment to escrow agent for refunding	<u>( 12,803,761)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> .	<u>\$ 13,116,370</u>

NOTE 2 – 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 that 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:

Compensated absences	\$ ( 233,127)
Accrued interest	( 116,088)
Amortization of issuance costs	<u>( 89,698)</u>
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (438,913)</u>

NOTE 3 – PROPERTY TAXES

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 County 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 2003 tax roll. The tax rate, based on total taxable assessed valuation of \$ 5,139,962,817 was \$.35715 on each \$100 valuation and was allocated to the General Fund and Debt Service Fund at \$.20183 and \$.15532 respectively.

Property taxes receivable at September 30, 2004, consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Current year levy	\$ 164,285	\$ 126,424	\$ 290,709
Prior years' levies	<u>276,772</u>	<u>279,810</u>	<u>556,582</u>
	441,057	406,234	847,291
Less - allowance for uncollectible taxes	<u>(54,007)</u>	<u>(41,725)</u>	<u>(95,732)</u>
	<u>\$ 387,050</u>	<u>\$ 364,509</u>	<u>\$ 751,559</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.

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2004 was as follows:

	October 1, 2003	Additions/ Completions	Retirements/ Adjustments	September 30, 2004
<b><u>Governmental Activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 17,107,324	\$ 1,908,897	\$ 11,490	\$ 19,004,731
Construction in progress	45,911,925	20,023,308	10,511,202	55,424,031
Total capital assets not being depreciated	<u>63,019,249</u>	<u>21,932,205</u>	<u>10,522,692</u>	<u>74,428,762</u>
Capital assets being depreciated:				
Buildings and improvements	342,085,775	18,294,191	37,000	360,342,966
Equipment	26,312,658	2,559,028	464,892	28,406,794
Total capital assets being depreciated	<u>368,398,433</u>	<u>20,853,219</u>	<u>501,892</u>	<u>388,749,760</u>
Less accumulated depreciation for:				
Building and improvements	101,533,935	12,167,512	-	113,701,447
Equipment	16,516,754	3,496,491	437,725	19,575,520
Total accumulated depreciation	<u>118,050,689</u>	<u>15,664,003</u>	<u>437,725</u>	<u>133,276,967</u>
Total capital assets being depreciated, net	<u>250,347,744</u>	<u>5,189,216</u>	<u>64,167</u>	<u>255,472,793</u>
Governmental activities capital assets, net	<u>\$ 313,366,993</u>	<u>\$ 27,121,421</u>	<u>\$ 10,586,859</u>	<u>\$ 329,901,555</u>
<b><u>Business-type activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 2,451,223	\$ 93,281	\$ -	\$ 2,544,504
Construction in progress	18,677,232	16,985,104	31,424,628	4,237,708
Total capital assets not being depreciated	<u>21,128,455</u>	<u>17,078,385</u>	<u>31,424,628</u>	<u>6,782,212</u>
Capital assets being depreciated:				
Buildings and improvements	144,731,794	38,482,829	-	183,214,623
Equipment	6,862,409	445,354	112,585	7,195,178
Total capital assets being depreciated	<u>151,594,203</u>	<u>38,928,183</u>	<u>112,585</u>	<u>190,409,801</u>
Less accumulated depreciation for:				
Building and improvements	30,204,571	5,426,577	-	35,631,148
Equipment	4,611,329	775,814	103,022	5,284,121
Total accumulated depreciation	<u>34,815,900</u>	<u>6,202,391</u>	<u>103,022</u>	<u>40,915,269</u>
Total capital assets being depreciated, net	<u>116,778,303</u>	<u>32,725,792</u>	<u>9,563</u>	<u>149,494,532</u>
Business-type activities capital assets, net	<u>\$ 137,906,758</u>	<u>\$ 49,804,177</u>	<u>\$ 31,434,191</u>	<u>\$ 156,276,744</u>

NOTE 4 – CAPITAL ASSETS - continued

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

Governmental activities:	
General government	\$ 1,253,567
Public safety	1,659,361
Public works	11,051,610
Culture and recreation	<u>1,699,465</u>
Total depreciation expense-governmental activities	<u>\$ 15,664,003</u>
Business-type activities:	
Water and sewer utility	\$ 6,039,196
Golf course	<u>163,195</u>
Total depreciation expense-business-type activities	<u>\$ 6,202,391</u>

Major construction contracts in progress from inception to September 30, 2004, consisted of the following:

	Project Authorization	Expended to 9-30-04	Committed	Future Financing
Projects funded principally by general obligation debt –				
Streets, parks, library, public safety and general improvements	\$ 9,792,069	\$ 8,987,830	\$ 804,239	NONE
Streets and other improvements	5,583,203	5,580,593	2,610	NONE
Public safety, streets & public service facilities	28,492,539	12,337,556	16,154,983	NONE
Municipal complex, parkland and streets	10,740,815	10,247,700	493,115	NONE
Yard site and fire improvements	1,563,819	1,563,819	-	NONE
Self-financed construction	30,989,048	28,304,914	2,684,134	NONE
Round Rock Transportation System— road improvements	102,237,506	71,555,314	30,682,192	NONE
Convention Center Complex	<u>20,451,591</u>	<u>20,451,591</u>	-	NONE
	<u>\$ 209,850,590</u>	<u>\$ 159,029,317</u>	<u>\$ 50,821,273</u>	
Projects funded by revenue bonds and developer contributions -				
Utility line improvements	\$ 12,865,919	\$ 12,395,012	\$ 470,907	NONE
Self-financed construction	<u>76,633,822</u>	<u>70,574,861</u>	<u>6,058,961</u>	NONE
	<u>\$ 89,499,741</u>	<u>\$ 82,969,873</u>	<u>\$ 6,529,868</u>	

**NOTE 5 – BONDED DEBT**

The following is a summary of bond transactions of the City for the year ended September 30, 2004, (in thousands of dollars):

	Balance October 1, 2003	Increases	Decreases	Balance September 30, 2004
<b><u>Governmental Activities:</u></b>				
Bonds	\$ 70,265	\$ 31,945	\$ ( 14,245)	\$ 87,965
Certificates	20,167	-	( 1,888)	18,279
Hotel Tax Revenue	8,580	-	( 35)	8,545
State Infrastructure Bank Loan	28,123	-	( 1,375)	26,748
Sales Tax Revenue	24,465	-	( 915)	23,550
Plus deferred amount: For issuance premium	-	1,209	-	1,209
Subtotal-Governmental Bonded Debt	<u>151,600</u>	<u>33,154</u>	<u>( 18,458)</u>	<u>166,296</u>
<b><u>Business-Type Activities:</u></b>				
Revenue	<u>2,359</u>	<u>-</u>	<u>( 1,152)</u>	<u>1,207</u>
Total	<u>\$ 153,959</u>	<u>\$ 33,154</u>	<u>\$ ( 19,610)</u>	<u>\$ 167,503</u>

CITY OF ROUND ROCK, TEXAS

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

SEPTEMBER 30, 2004

NOTE 5 – BONDED DEBT -continued

Bonds and certificates of obligation payable at September 30, 2004, were comprised of the following individual issues, not including the unamortized premium of \$1,209,000 of the Series 2004 GO & Refunding issue (in thousands of dollars):

<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding 9-30-04</u>
<b><u>Governmental Activities:</u></b>			
<b><u>General Obligation Bonds</u></b>			
Series 1996 / 8-15-96	4.50 - 5.80%	\$ 13,125	\$ 1,255
Series 1997 / 11-15-97 Refunding	4.10 - 5.25%	5,300	4,625
Series 1998 / 7-9-98	4.80 - 6.75%	8,905	8,635
Series 2002 / 5-9-02 GO & Refunding	3.25 - 5.50%	45,465	41,505
Series 2004 / 8-12-04 GO & Refunding	2.00 - 5.25%	<u>31,945</u>	<u>31,945</u>
		<u>104,740</u>	<u>87,965</u>
<b><u>Certificates of Obligation</u></b>			
Series 1975 / 8-1-75	5.00%	69	9
Series 1995 / 3-15-95	4.60 - 6.25%	7,940	1,425
Series 1997 / 4-15-97	5.25 - 6.50%	5,185	4,305
Series 1998 / 7-9-98	4.40 - 6.40%	2,550	2,090
Series 2000 / 5-25-00	5.00 - 6.25%	<u>10,750</u>	<u>10,450</u>
		<u>26,494</u>	<u>18,279</u>
<b><u>Hotel Tax Revenue Bonds</u></b>			
Series 1999 / 3-25-99	5.00 - 5.85%	<u>8,605</u>	<u>8,545</u>
<b><u>State Infrastructure Bank Loans</u></b>			
Series 2000 / 8-28-00	4.60%	16,000	12,726
Series 2002 / 7-31-02	4.50%	<u>15,000</u>	<u>14,022</u>
		<u>31,000</u>	<u>26,748</u>
<b><u>Sales Tax Revenue Bonds</u></b>			
Series 2001 / 5-15-01	3.90 - 5.50%	<u>25,890</u>	<u>23,550</u>
<b>Total Governmental Bonded Debt</b>		<b><u>\$ 196,729</u></b>	<b><u>\$ 165,087</u></b>
<b><u>Business-type Activities:</u></b>			
<b><u>Revenue Bonds</u></b>			
Series 1987 / 2-1-87	5.30 - 8.3 %	\$ 2,910	\$ 525
Series 1995 / 7-15-95 Refunding	3.85 - 5.1 %	<u>7,220</u>	<u>682</u>
<b>Total Business-Type Activities Bonded Debt</b>		<b><u>\$ 10,130</u></b>	<b><u>\$ 1,207</u></b>

**NOTE 5 – BONDED DEBT - continued**

The annual requirements to amortize all bonded and certificate of obligation debt at September 30, 2004, including interest, are as follows (in thousands of dollars):

**Governmental Activities:**

Year Ended September 30,	General Obligation Debt		Hotel Tax Revenue		State Infrastructure Bank Loan		Sales Tax Revenue		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
	2005	\$ 4,598	\$ 5,379	\$ 45	\$ 490	\$ 1,437	\$ 1,216	\$ 950	
2006	3,988	5,080	50	488	1,502	1,151	990	1,117	14,366
2007	3,573	4,902	55	485	1,571	1,082	1,030	1,078	13,776
2008	4,300	4,720	275	477	1,642	1,011	1,070	1,037	14,532
2009	3,885	4,531	290	463	1,718	936	1,115	993	13,931
2010-2014	22,535	19,779	1,725	2,041	9,838	3,428	6,365	4,162	69,873
2015-2019	28,770	13,622	2,295	1,465	5,870	1,395	8,130	2,405	63,952
2020-2024	27,045	5,832	3,080	685	3,170	290	3,900	311	44,313
2025-2027	7,550	749	730	21	-	-	-	-	9,050
	<u>\$ 106,244</u>	<u>\$ 64,594</u>	<u>\$ 8,545</u>	<u>\$ 6,615</u>	<u>\$ 26,748</u>	<u>\$ 10,509</u>	<u>\$ 23,550</u>	<u>\$ 12,258</u>	<u>\$ 259,063</u>

**Business-type Activities:**

Year Ended September 30,	Revenue		Total
	Principal	Interest	
	2005	\$ 1,004	
2006	203	14	217
	<u>\$ 1,207</u>	<u>\$ 59</u>	<u>\$ 1,266</u>

In prior years, the City defeased certain certificates of obligation and 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, 2004, \$ 15,910,000 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, 2004, amounted to \$ 36,385,000.

---

**NOTE 5 – BONDED 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, 2004, the amount of debt outstanding was \$ 1,520,000.

In August, 2004 the City issued \$ 19,435,000 in General Obligation Bonds Series 2004 for street, traffic safety and sidewalk improvement projects, improvements and equipment for police, fire and municipal office facilities.

In addition, the City advance refunded portions of Series 1995 Combination Tax and Revenue Certificates of Obligation and Series 1996 General Obligation and Refunding Bonds. The net proceeds of the \$12,510,000 of general obligation bonds (after payment of \$ 142,963 in underwriting fees, insurance and other issuance costs) plus an additional \$ 345,000 of interest and sinking fund monies were used to purchase U.S. government securities. Those securities were deposited into irrevocable trusts with an escrow agent for the purpose of generating resources for all future debt service payments for the refunded debt. As a result, the refunded bonds are considered defeased, and the debt for these bonds has been removed from the City's financial statements.

This advance refunding will reduce the total debt service payments over the next 23 years by \$696,178, and will result in an economic gain (ie. the difference between the present value of the debt service payments of the refunded debt and the refunding bonds) of \$ 637,244.

**(A) 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, aggregating \$ 716,588 at September 30, 2004, 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, aggregating \$ 864,662 at September 30, 2004, 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. At September 30, 2004, the required reserve totaled \$ 650,184. 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.

NOTE 5 – BONDED DEBT – continued**(B) Hotel Tax Revenue Bonds:**

The debt service fund for the hotel tax revenue bonds, aggregating \$ 335,069 at September 30, 2004, 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 \$ 722,804 at September 30, 2004. 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.

**(C) 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 \$ 232,436 at September 30, 2004, 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.

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables as of September 30, 2004 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt service	\$ 18,555
	Water and Sewer	1,175
	Round Rock Transportation System Development Corporation Revenue	183,460
Debt service	General Fund	12,952
Self-Financed Construction	General Fund	10,981,569
	Round Rock Transportation System Development Corporation Revenue	1,829,389
Round Rock Transportation System Development Corporation Project	Round Rock Transportation System Development Corporation Revenue	334,643
Internal Service	General Fund	736,535
	Water and Sewer	166,777
	Hotel-Motel Tax Occupancy Tax Fund	<u>6,238</u>
		<u>\$ 14,271,293</u>

The balance of \$10,981,569 due to the self-financed construction fund from the general fund resulted from scheduled transfers to fund approved capital programs. The balance of \$1,829,389 due to the self-financed construction fund from the Round Rock Transportation System Development Corporation fund represents a reimbursement due for capital outlay initially funded from general revenues.

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

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - continued

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, 2004, transfers were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund -		
Water and Sewer Fund	\$ 1,640,000	\$ -
Nonmajor Governmental Funds	-	5,945,609
	<u>1,640,000</u>	<u>5,945,609</u>
Debt Service Fund-		
Water and Sewer Fund	655,474	-
Golf Course Fund	440,055	-
Round Rock Transportation Development Corporation Revenue Fund	4,749,292	-
Nonmajor Governmental Funds	672,566	295
	<u>6,517,387</u>	<u>295</u>
Round Rock Transportation Development Corporation Revenue Fund-		
Round Rock Transportation Development Corporation Project Fund	-	2,635,000
Debt Service Fund	-	4,749,292
	<u>-</u>	<u>7,384,292</u>
Round Rock Transportation Development Corporation Project Fund-		
Round Rock Transportation Development Corporation Revenue Fund	2,635,000	-
Nonmajor Governmental Funds	738,573	-
	<u>3,373,573</u>	<u>-</u>
Nonmajor Governmental Funds -		
General Fund	5,945,609	-
Debt Service Fund	295	672,566
Round Rock Transportation Development Corporation Project Fund	-	738,573
Nonmajor Governmental Funds	1,521,648	1,521,648
	<u>7,467,552</u>	<u>2,932,787</u>
Water and Sewer Fund-		
General Fund	-	1,640,000
Debt Service Fund	-	655,474
	<u>-</u>	<u>2,295,474</u>
Golf Course Fund-		
Debt Service Fund	-	440,055
	<u>-</u>	<u>440,055</u>
	<u>\$ 18,998,512</u>	<u>\$ 18,998,512</u>

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.

**NOTE 7 – RESTRICTED ASSETS**

The following summarizes restricted assets by purpose at September 30, 2004:

	Cash & Cash Equivalents	Investments	Accrued Interest Receivable	Property Taxes Receivable
<b>GOVERNMENTAL ACTIVITIES</b>				
Debt Service fund	\$ 2,430,876	\$ -	\$ 525	\$ 364,509
Restricted by debt covenants-				
Round Rock Transportation				
System Development Corp.	26,240,000	3,966,320	1,563	-
Convention Center	223	-	-	-
Construction	38,690,191	11,913,264	20,938	-
Permanent fund	100,000	-	-	-
<b>Total Governmental Activities</b>	<b>\$ 67,461,290</b>	<b>\$ 15,879,584</b>	<b>\$ 23,026</b>	<b>\$ 364,509</b>
	Cash & Cash Equivalents	Investments	Accrued Interest Receivable	Accounts & Other Receivables
<b>BUSINESS-TYPE ACTIVITIES</b>				
Water and sewer fund-				
Revenue bond debt service	\$ 1,581,250	\$ -	\$ -	\$ -
Construction	7,140,181	-	-	-
Impact fees	9,959,549	3,986,740	15,111	270,366
Customer deposits	776,725	-	-	-
<b>Total Business-Type Activities</b>	<b>\$ 19,457,705</b>	<b>\$ 3,986,740</b>	<b>\$ 15,111</b>	<b>\$ 270,366</b>

**NOTE 8 – 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 794 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 percentage (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

NOTE 8 – EMPLOYEE RETIREMENT PLAN - continued*Plan Description – continued*

plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions were as follows:

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

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

*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, 2003 valuation is effective for rates beginning January 2005).

NOTE 8 - EMPLOYEE RETIREMENT PLAN - continued

*Schedule of Actuarial Liabilities and Funding Progress*

Actuarial Valuation Date	12/31/2001	12/31/2002	12/31/2003
Actuarial Value of Assets	\$ 26,548,097	\$ 30,949,360	\$ 36,402,438
Actuarial Accrued Liability	\$ 33,851,589	\$ 39,737,830	\$ 48,363,968
Percentage Funded	78.4%	77.9%	75.3%
Unfunded Actuarial Accrued Liability (UAAL)	\$ 7,303,492	\$ 8,788,470	\$ 11,961,530
Annual Covered Payroll	\$ 21,595,121	\$ 24,466,510	\$ 26,243,938
UAAL as a Percentage of Covered Payroll	33.8%	35.9%	45.6%
 Net Pension Obligation (NPO) at the Beginning of Period	 \$ -0-	 \$ -0-	 \$ -0-
 Annual Pension Cost:			
Annual required contribution (ARC)	\$ 2,582,984	\$ 2,713,534	\$ 3,005,291
Interest on NPO	-0-	-0-	-0-
Adjustment to the ARC	-0-	-0-	-0-
Subtotal	<u>2,582,984</u>	<u>2,713,534</u>	<u>3,005,291</u>
 Contributions Made	 2,582,984	 2,713,534	 3,005,291
Increase in NPO	-0-	-0-	-0-
NPO at the end of the period	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

The following assumptions utilized by *TMRS*, and applicable 6-year trend information are contained in the 2003 *TMRS Comprehensive Annual Financial Report*, a copy of which can be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

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

NOTE 9 – LEASE-PURCHASES PAYABLE

The City is obligated under certain capital leases. Equipment under capital leases totaled \$1,150,000 at September 30, 2004. Following is a summarization of capital lease transactions for the year ended September 30, 2004:

	<u>Governmental Activities</u>
Balance, September 30, 2003	\$ 734,211
Retirements	(537,210)
Lease proceeds	<u>575,000</u>
Balance, September 30, 2004	<u>\$ 772,001</u>

Lease obligations are funded with general revenue sources.

The annual requirements to amortize the lease-purchases to maturity are as follows:

<u>Year Ended September 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 383,570	\$ 18,353	\$ 401,923
2006	191,621	9,169	200,790
2007	<u>196,810</u>	<u>3,979</u>	<u>200,789</u>
	<u>\$ 772,001</u>	<u>\$ 31,501</u>	<u>\$ 803,502</u>

NOTE 10 – ACCRUED COMPENSATED ABSENCES

Changes to accrued compensated absences for the year ended September 30, 2004, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Balance, September 30, 2003	\$ 2,145,897	\$ 205,260
Additions	1,803,521	190,603
Reductions	<u>(1,570,392)</u>	<u>(180,845)</u>
Balance, September 30, 2004	<u>\$ 2,379,026</u>	<u>\$ 215,018</u>

Accrued compensated absences due within one year were \$ 1,289,700 for governmental activities and \$ 195,163 for business-type activities. Liabilities for accrued compensated absences are funded from general revenues for the governmental activities and program revenues for the business-type activities.

NOTE 11 – CASH AND INVESTMENTS

Cash -

At September 30, 2004, the carrying amount of deposits was a credit balance of \$ 254,391 primarily consisting of outstanding checks; and the respective bank balances totaled \$ 3,125,577. The City's bank balances were fully insured or collateralized with securities held by the City's agent in the City's name.

Investments –

Investments held as of September 30, 2004 by the City are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1** Insured or registered, or securities held by the City or its agent in the City's name.
- Category 2** Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3** Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

	<u>Category</u>			Fair
	<u>1</u>	<u>2</u>	<u>3</u>	Value
U.S. Government Securities	\$ 70,243,714	\$ -	\$ -	\$ 70,243,714
	<u>\$ 70,243,714</u>	<u>\$ -</u>	<u>\$ -</u>	<u>70,243,714</u>
Investments in State Investment Pools				<u>124,555,009</u>
Total investments				<u>\$194,798,723</u>

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 decrease in the fair value of investments during the year ended September 30, 2004 is as follows:

Fair value at September 30, 2004	\$ 70,243,714
Add: Proceeds of investments matured this fiscal year	57,475,000
Less: Cost of investments purchased this fiscal year	(50,831,752)
Less: Fair value at September 30, 2003	<u>(77,793,813)</u>
Change in fair value of investments	<u>\$ ( 906,851)</u>

NOTE 11 – CASH AND INVESTMENTS - continued

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	\$ ( 254,391)
Investments	<u>194,798,723</u>
Total cash and investments	<u>\$194,544,332</u>
Statement of net assets presentation:	
Cash and cash equivalents	\$ 37,381,622
Investments	50,377,390
Restricted assets -	
Cash and cash equivalents	86,918,996
Investments	<u>19,866,324</u>
Total cash and cash equivalents and investments	<u>\$194,544,332</u>

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 2004 were of the aforementioned categories.

The City invests on a short term basis in two investment pools. At September 30, 2004, \$104,430,174 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, \$ 20,124,835 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 & Pools.

NOTE 12 – 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 December 1, 1989 and October 24, 1995. On May 1, 2000, 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, the base management fee, the variable fee and any unpaid management fees limited by available gross receipts. Any remaining gross receipts are to be distributed to the City.

NOTE 13 – 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 \$ 9,253.

*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.

*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, 2004, the City's cost under this contract was \$267,120.

---

NOTE 13 – COMMITMENTS AND CONTINGENCIES-continued**Water Supply Agreements – continued:**

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, 2004, the City’s cost under this contract was \$ 720,827.

Effective September 1, 2001, the City entered into a “System Water Availability Agreement for Colorado River Basin Water” with the Authority, wherein it received reserved water rights for an additional 6,944 acre-feet of water. Effective September 1, 2002, a “Water Sale Contract” granted Round Rock rights to 4,500 additional acre-feet of water per year from the Colorado River Basin. For the fiscal year ended September 30, 2004, the City’s cost under these contracts was \$ 563,274.

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.

---

**NOTE 13 – 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, 2004, the City has paid fees totaling \$ 4,715,976 for use of the regional facilities.

**Arbitrage Rebate**

Due to requirements of the Tax Reform Act of 1986, the City annually contracts for the computations of arbitrage rebate requirements for the City's various bond issues. At September 30, 2004, the potential rebate requirements of approximately \$ 2,282 have been accrued within the accompanying financial statements.

**Other**

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

**Self-Funded Health Insurance Fund**

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

NOTE 13 – COMMITMENTS AND CONTINGENCIES-continued

An analysis of claims activities is presented below:

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

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.

**Participation in Public Entity Risk Pool**

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.

NOTE 13 – 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 50% of the City's sales tax collections for the year ended September 30, 2004.

## **NONMAJOR GOVERNMENTAL FUNDS**

### **NONMAJOR SPECIAL REVENUE FUNDS**

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

### **NONMAJOR CAPITAL PROJECTS FUNDS**

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

### **PERMANENT FUND**

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

**CITY OF ROUND ROCK**

**NONMAJOR GOVERNMENTAL FUNDS**

**COMBINING BALANCE SHEET**

**SEPTEMBER 30, 2004**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 4,043,473	\$ 3,101,557	\$ 8,611	\$ 7,153,641
Receivables -				
Accounts and other	804	2,141	-	2,945
Loans	19,181	-	-	19,181
Accrued interest	-	58,778	-	58,778
Interfund receivables	-	12,810,958	-	12,810,958
Assessments	4,817	902,761	-	907,578
Restricted assets-				
Cash and cash equivalents	223	3,252,119	100,000	3,352,342
Total assets	<u>\$ 4,068,498</u>	<u>\$ 20,128,314</u>	<u>\$ 108,611</u>	<u>\$ 24,305,423</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities -				
Accounts payable	\$ 76,303	\$ 171,578	\$ -	\$ 247,881
Interfund payables	6,238	-	-	6,238
Deferred revenue	58,090	902,761	-	960,851
Total liabilities	<u>140,631</u>	<u>1,074,339</u>	<u>-</u>	<u>1,214,970</u>
Fund balances -				
Reserved for federal seizure	112,857	-	-	112,857
Reserved for non-current loans receivable	19,181	-	-	19,181
Reserved for endowments	-	-	100,000	100,000
Reserved for authorized construction	-	3,212,794	-	3,212,794
Unreserved - undesignated	3,795,829	15,841,181	8,611	19,645,621
Total fund balances	<u>3,927,867</u>	<u>19,053,975</u>	<u>108,611</u>	<u>23,090,453</u>
 Total liabilities and fund balances	 <u>\$ 4,068,498</u>	 <u>\$ 20,128,314</u>	 <u>\$ 108,611</u>	 <u>\$ 24,305,423</u>

CITY OF ROUND ROCK, TEXAS

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES

YEAR ENDED SEPTEMBER 30, 2004

	Special Revenue	Capital Projects	Permanent Fund	Total Nonmajor Governmental Funds
Revenues -				
Licenses, permits and fees	\$ 102,518	\$ -	\$ -	\$ 102,518
Fines and forfeitures	51,632	-	-	51,632
Assessments	2,978	303,015	-	305,993
Intergovernmental	344,144	19,628	-	363,772
Hotel occupancy tax	1,650,148	-	-	1,650,148
Investment and other	107,729	132,144	1,174	241,047
Contributions	4,651	621,550	-	626,201
Total revenues	<u>2,263,800</u>	<u>1,076,337</u>	<u>1,174</u>	<u>3,341,311</u>
Expenditures -				
Current -				
General government	371,776	-	-	371,776
Public safety	49,535	-	-	49,535
Culture and recreation	663,723	-	-	663,723
Capital projects	-	8,047,206	-	8,047,206
Total expenditures	<u>1,085,034</u>	<u>8,047,206</u>	<u>-</u>	<u>9,132,240</u>
Excess (deficiency) of revenues over expenditures	<u>1,178,766</u>	<u>(6,970,869)</u>	<u>1,174</u>	<u>(5,790,929)</u>
Other financing sources /(uses) -				
Transfers in	1,489,243	5,978,309	-	7,467,552
Transfers out	<u>(2,148,220)</u>	<u>(784,567)</u>	<u>-</u>	<u>(2,932,787)</u>
Total other financing sources/(uses)	<u>(658,977)</u>	<u>5,193,742</u>	<u>-</u>	<u>4,534,765</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>519,789</u>	<u>(1,777,127)</u>	<u>1,174</u>	<u>(1,256,164)</u>
Fund balances, October 1, 2003	<u>3,408,078</u>	<u>20,831,102</u>	<u>107,437</u>	<u>24,346,617</u>
Fund balances, September 30, 2004	<u>\$ 3,927,867</u>	<u>\$ 19,053,975</u>	<u>\$ 108,611</u>	<u>\$ 23,090,453</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.

**Brown Foundation Grant Fund** – To account for a grant from the Brown Foundation which is restricted to the Child Abuse Prevention program.

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

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

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

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

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

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

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

**CITY OF ROUND ROCK**

**NONMAJOR SPECIAL REVENUE FUNDS**

**COMBINING BALANCE SHEET**

**SEPTEMBER 30, 2004**

<u>ASSETS</u>	1981 Community Development Block Grant	Street and Bridge	Hotel-Motel Occupancy Tax	Brown Foundation Grant	Police
Cash and cash equivalents	\$ -	\$ 669,641	\$ 2,474,459	\$ -	\$ 158,674
Receivables -					
Accounts and other	-	-	-	-	-
Loans	19,181	-	-	-	-
Assessments	-	4,817	-	-	-
Restricted assets-					
Cash and cash equivalents	-	-	-	-	-
<b>Total assets</b>	<b>\$ 19,181</b>	<b>\$ 674,458</b>	<b>\$ 2,474,459</b>	<b>\$ -</b>	<b>\$ 158,674</b>
 <u>LIABILITIES AND FUND BALANCES</u>					
Liabilities -					
Accounts payable	\$ -	\$ -	\$ 37,941	\$ -	\$ 33,308
Interfund payables	-	-	6,238	-	-
Deferred revenue	-	4,817	53,273	-	-
<b>Total liabilities</b>	<b>-</b>	<b>4,817</b>	<b>97,452</b>	<b>-</b>	<b>33,308</b>
Fund balances -					
Reserved for federal seizure	-	-	-	-	112,857
Reserved for non-current loans receivable	19,181	-	-	-	-
Unreserved - undesignated	-	669,641	2,377,007	-	12,509
<b>Total fund balances</b>	<b>19,181</b>	<b>669,641</b>	<b>2,377,007</b>	<b>-</b>	<b>125,366</b>
<b>Total liabilities and fund balances</b>	<b>\$ 19,181</b>	<b>\$ 674,458</b>	<b>\$ 2,474,459</b>	<b>\$ -</b>	<b>\$ 158,674</b>

<u>Municipal Court</u>	<u>Landscape</u>	<u>Convention Center Revenue</u>	<u>Community Development Block Grant</u>	<u>Annexation Fees</u>	<u>Library Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 167,347	\$ 23,264	\$ -	\$ -	\$ 535,961	\$ 14,127	\$ 4,043,473
-	-	-	304	500	-	804
-	-	-	-	-	-	19,181
-	-	-	-	-	-	4,817
-	-	223	-	-	-	223
<u>\$ 167,347</u>	<u>\$ 23,264</u>	<u>\$ 223</u>	<u>\$ 304</u>	<u>\$ 536,461</u>	<u>\$ 14,127</u>	<u>\$ 4,068,498</u>
\$ 1,000	\$ 3,750	\$ -	\$ 304	\$ -	\$ -	\$ 76,303
-	-	-	-	-	-	6,238
-	-	-	-	-	-	58,090
<u>1,000</u>	<u>3,750</u>	<u>-</u>	<u>304</u>	<u>-</u>	<u>-</u>	<u>140,631</u>
-	-	-	-	-	-	112,857
-	-	-	-	-	-	19,181
166,347	19,514	223	-	536,461	14,127	3,795,829
<u>166,347</u>	<u>19,514</u>	<u>223</u>	<u>-</u>	<u>536,461</u>	<u>14,127</u>	<u>3,927,867</u>
<u>\$ 167,347</u>	<u>\$ 23,264</u>	<u>\$ 223</u>	<u>\$ 304</u>	<u>\$ 536,461</u>	<u>\$ 14,127</u>	<u>\$ 4,068,498</u>

**CITY OF ROUND ROCK, TEXAS**

**NONMAJOR SPECIAL REVENUE FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES**

**YEAR ENDED SEPTEMBER 30, 2004**

	1981 Community Development Block Grant	Street and Bridge	Hotel-Motel Occupancy Tax	Brown Foundation Grant	Police
<b>Revenues -</b>					
Licenses, permits and fees	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	51,632
Assessments	-	2,978	-	-	-
Intergovernmental	-	-	-	-	18,404
Hotel occupancy tax	-	-	1,650,148	-	-
Investment and other	-	6,953	28,512	26	1,546
Contributions	-	-	-	-	-
<b>Total revenues</b>	<u>-</u>	<u>9,931</u>	<u>1,678,660</u>	<u>26</u>	<u>71,582</u>
<b>Expenditures -</b>					
<b>Current-</b>					
General government	-	-	-	-	-
Public safety	-	-	-	9,460	40,075
Culture and recreation	-	-	663,723	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>663,723</u>	<u>9,460</u>	<u>40,075</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>9,931</u>	<u>1,014,937</u>	<u>(9,434)</u>	<u>31,507</u>
<b>Other financing sources /(uses) -</b>					
Transfers in	-	-	748,450	-	-
Transfers out	-	-	(1,401,220)	-	-
<b>Total other financing     sources/(uses)</b>	<u>-</u>	<u>-</u>	<u>(652,770)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>-</u>	<u>9,931</u>	<u>362,167</u>	<u>(9,434)</u>	<u>31,507</u>
Fund balances, October 1, 2003	<u>19,181</u>	<u>659,710</u>	<u>2,014,840</u>	<u>9,434</u>	<u>93,859</u>
Fund balances, September 30, 2004	<u>\$ 19,181</u>	<u>\$ 669,641</u>	<u>\$ 2,377,007</u>	<u>\$ -</u>	<u>\$ 125,366</u>

<u>Municipal Court</u>	<u>Landscape</u>	<u>Convention Center Revenue</u>	<u>Community Development Block Grant</u>	<u>Annexation Fees</u>	<u>Library Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 102,518	\$ -	\$ 102,518
-	-	-	-	-	-	51,632
-	-	-	-	-	-	2,978
-	-	-	325,740	-	-	344,144
-	-	-	-	-	-	1,650,148
63,968	251	218	604	5,508	143	107,729
-	3,875	-	-	-	776	4,651
<u>63,968</u>	<u>4,126</u>	<u>218</u>	<u>326,344</u>	<u>108,026</u>	<u>919</u>	<u>2,263,800</u>
44,988	-	-	326,788	-	-	371,776
-	-	-	-	-	-	49,535
-	-	-	-	-	-	663,723
<u>44,988</u>	<u>-</u>	<u>-</u>	<u>326,788</u>	<u>-</u>	<u>-</u>	<u>1,085,034</u>
<u>18,980</u>	<u>4,126</u>	<u>218</u>	<u>(444)</u>	<u>108,026</u>	<u>919</u>	<u>1,178,766</u>
-	-	740,793	-	-	-	1,489,243
-	-	(747,000)	-	-	-	(2,148,220)
-	-	(6,207)	-	-	-	(658,977)
<u>18,980</u>	<u>4,126</u>	<u>(5,989)</u>	<u>(444)</u>	<u>108,026</u>	<u>919</u>	<u>519,789</u>
<u>147,367</u>	<u>15,388</u>	<u>6,212</u>	<u>444</u>	<u>428,435</u>	<u>13,208</u>	<u>3,408,078</u>
<u>\$166,347</u>	<u>\$ 19,514</u>	<u>\$ 223</u>	<u>\$ -</u>	<u>\$ 536,461</u>	<u>\$ 14,127</u>	<u>\$ 3,927,867</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 government resources.

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

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

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

**Self-Financed Construction Fund** – To account for costs of authorized general capital improvements and facilities. Financing is provided by general government resources.

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

**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 a 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.

**CITY OF ROUND ROCK**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**COMBINING BALANCE SHEET**

**SEPTEMBER 30, 2004**

	Streets and Drainage	1995 Series CO	Park Development	1990 Series CO
<u>ASSETS</u>				
Cash and cash equivalents	\$ 604,619	\$ -	\$ 38,216	\$ -
Receivables -				
Accounts and other	1,872	-	-	-
Accrued interest	58,653	-	-	-
Interfund receivables	-	-	-	-
Assessments	902,761	-	-	-
Restricted assets-				
Cash and cash equivalents	-	66,031	-	2,846
Total assets	\$1,567,905	\$ 66,031	\$ 38,216	\$ 2,846
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities -				
Accounts payable	\$ 100	\$ -	\$ -	\$ -
Deferred revenue	902,761	-	-	-
Total liabilities	902,861	-	-	-
Fund balances -				
Reserved for authorized construction	-	66,031	-	2,846
Unreserved - unrestricted	665,044	-	38,216	-
Total fund balances	665,044	66,031	38,216	2,846
Total liabilities and fund balances	\$1,567,905	\$ 66,031	\$ 38,216	\$ 2,846

<u>Self- Financed Construction</u>	<u>1997 Series CO</u>	<u>1998 Series GO</u>	<u>Convention Center Complex</u>	<u>2000 Series CO</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$ 2,458,722	\$ -	\$ -	\$ -	\$ -	\$ 3,101,557
269	-	-	-	-	2,141
-	-	-	125	-	58,778
12,810,958	-	-	-	-	12,810,958
-	-	-	-	-	902,761
-	151,059	1,878,563	257,250	896,370	3,252,119
<u>\$ 15,269,949</u>	<u>\$ 151,059</u>	<u>\$ 1,878,563</u>	<u>\$ 257,375</u>	<u>\$ 896,370</u>	<u>\$ 20,128,314</u>
\$ 132,028	\$ 5,163	\$ 34,287	\$ -	\$ -	\$ 171,578
-	-	-	-	-	902,761
<u>132,028</u>	<u>5,163</u>	<u>34,287</u>	<u>-</u>	<u>-</u>	<u>1,074,339</u>
-	145,896	1,844,276	257,375	896,370	3,212,794
15,137,921	-	-	-	-	15,841,181
<u>15,137,921</u>	<u>145,896</u>	<u>1,844,276</u>	<u>257,375</u>	<u>896,370</u>	<u>19,053,975</u>
<u>\$ 15,269,949</u>	<u>\$ 151,059</u>	<u>\$ 1,878,563</u>	<u>\$ 257,375</u>	<u>\$ 896,370</u>	<u>\$ 20,128,314</u>

**CITY OF ROUND ROCK, TEXAS**

**NONMAJOR CAPITAL PROJECTS FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES**

**YEAR ENDED SEPTEMBER 30, 2004**

	<u>Streets and Drainage</u>	<u>1995 Series CO</u>	<u>Park Development</u>	<u>1990 Series CO</u>
Revenues -				
Assessments	\$ 303,015	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Investment and other	64,311	-	10,665	36
Contributions	541,550	-	-	-
Total revenues	<u>908,876</u>	<u>-</u>	<u>10,665</u>	<u>36</u>
Expenditures -				
Capital projects	-	1,298	-	6,411
Total expenditures	<u>-</u>	<u>1,298</u>	<u>-</u>	<u>6,411</u>
Excess (deficiency) of revenues over expenditures	<u>908,876</u>	<u>(1,298)</u>	<u>10,665</u>	<u>(6,375)</u>
Other financing sources /(uses) -				
Transfers in	-	-	-	-
Transfers out	(738,573)	-	-	-
Total other financing sources/(uses)	<u>(738,573)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>170,303</u>	<u>(1,298)</u>	<u>10,665</u>	<u>(6,375)</u>
Fund balances, October 1, 2003	<u>494,741</u>	<u>67,329</u>	<u>27,551</u>	<u>9,221</u>
Fund balances, September 30, 2004	<u>\$ 665,044</u>	<u>\$ 66,031</u>	<u>\$ 38,216</u>	<u>\$ 2,846</u>

Self-Financed Construction	1997 Series CO	1998 Series GO	Convention Center Complex	2000 Series CO	Total Nonmajor Capital Project Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 303,015
19,628	-	-	-	-	19,628
22,439	1,992	23,117	1,982	7,602	132,144
80,000	-	-	-	-	621,550
<u>122,067</u>	<u>1,992</u>	<u>23,117</u>	<u>1,982</u>	<u>7,602</u>	<u>1,076,337</u>
5,828,204	90,948	854,188	1,252,147	14,010	8,047,206
<u>5,828,204</u>	<u>90,948</u>	<u>854,188</u>	<u>1,252,147</u>	<u>14,010</u>	<u>8,047,206</u>
(5,706,137)	(88,956)	(831,071)	(1,250,165)	(6,408)	(6,970,869)
5,945,609	-	-	32,700	-	5,978,309
-	-	-	(45,994)	-	(784,567)
<u>5,945,609</u>	<u>-</u>	<u>-</u>	<u>(13,294)</u>	<u>-</u>	<u>5,193,742</u>
239,472	(88,956)	(831,071)	(1,263,459)	(6,408)	(1,777,127)
14,898,449	234,852	2,675,347	1,520,834	902,778	20,831,102
<u>\$ 15,137,921</u>	<u>\$ 145,896</u>	<u>\$ 1,844,276</u>	<u>\$ 257,375</u>	<u>\$ 896,370</u>	<u>\$ 19,053,975</u>

**CITY OF ROUND ROCK, TEXAS**

**PROJECT - LENGTH SCHEDULE OF CONSTRUCTION PROJECTS -**

**ALL CAPITAL PROJECTS FUNDS**

**BEGINNING OF PROJECTS TO SEPTEMBER 30, 2004**

	<u>Streets and Drainage</u>	<u>1995 Series CO</u>	<u>Park Development</u>	<u>1990 Series CO</u>	<u>Self- Financed Construction</u>
Total funding authorization	<u>\$ -</u>	<u>\$ 1,713,819</u>	<u>\$ 931,316</u>	<u>\$ 1,700,039</u>	<u>\$ 38,306,751</u>
Revenues and other financing sources -					
Intergovernmental	\$ -	\$ -	\$ 80,366	\$ -	\$ 30,242
Contributions	-	-	120,315	-	8,182,393
Investment and other	-	115,720	537,226	27,276	337,424
Lease purchase proceeds	-	-	-	-	1,533,453
Proceeds of general obligation bonds	-	1,650,000	-	1,595,000	-
Transfers in	-	14,129	231,620	78,000	40,379,109
	<u>\$ -</u>	<u>\$ 1,779,849</u>	<u>\$ 969,527</u>	<u>\$ 1,700,276</u>	<u>\$ 50,462,621</u>
Expenditures and other uses -					
Capital projects	\$ -	\$ 1,563,819	\$ 831,316	\$ 1,688,246	\$ 28,304,914
Transfers out	-	150,000	100,000	9,183	7,317,703
Other costs/transfers	-	-	-	-	-
	<u>\$ -</u>	<u>\$ 1,713,819</u>	<u>\$ 931,316</u>	<u>\$ 1,697,429</u>	<u>\$ 35,622,617</u>

1997 Series CO	1998 Series GO	Round Rock Transportation System Development Corporation	Convention Center Complex	2000 Series CO	2002 Series GO	2004 Series GO
<u>\$ 6,621,263</u>	<u>\$ 10,321,868</u>	<u>\$ 102,692,506</u>	<u>\$ 20,531,749</u>	<u>\$ 10,899,324</u>	<u>\$ 28,781,841</u>	<u>\$ 359,909</u>
\$ -	\$ 400,000	\$ -	\$ -	\$ 50,000	\$ -	\$ -
300,000	-	-	12,037,128	-	-	-
682,873	1,168,972	1,456,879	482,730	658,792	1,056,647	38,250
-	-	-	-	-	-	-
5,185,000	8,905,000	56,364,331	7,109,556	10,493,786	35,000,000	19,435,000
589,285	887,934	25,749,196	1,159,710	100,000	-	-
<u>\$ 6,757,158</u>	<u>\$ 11,361,906</u>	<u>\$ 83,570,406</u>	<u>\$ 20,789,124</u>	<u>\$ 11,302,578</u>	<u>\$ 36,056,647</u>	<u>\$ 19,473,250</u>
\$ 3,892,347	\$ 8,987,830	\$ 71,555,314	\$ 20,451,591	\$ 10,247,700	\$ 12,337,556	\$ -
2,728,916	529,799	-	80,158	-	-	-
-	-	455,000	-	158,509	289,302	359,909
<u>\$ 6,621,263</u>	<u>\$ 9,517,629</u>	<u>\$ 72,010,314</u>	<u>\$ 20,531,749</u>	<u>\$ 10,406,209</u>	<u>\$ 12,626,858</u>	<u>\$ 359,909</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 BALANCE - BUDGET AND ACTUAL**

**YEAR ENDED SEPTEMBER 30, 2004**

**WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2003**

	Actual	Budgeted Amounts		Variance -	2003 Actual
		Original	Final	Positive (Negative)	
<b>Revenues -</b>					
<b>Taxes and franchise -</b>					
General property tax	\$ 10,351,980	\$ 10,080,000	\$ 10,280,000	\$ 71,980	\$ 9,813,377
Penalty and interest	67,892	35,000	35,000	32,892	64,855
City sales tax	36,482,227	33,050,000	36,465,000	17,227	33,767,748
Franchise	4,440,538	4,225,000	4,625,000	(184,462)	4,039,722
Bingo tax	29,051	24,000	24,000	5,051	24,809
Mixed drink tax	181,039	175,000	175,000	6,039	180,376
<b>Total taxes and franchise</b>	<b>51,552,727</b>	<b>47,589,000</b>	<b>51,604,000</b>	<b>(51,273)</b>	<b>47,890,887</b>
<b>Licenses, permits and fees -</b>					
Building permits	367,689	320,000	320,000	47,689	352,798
Other permits	12,538	20,600	20,600	(8,062)	35,743
Fees	197,009	208,400	208,400	(11,391)	187,255
<b>Total licenses, permits and fees</b>	<b>577,236</b>	<b>549,000</b>	<b>549,000</b>	<b>28,236</b>	<b>575,796</b>
<b>Charges for services -</b>					
Trash collection fees	843,750	800,000	825,000	18,750	784,283
Swimming pool fees	201,632	256,250	256,250	(54,618)	211,788
Recreation program fees	1,583,849	1,420,000	1,440,000	143,849	1,447,794
Filing and reproduction fees	319,855	280,400	280,400	39,455	410,172
Other	778,421	717,200	765,019	13,402	597,066
<b>Total charges for services</b>	<b>3,727,507</b>	<b>3,473,850</b>	<b>3,566,669</b>	<b>160,838</b>	<b>3,451,103</b>
Fines and forfeitures	1,235,122	1,029,800	1,179,800	55,322	984,795
Intergovernmental	382,270	175,000	396,338	(14,068)	277,001
<b>Investment and other -</b>					
Investment income	531,942	825,200	255,200	276,742	744,547
Other	668,269	497,500	574,500	93,769	711,091
<b>Total investment and other</b>	<b>1,200,211</b>	<b>1,322,700</b>	<b>829,700</b>	<b>370,511</b>	<b>1,455,638</b>
<b>Total revenues</b>	<b>58,675,073</b>	<b>54,139,350</b>	<b>58,125,507</b>	<b>549,566</b>	<b>54,635,220</b>

(continued)

**CITY OF ROUND ROCK, TEXAS**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - CONTINUED**

**YEAR ENDED SEPTEMBER 30, 2004**

**WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2003**

	Actual	Budgeted Amounts		Variance -	2003
		Original	Final	Positive (Negative)	Actual
Expenditures -					
Current -					
General government					
Executive -					
Personal services	\$ 5,600,115	\$ 5,771,495	\$ 5,634,095	\$ 33,980	\$5,389,644
Contractual services	2,150,421	2,326,839	2,318,589	168,168	2,081,165
Supplies and materials	257,543	329,400	302,995	45,452	290,261
Other services and charges	9,327,451	8,445,725	9,477,495	150,044	8,419,733
Capital outlay	133,288	142,153	134,438	1,150	102,071
Total executive	17,468,818	17,015,612	17,867,612	398,794	16,282,874
Judicial -					
Personal services	348,772	396,893	376,893	28,121	327,146
Contractual services	124,535	118,720	118,888	(5,647)	101,542
Supplies and materials	25,813	14,100	25,932	119	12,174
Other services and charges	3,702	8,600	6,600	2,898	8,214
Capital outlay	-	-	-	-	1,333
Total judicial	502,822	538,313	528,313	25,491	450,409
Total general government	17,971,640	17,553,925	18,395,925	424,285	16,733,283
Public safety					
Police-					
Personal services	10,831,018	10,848,219	10,923,219	92,201	9,859,268
Contractual services	455,685	507,976	455,151	(534)	369,487
Supplies and materials	771,187	661,586	692,236	(78,951)	646,177
Other services and charges	316,569	403,674	394,974	78,405	342,325
Capital outlay	211,293	587,796	225,542	14,249	240,584
Total police	12,585,752	13,009,251	12,691,122	105,370	11,457,841
Fire -					
Personal services	6,185,851	6,530,464	6,235,519	49,668	5,871,325
Contractual services	145,340	187,320	185,520	40,180	128,068
Supplies and materials	535,682	538,784	521,484	(14,198)	493,367
Other services and charges	101,070	136,500	112,700	11,630	101,364
Capital outlay	215,011	176,160	221,848	6,837	20,396
Total fire	7,182,954	7,569,228	7,277,071	94,117	6,614,520
Total public safety	19,768,706	20,578,479	19,968,193	199,487	18,072,361

(continued)

**CITY OF ROUND ROCK, TEXAS**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - CONTINUED**

**YEAR ENDED SEPTEMBER 30, 2004**

**WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2003**

	Actual	Budgeted Amounts		Variance -	2003
		Original	Final	Positive (Negative)	Actual
Expenditures - (cont'd)					
Current - (cont'd)					
Public works					
Administration -					
Personal services	\$ 2,410,851	\$ 2,500,692	\$ 2,413,438	\$ 2,587	\$2,069,639
Contractual services	128,480	202,342	136,842	8,362	122,605
Supplies and materials	112,832	184,850	125,700	12,868	92,255
Other services and charges	25,758	40,950	34,050	8,292	29,113
Capital outlay	28,534	43,000	35,350	6,816	25,486
Total administration	<u>2,706,455</u>	<u>2,971,834</u>	<u>2,745,380</u>	<u>38,925</u>	<u>2,339,098</u>
Streets -					
Personal services	2,117,083	2,139,851	2,131,351	14,268	2,208,759
Contractual services	794,005	2,649,600	821,600	27,595	875,600
Supplies and materials	629,290	720,500	627,500	(1,790)	612,025
Other services and charges	25,759	57,000	27,000	1,241	45,796
Capital outlay	174,609	205,900	211,280	36,671	166,223
Total streets	<u>3,740,746</u>	<u>5,772,851</u>	<u>3,818,731</u>	<u>77,985</u>	<u>3,908,403</u>
Maintenance shop -					
Personal services	673,181	716,999	673,499	318	660,859
Contractual services	48,611	73,000	51,500	2,889	53,124
Supplies and materials	65,200	84,250	76,250	11,050	80,966
Other services and charges	6,799	9,000	7,000	201	6,914
Capital outlay	5,735	16,200	8,335	2,600	57,403
Total maintenance shop	<u>799,526</u>	<u>899,449</u>	<u>816,584</u>	<u>17,058</u>	<u>859,266</u>
Total public works	<u>7,246,727</u>	<u>9,644,134</u>	<u>7,380,695</u>	<u>133,968</u>	<u>7,106,767</u>

(continued)

**CITY OF ROUND ROCK, TEXAS**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - CONTINUED**

**YEAR ENDED SEPTEMBER 30, 2004**

**WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2003**

	Actual	Budgeted Amounts		Variance -	2003
		Original	Final	Positive (Negative)	Actual
Expenditures - (cont'd)					
Current - (cont'd)					
Culture and recreation					
Library -					
Personal services	\$ 1,155,151	\$ 1,190,330	\$ 1,155,560	\$ 409	\$1,112,747
Contractual services	182,053	223,138	208,138	26,085	180,122
Supplies and materials	87,042	90,267	90,267	3,225	77,631
Other services and charges	42,397	46,650	46,650	4,253	29,126
Capital outlay	305,561	295,872	305,642	81	297,984
Total library	<u>1,772,204</u>	<u>1,846,257</u>	<u>1,806,257</u>	<u>34,053</u>	<u>1,697,610</u>
Parks and recreation -					
Personal services	4,120,363	4,237,391	4,264,562	144,199	3,941,188
Contractual services	1,285,863	1,247,581	1,307,947	22,084	1,212,139
Supplies and materials	917,249	940,903	921,983	4,734	832,355
Other services and charges	188,428	168,763	175,058	(13,370)	136,407
Capital outlay	140,863	133,750	169,584	28,721	257,280
Total parks and recreation	<u>6,652,766</u>	<u>6,728,388</u>	<u>6,839,134</u>	<u>186,368</u>	<u>6,379,369</u>
Total culture and recreation	<u>8,424,970</u>	<u>8,574,645</u>	<u>8,645,391</u>	<u>220,421</u>	<u>8,076,979</u>
Total expenditures	<u>53,412,043</u>	<u>56,351,183</u>	<u>54,390,204</u>	<u>978,161</u>	<u>49,989,390</u>
Excess (deficiency) of revenues over expenditures	<u>5,263,030</u>	<u>(2,211,833)</u>	<u>3,735,303</u>	<u>1,527,727</u>	<u>4,645,830</u>
Other financing sources (uses) -					
Lease purchase proceeds	575,000	575,000	575,000	-	-
Transfers in	1,640,000	1,640,000	1,640,000	-	1,405,933
Transfers out	(5,945,609)	-	(5,945,609)	-	(4,062,948)
Total other financing sources (uses)	<u>(3,730,609)</u>	<u>2,215,000</u>	<u>(3,730,609)</u>	<u>-</u>	<u>(2,657,015)</u>
Excess of revenues and other sources over expenditures and other uses	<u>1,532,421</u>	<u>\$ 3,167</u>	<u>\$ 4,694</u>	<u>\$ 1,527,727</u>	<u>\$1,988,815</u>
Fund balance, October 1, 2003	<u>25,250,736</u>				
Fund balance, September 30, 2004	<u>\$ 26,783,157</u>				

**CITY OF ROUND ROCK, TEXAS**

**DEBT SERVICE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL**

**YEAR ENDED SEPTEMBER 30, 2004**

	<u>Actual</u>	<u>Original and Final Budgeted Amounts</u>	<u>Variance - Positive (Negative)</u>
Revenues -			
Property taxes, including interest and penalties	\$ 8,029,977	\$ 8,120,000	\$ (90,023)
Investment and other	54,654	47,000	7,654
Total revenues	<u>8,084,631</u>	<u>8,167,000</u>	<u>(82,369)</u>
Expenditures -			
Debt service -			
Principal retirement	6,879,318	6,307,120	(572,198)
Interest and fiscal charges	7,343,728	7,919,533	575,805
Bond issuance costs	224,783	224,783	-
Advance refunding escrow	345,000	345,000	-
Total expenditures	<u>14,792,829</u>	<u>14,796,436</u>	<u>3,607</u>
Excess (deficiency) of revenues over expenditures	<u>(6,708,198)</u>	<u>(6,629,436)</u>	<u>(78,762)</u>
Other financing sources (uses) -			
Proceeds of refunding bonds	12,510,000	12,510,000	-
Premium on long-term debt issued	518,544	518,544	-
Payment to refunded bond escrow agent	(12,803,761)	(12,803,761)	-
Transfers in	6,517,387	5,859,925	657,462
Transfers out	(295)	-	(295)
Total other financing sources (uses)	<u>6,741,875</u>	<u>6,084,708</u>	<u>657,167</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>33,677</u>	<u>\$ (544,728)</u>	<u>\$ 578,405</u>
Fund balance, October 1, 2003	<u>2,304,816</u>		
Fund balance, September 30, 2004	<u>\$ 2,338,493</u>		

**CITY OF ROUND ROCK, TEXAS**

**SPECIAL REVENUE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE-BUDGET AND ACTUAL**

**1981 COMMUNITY DEVELOPMENT BLOCK GRANT FUND**

**YEAR ENDED SEPTEMBER 30, 2004**

---

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance- Positive (Negative)</u>
Fund balance, October 1, 2003	<u>\$ 19,181</u>		
Fund balance, September 30, 2004	<u><u>\$ 19,181</u></u>		

**CITY OF ROUND ROCK, TEXAS**

**SPECIAL REVENUE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE-BUDGET AND ACTUAL**

**STREET AND BRIDGE FUND**

**YEAR ENDED SEPTEMBER 30, 2004**

---

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance- Positive (Negative)</u>
Revenues -			
Assessments	\$ 2,978	\$ 2,978	\$ -
Investment and other	<u>6,953</u>	<u>6,953</u>	<u>-</u>
Total revenues	9,931	<u><u>\$ 9,931</u></u>	<u><u>\$ -</u></u>
Fund balance, October 1, 2003	<u>659,710</u>		
Fund balance, September 30, 2004	<u><u>\$ 669,641</u></u>		

**CITY OF ROUND ROCK, TEXAS**

**SPECIAL REVENUE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE-BUDGET AND ACTUAL**

**HOTEL-MOTEL OCCUPANCY TAX FUND**

**YEAR ENDED SEPTEMBER 30, 2004**

	<u>Actual</u>	<u>Final Budget</u>	Variance- Positive (Negative)
Revenues -			
Hotel occupancy tax	\$ 1,650,148	\$ 1,600,000	\$ 50,148
Investment and other	28,512	20,000	8,512
Total revenues	<u>1,678,660</u>	<u>1,620,000</u>	<u>58,660</u>
Expenditures -			
Current -			
Culture and recreation -			
Personal services	83,542	102,347	18,805
Contractual services	316,637	353,900	37,263
Supplies and materials	11,387	14,306	2,919
Other services and charges	225,917	342,015	116,098
Capital outlay	26,240	63,194	36,954
Total expenditures	<u>663,723</u>	<u>875,762</u>	<u>212,039</u>
Excess of revenues over expenditures	<u>1,014,937</u>	<u>744,238</u>	<u>270,699</u>
Other financing sources /(uses) -			
Transfers in	748,450	748,450	-
Transfers out	(1,401,220)	(1,401,220)	-
Total other financing sources/(uses)	<u>(652,770)</u>	<u>(652,770)</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other uses	362,167	<u>\$ 91,468</u>	<u>\$ 270,699</u>
Fund balance, October 1, 2003	<u>2,014,840</u>		
Fund balance, September 30, 2004	<u>\$ 2,377,007</u>		

**CITY OF ROUND ROCK, TEXAS**

**SPECIAL REVENUE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE-BUDGET AND ACTUAL**

**BROWN FOUNDATION GRANT FUND**

**YEAR ENDED SEPTEMBER 30, 2004**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance- Positive (Negative)</u>
Revenues -			
Investment and other	\$ 26	\$ -	\$ 26
Total revenues	<u>26</u>	<u>-</u>	<u>26</u>
Expenditures -			
Current -			
Public safety -			
Contractual services	1,000	1,000	-
Supplies and materials	2,024	2,034	10
Capital outlay	<u>6,436</u>	<u>6,500</u>	<u>64</u>
Total expenditures	<u>9,460</u>	<u>9,534</u>	<u>74</u>
Excess (deficiency) of revenues over expenditures	(9,434)	<u>\$ (9,534)</u>	<u>\$ (100)</u>
Fund balance, October 1, 2003	<u>9,434</u>		
Fund balance, September 30, 2004	<u>\$ -</u>		

**CITY OF ROUND ROCK, TEXAS**

**SPECIAL REVENUE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE-BUDGET AND ACTUAL**

**POLICE FUND**

**YEAR ENDED SEPTEMBER 30, 2004**

	<u>Actual</u>	<u>Final Budget</u>	Variance- Positive (Negative)
Revenues -			
Fines and forfeitures	\$ 51,632	\$ 35,000	\$ 16,632
Intergovernmental	18,404	-	18,404
Investment and other	1,546	1,082	464
	<u>71,582</u>	<u>36,082</u>	<u>35,500</u>
Expenditures -			
Current -			
Public safety			
Capital outlay	<u>40,075</u>	<u>82,000</u>	<u>41,925</u>
Total expenditures	<u>40,075</u>	<u>82,000</u>	<u>41,925</u>
Excess (deficiency) of revenues over expenditures	31,507	<u><u>\$ (45,918)</u></u>	<u><u>\$ 77,425</u></u>
Fund balance, October 1, 2003	<u>93,859</u>		
Fund balance, September 30, 2004	<u><u>\$ 125,366</u></u>		

**CITY OF ROUND ROCK, TEXAS**

**SPECIAL REVENUE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE-BUDGET AND ACTUAL**

**MUNICIPAL COURT FUND**

**YEAR ENDED SEPTEMBER 30, 2004**

	<u>Actual</u>	<u>Final Budget</u>	Variance- Positive (Negative)
Revenues -			
Investment and other	<u>\$ 63,968</u>	<u>\$ 63,968</u>	<u>\$ -</u>
Total revenues	<u>63,968</u>	<u>63,968</u>	<u>-</u>
Expenditures -			
Current -			
General government -			
Personal services	22,315	22,315	-
Supplies and materials	749	749	-
Other services and charges	937	937	-
Capital outlay	<u>20,987</u>	<u>20,987</u>	<u>-</u>
Total expenditures	<u>44,988</u>	<u>44,988</u>	<u>-</u>
Excess of revenues over expenditures	18,980	<u><u>\$ 18,980</u></u>	<u><u>\$ -</u></u>
 Fund balance, October 1, 2003	 <u>147,367</u>		
Fund balance, September 30, 2004	<u><u>\$ 166,347</u></u>		

**CITY OF ROUND ROCK, TEXAS**

**SPECIAL REVENUE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE-BUDGET AND ACTUAL**

**LANDSCAPE FUND**

**YEAR ENDED SEPTEMBER 30, 2004**

---

	<u>Actual</u>	<u>Final Budget</u>	Variance- Positive (Negative)
Revenues -			
Investment and other	\$ 251	\$ 251	\$ -
Contributions	<u>3,875</u>	<u>3,875</u>	<u>-</u>
Total revenues	4,126	<u><u>\$ 4,126</u></u>	<u><u>\$ -</u></u>
Fund balance, October 1, 2003	<u>15,388</u>		
Fund balance, September 30, 2004	<u><u>\$ 19,514</u></u>		

**CITY OF ROUND ROCK, TEXAS**

**SPECIAL REVENUE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE-BUDGET AND ACTUAL**

**CONVENTION CENTER REVENUE**

**YEAR ENDED SEPTEMBER 30, 2004**

	<u>Actual</u>	<u>Final Budget</u>	Variance- Positive (Negative)
Revenues -			
Investment and other	<u>\$ 218</u>	<u>\$ 218</u>	<u>\$ -</u>
Total revenues	<u>218</u>	<u>218</u>	<u>-</u>
Other financing sources /(uses) -			
Transfers in	740,793	740,793	-
Transfers out	<u>(747,000)</u>	<u>(747,000)</u>	<u>-</u>
Total other financing sources/(uses)	<u>(6,207)</u>	<u>(6,207)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(5,989)	<u><u>\$ (5,989)</u></u>	<u><u>\$ -</u></u>
Fund balance, October 1, 2003	<u>6,212</u>		
Fund balance, September 30, 2004	<u><u>\$ 223</u></u>		

**CITY OF ROUND ROCK, TEXAS**

**SPECIAL REVENUE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE-BUDGET AND ACTUAL**

**COMMUNITY DEVELOPMENT BLOCK GRANT**

**YEAR ENDED SEPTEMBER 30, 2004**

	<u>Actual</u>	<u>Final Budget</u>	Variance- Positive (Negative)
Revenues -			
Intergovernmental	\$ 325,740	\$ 688,919	\$ (363,179)
Investment and other	604	604	-
	<u>326,344</u>	<u>689,523</u>	<u>(363,179)</u>
Total revenues			
Expenditures -			
Current -			
General government -			
Personal services	63,432	63,432	-
Contractual services	5,857	5,857	-
Supplies and materials	7,406	7,406	-
Other services and charges	175,017	349,604	174,587
Capital outlay	75,076	263,224	188,148
	<u>326,788</u>	<u>689,523</u>	<u>362,735</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>(444)</u>	<u>\$ -</u>	<u>\$ (444)</u>
Fund balance, October 1, 2003	<u>444</u>		
Fund balance, September 30, 2004	<u>\$ -</u>		

**CITY OF ROUND ROCK, TEXAS**

**SPECIAL REVENUE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE-BUDGET AND ACTUAL**

**ANNEXATION FEES FUND**

**YEAR ENDED SEPTEMBER 30, 2004**

---

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance- Positive (Negative)</u>
Revenues -			
Licenses, permits and fees	\$ 102,518	\$ 102,518	\$ -
Investment and other	<u>5,508</u>	<u>5,508</u>	<u>-</u>
Total revenues	108,026	<u><u>\$ 108,026</u></u>	<u><u>\$ -</u></u>
Fund balance, October 1, 2003	<u>428,435</u>		
Fund balance, September 30, 2004	<u><u>\$ 536,461</u></u>		

**CITY OF ROUND ROCK, TEXAS**

**SPECIAL REVENUE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE-BUDGET AND ACTUAL**

**LIBRARY FUND**

**YEAR ENDED SEPTEMBER 30, 2004**

---

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance- Positive (Negative)</u>
Revenues-			
Investment and other	\$ 143	\$ 143	\$ -
Contributions	776	776	-
Total revenues	919	<u>\$ 919</u>	<u>\$ -</u>
Fund balance, October 1, 2003	<u>13,208</u>		
Fund balance, September 30, 2004	<u>\$ 14,127</u>		



## **STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

### **AGENCY FUND**

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

CITY OF ROUND ROCK, TEXAS

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ENCINO PLAZA PUBLIC IMPROVEMENT DISTRICT

YEAR ENDED SEPTEMBER 30, 2004

	Balances October 1, 2003	Additions	Deductions	Balances September 30, 2004
<u>Assets</u>				
Cash and cash equivalents	\$ 1,026,627	\$ 658,654	\$ 754,753	\$ 930,528
Total assets	<u>\$ 1,026,627</u>	<u>\$ 658,654</u>	<u>\$ 754,753</u>	<u>\$ 930,528</u>
<u>Liabilities</u>				
Due to participants	\$ 1,026,627	\$ 658,654	\$ 754,753	\$ 930,528
Total liabilities	<u>\$ 1,026,627</u>	<u>\$ 658,654</u>	<u>\$ 754,753</u>	<u>\$ 930,528</u>

**CAPITAL ASSETS**  
**USED IN THE OPERATION**  
**OF GOVERNMENTAL FUNDS**



CITY OF ROUND ROCK, TEXAS

SCHEDULE OF CAPITAL ASSETS - BY SOURCES

SEPTEMBER 30, 2004

---

Capital assets -	
Land	\$ 19,004,731
Buildings and improvements	360,342,966
Equipment	28,406,794
Construction in progress	<u>55,424,031</u>
	<u>\$ 463,178,522</u>

Investment in capital assets from -	
Capital Projects Funds -	
General obligation bonds	\$ 136,056,385
Federal grants	274,028
State grants	1,008,753
General Fund revenues	40,561,652
Special Revenue Fund revenues	51,868,249
Hotel Occupancy Tax revenues	20,173,839
Gifts	212,518,707
Special assessments	<u>716,909</u>
	<u>\$ 463,178,522</u>

CITY OF ROUND ROCK, TEXAS

SCHEDULE OF CAPITAL ASSETS -  
BY FUNCTION AND ACTIVITY

SEPTEMBER 30, 2004

<u>Function and Activity</u>	<u>Total</u>	<u>Land</u>
General Government -		
Control -		
Executive	\$ 127,202	\$ -
Staff agencies -		
Public works	7,024,864	293,740
Finance	587,301	-
Law	231,623	-
Planning and zoning	1,414,026	-
General government	34,978,235	3,024,383
Total staff agencies	44,236,049	3,318,123
Total general government	44,363,251	3,318,123
Public safety -		
Police protection	9,537,168	225,205
Fire protection	8,909,506	423,820
Inspection	297,423	-
Total public safety	18,744,097	649,025
Public works -		
City shop	1,836,765	-
Streets and drainage	299,007,996	3,549
Total public works	300,844,761	3,549
Culture and recreation -		
Library	6,894,782	278,252
Recreation	36,907,600	14,755,782
Total culture and recreation	43,802,382	15,034,034
Total capital assets allocated to functions	407,754,491	\$ 19,004,731
Construction in progress	55,424,031	
Total capital assets	\$ 463,178,522	

<u>Buildings and Improvements</u>	<u>Improvements Other Than Buildings</u>	<u>Machinery and Equipment</u>
\$ -	\$ -	\$ 127,202
3,146,072	2,748,881	836,171
-	-	587,301
5,187	-	226,436
-	523,140	890,886
<u>28,296,619</u>	<u>1,565,900</u>	<u>2,091,333</u>
<u>31,447,878</u>	<u>4,837,921</u>	<u>4,632,127</u>
<u>31,447,878</u>	<u>4,837,921</u>	<u>4,759,329</u>
1,135,363	1,020,492	7,156,108
2,538,136	420,187	5,527,363
71,652	-	225,771
<u>3,745,151</u>	<u>1,440,679</u>	<u>12,909,242</u>
51,942	1,332,663	452,160
571,900	294,383,773	4,048,774
<u>623,842</u>	<u>295,716,436</u>	<u>4,500,934</u>
3,872,766	21,940	2,721,824
7,916,719	10,719,634	3,515,465
<u>11,789,485</u>	<u>10,741,574</u>	<u>6,237,289</u>
<u>\$ 47,606,356</u>	<u>\$ 312,736,610</u>	<u>\$ 28,406,794</u>

**CITY OF ROUND ROCK, TEXAS**

**SCHEDULE OF CHANGES IN CAPITAL ASSETS -  
BY FUNCTION AND ACTIVITY**

**YEAR ENDED SEPTEMBER 30, 2004**

<u>Function and Activity</u>	<u>Capital Assets 10-1-03</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Capital Assets 09-30-04</u>
General Government -				
Control -				
Executive	\$ 117,490	\$ 12,053	\$ (2,341)	\$ 127,202
Staff Agencies -				
Public works	6,731,750	307,289	(14,175)	7,024,864
Finance	473,800	114,028	(527)	587,301
Law	207,535	24,477	(389)	231,623
Planning and zoning	1,332,134	83,680	(1,788)	1,414,026
General government	32,750,286	2,263,304	(35,355)	34,978,235
Total staff agencies	41,495,505	2,792,778	(52,234)	44,236,049
Total general government	41,612,995	2,804,831	(54,575)	44,363,251
Public safety -				
Police protection	8,737,586	1,071,059	(271,477)	9,537,168
Fire protection	8,523,681	406,087	(20,262)	8,909,506
Inspection	292,778	4,645	-	297,423
Total public safety	17,554,045	1,481,791	(291,739)	18,744,097
Public works -				
City shop	1,802,787	33,978	-	1,836,765
Streets and drainage	284,128,692	14,923,894	(44,590)	299,007,996
Total public works	285,931,479	14,957,872	(44,590)	300,844,761
Culture and recreation -				
Library	6,602,424	327,686	(35,328)	6,894,782
Recreation	33,804,814	3,189,936	(87,150)	36,907,600
Total culture and recreation	40,407,238	3,517,622	(122,478)	43,802,382
Construction in progress	45,911,925	20,023,308	(10,511,202)	55,424,031
Total capital assets	\$ 431,417,682	\$ 42,785,424	\$ (11,024,584)	\$ 463,178,522

**STATISTICAL SECTION**

**(UNAUDITED)**

**CITY OF ROUND ROCK, TEXAS**

**GENERAL REVENUES BY SOURCE <sup>(1)</sup>**

**LAST TEN YEARS**

**(UNAUDITED)**

Fiscal Year Ended 9-30	Taxes and Franchise	Licenses and Permits	Charges For Services	Fines and Forfeitures
1995	\$ 15,769,609	\$ 576,718	\$ 951,760	\$ 523,931
1996	18,133,838	539,241	1,210,486	661,483
1997	21,801,655	515,852	1,318,516	660,196
1998	29,617,637	669,622	1,611,370	898,496
1999	39,598,214	743,791	1,609,133	879,865
2000	47,424,826	970,656	2,268,857	729,172
2001	58,333,682	799,550	3,010,382	834,185
2002	59,029,046	628,550	3,282,764	1,078,089
2003	66,699,982	801,108	3,451,103	1,043,055
2004	71,743,446	679,754	3,727,507	1,286,754
	\$ 428,151,935	\$ 6,924,842	\$ 22,441,878	\$ 8,595,226

(1) - Above data are for General, Special Revenue and Debt Service Funds.

<u>Special Assessments</u>	<u>Intergovernmental</u>	<u>Hotel Occupancy Tax</u>	<u>Investment and Other</u>	<u>Total</u>
\$ 38,698	\$ 655,063	\$ 204,555	\$ 891,362	\$ 19,611,696
27,972	144,645	235,565	938,688	21,891,918
26,846	196,305	339,592	1,415,145	26,274,107
267,416	88,713	434,356	1,524,701	35,112,311
28,177	294,221	616,483	1,951,468	45,721,352
2,041	647,445	1,017,826	2,980,466	56,041,289
1,021	1,185,810	1,354,429	4,193,627	69,712,686
-	735,590	1,477,050	2,798,290	69,029,379
4,963	754,431	1,618,744	1,985,789	76,359,175
2,978	726,414	1,650,148	1,737,792	81,554,793
<u>\$ 400,112</u>	<u>\$ 5,428,637</u>	<u>\$ 8,948,748</u>	<u>\$ 20,417,328</u>	<u>\$ 501,308,706</u>



**CITY OF ROUND ROCK, TEXAS**

**GENERAL EXPENDITURES BY FUNCTION**

**LAST TEN YEARS**

**(UNAUDITED)**

Fiscal Year Ended 9-30	General Government	Public Safety	Public Works	Culture and Recreation	Debt Service	Total
1995	\$ 3,485,279	\$ 5,875,865	\$ 2,794,420 *	\$ 2,324,229	\$ 5,453,764	\$ 19,933,557
1996	3,925,200	6,803,488	2,579,777 *	2,637,704	6,519,963	22,466,132
1997	5,577,920	8,047,235	2,999,461 *	3,190,056	7,210,759	27,025,431
1998	6,440,010	9,583,146	3,559,959 *	3,312,479	7,287,282	30,182,876
1999	8,897,742	10,958,903	4,035,009	4,070,940	7,589,040	35,551,634
2000	11,979,536	12,698,746	5,234,245	5,164,311	7,895,740	42,972,578
2001	14,675,517	15,074,503	6,240,934	7,223,780	10,034,421	53,249,155
2002	15,071,967	16,767,233	6,448,449	7,568,798	11,509,307	57,365,754
2003	17,231,171	18,099,093	7,277,171	8,412,271	13,561,167	64,580,873
2004	18,343,416	19,818,241	7,430,727	9,088,693	14,792,829	69,473,906
	<u>\$ 105,627,758</u>	<u>\$ 123,726,453</u>	<u>\$ 48,600,152</u>	<u>\$ 52,993,261</u>	<u>\$ 91,854,272</u>	<u>\$ 422,801,896</u>

Note - Above data are for General, Special Revenue and Debt Service Funds.

\* - The capital project expenditures in the Special Revenue Funds are included in Public Works.

**CITY OF ROUND ROCK, TEXAS**

**PROPERTY TAX LEVIES AND COLLECTIONS**

**LAST TEN YEARS**

**(UNAUDITED)**

---

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>
	\$	\$	%
1995	6,904,316	6,837,807	99.04
1996	7,295,538	7,188,878	98.54
1997	7,883,421	7,809,238	99.06
1998	8,692,342	8,601,905	98.96
1999	9,888,321	9,790,084	99.01
2000	10,804,487	10,686,138	98.90
2001	12,296,243	12,181,034	99.06
2002	14,487,121	14,335,048	98.95
2003	17,312,012	17,129,231	98.94
2004	18,357,480	18,117,224	98.69

---

<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collection to Tax Levy</u>
\$	\$	%
76,971	6,914,778	100.15
87,561	7,276,439	99.74
73,884	7,883,122	100.00
82,119	8,684,024	99.90
92,895	9,882,979	99.95
122,565	10,808,703	100.04
361,469	12,542,503	102.00
196,322	14,531,370	100.31
185,073	17,314,304	100.01
205,456	18,322,680	99.81

**CITY OF ROUND ROCK, TEXAS**

**ASSESSED VALUE OF TAXABLE PROPERTY**

**LAST TEN YEARS**

**(UNAUDITED)**

Fiscal Year	Gross Assessed Value			
	Assessment Ratio	Real Property	Personal Property	Total
	%	\$	\$	\$
1995	100	1,287,341,887	200,850,567	1,488,192,454
1996	100	1,496,294,910	311,336,059	1,807,630,969
1997	100	1,759,724,187	358,435,090	2,118,159,277
1998	100	2,077,547,602	428,959,755	2,506,507,357
1999	100	2,306,196,524	486,851,223	2,793,047,747
2000	100	2,670,155,112	504,988,781	3,175,143,893
2001	100	3,270,519,641	712,609,336	3,983,128,977
2002	100	3,977,561,419	853,720,952	4,831,282,371
2003	100	4,536,275,722	832,454,143	5,368,729,865
2004	100	4,603,800,464	786,481,840	5,390,282,304

**Source:** Round Rock Independent School District Tax Office

Reductions to Gross Assessed Value			
Property Tax Exemptions			
Over 65	Disabled & Deceased Veterans	Freeport, Property, Redevelopment, Agricultural and Other	Total Taxable Assessed Valuation
\$	\$	\$	\$
14,321,816	611,470	61,218,008	1,412,041,160
15,660,868	657,500	80,063,271	1,711,249,330
16,917,414	2,097,500	122,358,756	1,976,785,607
18,437,050	2,340,000	180,388,498	2,305,341,809
19,897,723	2,526,000	202,228,959	2,568,395,065
21,604,689	2,735,000	173,951,536	2,976,852,668
23,737,949	2,990,000	233,763,660	3,722,637,368
23,871,132	3,095,500	306,187,720	4,498,128,019
26,861,588	3,718,500	279,116,463	5,059,033,314
28,515,439	4,000,000	217,804,048	5,139,962,817

**CITY OF ROUND ROCK, TEXAS**

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS  
PER \$100 OF ASSESSED VALUE**

**LAST TEN YEARS**

**(UNAUDITED)**

---

<u>Fiscal Year</u>	<u>City</u>	<u>Round Rock Independent School District</u>	<u>Williamson County</u>	<u>Total</u>
	\$	\$	\$	\$
1995	0.4889	1.4246	0.3542	2.2677
1996	0.4264	1.6209	0.3378	2.3851
1997	0.3988	1.6300	0.2712	2.3000
1998	0.3770	1.6396	0.2960	2.3126
1999	0.3850	1.7575	0.2990	2.4415
2000	0.3629	1.7111	0.2995	2.3735
2001	0.3303	1.7086	0.3477	2.3866
2002	0.3221	1.7387	0.3543	2.4151
2003	0.3422	1.7924	0.4154	2.5500
2004	0.3572	1.8643	0.4482	2.6697

Source: Williamson County Tax Office

**CITY OF ROUND ROCK, TEXAS**

**SPECIAL ASSESSMENT COLLECTIONS**

**LAST TEN YEARS**

**(UNAUDITED)**

---

<u>Fiscal Year Ended 9-30</u>	<u>Current Assessments Due</u>	<u>Current Assessments Collected</u>	<u>Ratio of Collections to Amount Due</u>	<u>Total Outstanding Assessments</u>
	\$	\$	%	\$
1995	32,857	38,698	118	84,079
1996	31,482	16,849	54	67,230
1997	31,482	26,846	85	40,384
1998	307,800	267,416	87	46,507
1999	42,425	28,177	66	18,330
2000	13,228	2,041	15	16,289
2001	13,228	1,021	8	15,269
2002	14,248	-	-	15,269
2003	799,610	789,304	99	10,306
2004	310,811	305,993	98	907,578

**CITY OF ROUND ROCK, TEXAS**

**RATIO OF NET GENERAL BONDED DEBT  
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA**

**LAST TEN YEARS**

**(UNAUDITED)**

<u>Fiscal Year Ended 9-30</u>	<u>(1) Population</u>	<u>Net Assessed Value (in thousands)</u>	<u>(2) Gross Bonded Debt</u>	<u>Amount Available in Debt Service Fund</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
		\$	\$	\$	\$	%	\$
1995	42,880	1,412,041	43,069,000 <sup>(2)</sup>	1,223,787	41,845,213	2.96	975.87
1996	45,355	1,711,249	51,967,000 <sup>(2)</sup>	1,482,719	50,484,281	2.95	1,113.09
1997	47,760	1,976,786	53,435,000 <sup>(2)</sup>	1,161,951	52,273,049	2.64	1,094.49
1998	50,905	2,305,342	61,628,000 <sup>(2)</sup>	1,083,021	60,544,979	2.63	1,189.37
1999	56,030	2,568,395	57,861,000 <sup>(2)</sup>	1,876,382	55,984,618	2.18	999.19
2000	60,340	2,976,853	65,004,000 <sup>(2)</sup>	1,471,892	63,532,108	2.13	1,052.90
2001	68,835	3,722,637	61,262,000 <sup>(2)</sup>	2,132,743	59,129,257	1.59	859.00
2002	73,295	4,498,128	92,640,000 <sup>(2)</sup>	2,074,841	90,565,159	2.01	1,235.63
2003	77,600	5,059,033	90,432,000 <sup>(2)</sup>	2,304,816	88,127,184	1.74	1,135.66
2004	81,825	5,139,963	106,244,000 <sup>(2)</sup>	2,338,493	103,905,507	2.02	1,269.85

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 \$6,876,131 at September 30, 2004.

**CITY OF ROUND ROCK, TEXAS**

**COMPUTATION OF LEGAL DEBT MARGIN**

**SEPTEMBER 30, 2004**

**(UNAUDITED)**

---

Total assessed value			\$ <u>5,139,962,817</u>
Debt limit - Maximum serviceable at permitted allocation of \$1.50 per \$100 of assessed value			\$ 921,367,824
Amount of debt applicable to debt limit:			
Total General Obligation Debt		\$ 106,244,000	
Less:			
Amount available in Debt Service Fund	\$ 2,338,493		
Amounts considered self-supporting	6,876,131		
Other deductions allowed by law:			
Special Assessment Bonds		<u>                    -</u>	
Total deductions		<u>9,214,624</u>	
Total amount of debt applicable to debt limit			<u>97,029,376</u>
Legal debt margin			\$ <u>824,338,448</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, 2003, assessed valuation of \$5,139,962,817 at 100% collection, tax revenue of \$77,099,442 would be produced. This revenue could service the debt on \$921,367,824 issued as 20-year serial bonds at 5.50% (with level debt service payment).

**CITY OF ROUND ROCK, TEXAS**

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**

**SEPTEMBER 30, 2004**

**(UNAUDITED)**

<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	\$ 106,244,000 *	100.00	\$ 106,244,000
Round Rock Independent School District	354,657,547 **	28.68	101,715,784
Williamson County	423,854,486 *	19.50	82,651,625
Georgetown ISD	65,432,191 **	0.03	19,630
Travis County	<u>428,586,206 *</u>	0.46	<u>1,971,496</u>
Total	\$ <u><u>1,378,774,430</u></u>		\$ <u><u>292,602,535</u></u>

\*Gross Debt as of 9-30-04

\*\*Gross Debt as of 6-30-04

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

**CITY OF ROUND ROCK, TEXAS**

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR  
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES**

LAST TEN YEARS

**(UNAUDITED)**

<u>Fiscal Year Ended 9-30</u>	<u>Principal</u>	<u>Interest and Fiscal Charges</u>	<u>Total Debt Service</u>	<sup>(1)</sup> <u>Total General Expenditures</u>	<u>Ratio of Debt Service to Total General Expenditures</u>
	\$	\$	\$	\$	%
1995	3,340,728	2,113,036	5,453,764	19,933,557	27.4
1996	3,965,152	2,554,811	6,519,963	22,466,132	29.0
1997	4,351,757	2,859,002	7,210,759	27,025,431	26.7
1998	4,244,493	3,042,789	7,287,282	30,182,876	24.1
1999	4,268,300	3,320,740	7,589,040	35,551,634	21.3
2000	4,156,328	3,140,833	7,297,161 <sup>(2)</sup>	42,972,578	17.0
2001	4,331,667	3,708,433	8,040,100 <sup>(2)</sup>	53,249,155	15.1
2002	4,432,962	3,118,996	7,551,958 <sup>(2)</sup>	57,365,754	13.2
2003	2,960,432	5,321,465	8,281,897 <sup>(2)</sup>	64,580,873	12.8
2004	4,555,211	4,380,264	8,935,475 <sup>(2)</sup>	69,473,906	12.9

<sup>(1)</sup> Includes General, Special Revenue, and Debt Service Funds.

<sup>(2)</sup> Total debt service for general bonded debt does not include self-supporting Hotel Tax and Sales Tax Revenue Bond and State Infrastructure Loan payments, which totaled \$5,287,571 for fiscal year ended September 30, 2004.

**CITY OF ROUND ROCK, TEXAS**

**SCHEDULE OF REVENUE BOND COVERAGE**

**LAST TEN YEARS**

**(UNAUDITED)**

Fiscal Year Ended 9-30	(1) Gross Revenue	(2) Direct Operating Expenses	Net Revenue Available for Debt Service	<u>Debt Service Requirements</u> Principal and Interest	Revenue Bond Coverage
	\$	\$	\$	\$	
1995	12,842,219	5,324,255	7,517,964	1,739,222	4.32
1996	14,621,577	5,595,285	9,026,292	1,779,260	5.07
1997	16,649,651 <sup>(3)</sup>	8,015,148	8,634,503	1,745,528	4.95
1998	18,031,066	8,632,306	9,398,760	1,751,339	5.37
1999	19,065,800	8,762,007	10,303,793	1,745,175	5.90
2000	23,867,459	10,561,505	13,305,954	1,765,565	7.54
2001	24,333,346	12,645,648	11,687,698	1,575,210	7.42
2002	25,436,842	13,840,556	11,596,286	1,583,835	7.32
2003	24,895,722	15,328,369	9,567,353	1,392,358	6.87
2004	25,583,013	16,467,400	9,115,613	1,279,975	7.12

<sup>(1)</sup> Water and Sewer Fund operating and non-operating revenues.

<sup>(2)</sup> Water and Sewer Fund operating expenses, excluding depreciation.

<sup>(3)</sup> Excludes lawsuit settlement proceeds of \$ 6,120,000.

**CITY OF ROUND ROCK, TEXAS**

**DEMOGRAPHIC STATISTICS**

**LAST TEN YEARS**

**(UNAUDITED)**

<u>Fiscal Year</u>	<u>(1) Population</u>	<u>(2) Per Capita Income</u> \$	<u>(3) School Enrollment</u>	<u>(4) Unemployment Rate</u> %
1995	42,880	18,273	24,971	1.9
1996	45,355	19,053	26,107	1.7
1997	47,760	20,737	27,223	1.9
1998	50,905	21,929	28,455	1.8
1999	56,030	23,453	30,100	1.5
2000	60,340	26,149	31,572	1.3
2001	68,835	28,552	32,652	3.9
2002	73,295	29,822	34,120	4.7
2003	77,600	26,940	35,579	4.7
2004	81,825	26,979	36,608	3.1

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 Independent School District.

(4) Texas Workforce Commission; data is for the City of Round Rock.

**CITY OF ROUND ROCK, TEXAS**

**PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS**

**LAST TEN YEARS**

**(UNAUDITED)**

Fiscal Year Ended 9-30	(1)	(2)	(3)		(3)	
	Commercial Bank Deposits	Property Value	Commercial Construction Units	Commercial Construction Value	Residential Construction Units	Residential Construction Value
	\$	\$		\$		\$
1995	N/A	1,488,192,454	37	74,665,483	1,000	91,621,287
1996	N/A	1,807,630,969	57	150,287,986	1,065	104,926,563
1997	N/A	2,118,159,277	55	73,791,058	962	82,813,943
1998	N/A	2,506,507,357	54	185,095,131	1,355	124,003,089
1999	N/A	2,793,047,747	52	67,529,071	1,667	152,341,464
2000	N/A	3,175,143,893	83	139,196,103	1,724	174,489,516
2001	N/A	3,983,128,977	56	93,120,082	1,363	173,065,113
2002	N/A	4,831,282,371	37	47,137,000	1,401	156,999,872
2003	N/A	5,368,729,865	30	26,568,200	1,353	155,048,240
2004	N/A	5,390,282,304	34	37,220,290	1,317	150,641,132

**Sources:** <sup>(1)</sup> Round Rock Chamber of Commerce and FDIC

<sup>(2)</sup> Round Rock Independent School District Tax Office

<sup>(3)</sup> City Inspection Department

N/A Information is unavailable on a local basis.

**CITY OF ROUND ROCK, TEXAS**

**PRINCIPAL TAXPAYERS**

**SEPTEMBER 30, 2004**

**(UNAUDITED)**

<u>Name of Taxpayer</u>	<u>Type of Business</u>	<u>Net Assessed Valuation</u>	<u>% of Total Net Assessed Valuation</u>
<i>Dell Computer Holdings, LP</i>	Electronic Equipment	\$ 174,361,699	3.392 %
<i>Dell Computer Corp.</i>	Electronic Equipment	86,378,689	1.681
<i>Baltgem Development Corp.</i>	Property Management	74,758,917	1.454
<i>DuPont Photomasks, Inc.</i>	Photomask Manufacturer	51,811,666	1.008
<i>Oncor Electric Delivery Co.</i>	Electric Utility	33,612,480	0.654
<i>Drever, Limestone, LP</i>	Property Management	27,178,999	0.529
<i>Columbia/St. David Healthcare</i>	Healthcare Facilities	23,937,707	0.466
<i>Southwestern Bell Telephone</i>	Telecommunications	23,882,716	0.465
<i>La Frontera Lodging</i>	Property Management	23,306,673	0.453
<i>La Frontera Multi-Family</i>	Property Management	<u>21,921,047</u>	<u>0.426</u>
		<u>\$ 541,150,593</u>	<u>10.528 %</u>

## CITY OF ROUND ROCK, TEXAS

## HOTEL TAXPAYERS

SEPTEMBER 30, 2004

(UNAUDITED)

Taxpayer	Total Collections Year Ended September 30, 2004	Number of Rooms
<i>La Quinta Inn</i>	\$ 93,698	116
<i>Courtyard by Marriott</i>	106,286	113
<i>Red Roof Inn</i>	65,159	107
<i>Baymont Inn</i>	61,494	93
<i>Best Western Executive Inn</i>	53,247	67
<i>Days Inn &amp; Suites</i>	24,342	49
<i>Super 8 Motel</i>	36,514	62
<i>Extended Stay America # 6030</i>	35,703	138
<i>Wingate Inn</i>	73,650	101
<i>Amerisuites</i>	52,512	90
<i>Residence Inn</i>	123,223	96
<i>Hilton Garden Inn</i>	119,201	122
<i>Comfort Suites</i>	48,667	62
<i>Springhill Suites</i>	91,746	104
<i>Hampton Inn</i>	120,606	93
<i>Staybridge Suites</i>	63,445	81
<i>Austin Marriott North</i>	402,043	295
<i>Candlewood Suites</i>	34,108	98
<i>Lodge at Warner Ranch</i>	357	5
<i>Extended Stay America # 6197</i>	28,587	104
<i>Country Inn &amp; Suites</i>	15,560	61
	\$1,650,148	2,057

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

---

<u>Fiscal Year Ended 9-30</u>	<u>1st Quarter Oct. – Dec.</u>	<u>2nd Quarter Jan. – Mar.</u>	<u>3rd Quarter Apr. – June</u>	<u>4th Quarter July – Sept.</u>	<u>Total</u>
	\$	\$	\$	\$	\$
1995	50,325	45,553	51,511	57,165	204,554
1996	58,008	59,915	45,806	71,836	235,565
1997	60,820	76,515	89,230	113,027	339,592
1998	102,162	99,392	101,966	130,835	434,355
1999	121,858	134,096	163,087	197,442	616,483
2000	219,642	215,824	255,911	326,448	1,017,825
2001	323,789	308,735	333,479	388,426	1,354,429
2002	360,606	307,427	368,583	440,434	1,477,050
2003	401,794	367,136	410,803	439,011	1,618,744
2004	406,795	352,486	414,176	476,691	1,650,148

**CITY OF ROUND ROCK, TEXAS**

**TOP TEN WATER CUSTOMERS**

**SEPTEMBER 30, 2004**

**(UNAUDITED)**

<u>Name of Customer</u>	<u>Type of Business</u>	<u>Water Consumption in Gallons</u>	<u>% of Total Water Consumption in Gallons</u>
Brushy Creek Municipal Utility District	Municipal Utility District	595,878,100	11.311 %
Fern Bluff Municipal Utility District	Municipal Utility District	272,571,800	5.174
Chandler Creek Municipal Utility District	Municipal Utility District	158,412,300	3.007
Dell, Inc.	Electronic Equipment	103,431,600	1.963
Round Rock Independent School District	Public Schools	91,433,100	1.736
Michael Angelo's	Food Production	68,892,200	1.308
Cypress Semiconductor	Electronic Components	44,156,600	0.838
Cintas Corp.	Uniform Rental	41,675,400	0.791
Aquasource--Tonkawa Springs	Water Service Provider	39,840,200	0.756
Vista Oaks Municipal Utility District	Municipal Utility District	<u>35,666,200</u>	<u>0.677</u>
		<u>1,451,957,500</u>	<u>27.561 %</u>

**CITY OF ROUND ROCK, TEXAS**

**WATER AND SEWER RETAIL RATES**

**SEPTEMBER 30, 2004**

**(UNAUDITED)**

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

<u>Volume Rate</u>	<u>Monthly Service Charge</u>	
	<u>Meter Size Base Serving Customer</u>	<u>Monthly Water Service Charge</u>
		\$
\$1.91 per 1,000 gallons of water used by all customers	5/8 inch	11.60
	3/4 inch	16.33
	1 inch	25.78
	1 1/2 inch	49.40
	2 inch	77.75
	3 inch	143.90
	4 inch	238.40
	6 inch	758.15
	8 inch	1,325.15
	10 inch	2,081.15
	12 inch	2,553.65

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

<u>Volume Rate</u>	<u>Monthly Service Charge</u>	
	<u>Meter Size Base Serving Customer</u>	<u>Monthly Sewer Service Charge</u>
		\$
\$2.12 per 1,000 gallons of water * used by all customers	5/8 inch	8.90
	3/4 inch	11.85
	1 inch	17.00
	1 1/2 inch	31.00
	2 inch	47.80
	3 inch	87.00
	4 inch	143.00
	6 inch	451.00
	8 inch	787.00
	10 inch	1,235.00
	12 inch	1,515.00

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

**CITY OF ROUND ROCK, TEXAS**

**MISCELLANEOUS STATISTICS**

**SEPTEMBER 30, 2004**

**(UNAUDITED)**

---

Established <sup>(1)</sup>	1850
Date of Incorporation	1913
Form of Government	Council - Manager
Area	29 Square miles

Fire protection <sup>(2)</sup> -	
Number of stations	5
Number of firefighters	80 Salaried 45 Volunteer

Police protection <sup>(2)</sup> -	
Number of stations	1
Number of police officers	114

Municipal water department <sup>(2)</sup> -	
Number of consumers	25,400
Average monthly consumption	439,000,000 Gallons

Residential, commercial, industrial building permits <sup>(2)</sup>	1,351
---	-------

Recreation and culture <sup>(2)</sup> -	
Number of parks	70
Number of libraries	1
Number of library volumes	150,436 (approx.)

Employees (full-time equivalents) <sup>(2)</sup>	703
--	-----

Sources:

<sup>(1)</sup> Round Rock Chamber of Commerce

<sup>(2)</sup> City of Round Rock