

**CITY OF ROUND ROCK, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2007**

**ELECTED OFFICIALS**

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

**MANAGEMENT STAFF**

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

**OFFICIAL ISSUING REPORT**

*David Kautz, Assistant City Manager/Chief Financial Officer*



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## **INTRODUCTORY SECTION**







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

November 30, 2007

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, 2007, is submitted herewith. The City's Finance Department prepared this report. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects and that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

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

Brockway, Gersbach, McKinnon & Niemeier, P.C., Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Round Rock's financial statements for the year ended September 30, 2007. The independent auditors' report is located at the front of the financial section of this report.

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

**Mayor**

Nyle Maxwell

**Mayor Pro-tem**

Alan McGraw

**Councilmembers**

Rufus Honeycutt

Joe Clifford

Carlos T. Salinas

Scott Rhode

Kris Whitfield

**City Manager**

James R. Nuse, P.E.

**City Attorney**

Stephan L. Sheets

## **City of Round Rock Profile**

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

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

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

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

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

Budgetary control is maintained at the department level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of balances are not released until additional appropriations are made available. The City had no material encumbrances as of September 30, 2007.

## **Significant Local Economic Events**

As indicated in the body of this report, the City's financial condition remains healthy and has continued to improve year after year. The City's strong financial position is a result of prudent fiscal management as well as growth in the local economy experienced over the past several years. It is important to keep in mind the fact that Round Rock is located within Williamson County, which is one of the fastest growing counties in the nation. Since 1990, Williamson County has soared 172% to 379,979, and the City of Round Rock has grown 11% on an average annual basis, thus making Round Rock one of the fastest growing cities in Texas. The Austin-Round Rock Metropolitan Statistical Area (MSA) has more than doubled in population to 1.58 million since 1990. As of the end of fiscal year 2007, Round Rock's population was estimated at 92,500.

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

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

General fund sales tax receipts for fiscal year 2007 were \$ 3,039,235 over fiscal year 2006. This figure represents an increase of 6%. Over the past 5 years, sales tax has increased 72% or an average growth rate of 11.5% per year. The sales tax revenue category produced 61% of the total revenue available to the City's general fund for this year, while the property tax levy produced 16.6%. 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 significant single-family building permits issued with 859 permits issued in 2007. Although fewer than the prior year, building activity is expected to remain steady, fueled by in-migration to the community while job creation will continue its healthy growth trends. The current unemployment rate in Round Rock is 3.5% and remains lower than the Austin metro and statewide rates of 3.7% and 4.4%, respectively.

Round Rock has historically been successful in attracting successful global leaders in the high tech industry. Dell, Inc. continues to enjoy steady growth and is the leading employer for Round Rock. Following Dell's success here, KoMiCo, a multinational corporation based in Korea and a Samsung contractor, recently announced the opening of a facility in Round Rock expecting to bring 120 jobs to the community in the next four years.

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

Another recent growth related expansion includes a new mixed use development along State Highway 45 at the southwest corner of La Frontera at the southern end of Round Rock. The majority of the project will be office space but will also include some retail and multi-family housing. The mixed use development will aid in job growth and accommodate spin-off expansions.

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

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

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

The City recognizes that a highly educated workforce is an important component of a well-rounded economic foundation. The City was instrumental in successfully obtaining state legislation for funding of the first permanent building for the Round Rock Higher Education Center (RRHEC) in northeast Round Rock. The campus opened in the fall of 2005 with classes provided by Texas State University and Austin Community College (ACC). In conjunction with Texas State University-San Marcos, it is anticipated that the new campus will become a full-service college including a planned nursing school strategically located in close proximity to the growing health care facilities in north Round Rock. In addition, the state legislature has set aside funds for Texas A&M University System Health Science Center to build a clinical campus in Round Rock.

The 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 2007, 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 success of the City's AAA minor league baseball team, the Round Rock Express, continues to draw a regional fan base and national exposure for Round Rock.

In November 2001, an \$ 89.8 million General Obligation bond authorization for streets, public safety, parks and general improvements was passed by more than a 2-1 margin, or 70%. These capital projects will be financed and constructed over a span of 6-10 years and represent a significant upgrade and expansion of the City's infrastructure. In July of 2007, the City issued the final \$ 34.5 million of the authorization and the improvements are well underway. In addition, \$ 14.9 million in certificates of obligation were issued in 2007 for park improvements.

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

In August of 1997 voters of Round Rock approved an increase in the local sales and use tax rate of ½ of 1%. This increase in the sales and use tax rate went into effect January 1, 1998 and the proceeds are to be used for streets, roads, drainage and other related transportation system improvements, including the payment of maintenance expenses associated with such authorized projects. The additional revenues are not part of the operating budget but are budgeted and spent by a non-profit industrial development corporation established expressly to oversee the above purposes with the approval of the City Council. Collections for the past year exceeded \$ 17.2 million. Next year, revenue from this sales tax source is estimated to be higher than last year. These funds will help provide major improvements to the City's transportation system, significantly benefiting the local and regional economy.

Because traffic congestion is one of the central problems of Round Rock and the region, road projects are a high priority. Project completions over the past year have brought 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 completed. This extremely important road project is adjacent to Dell Computer and the La Frontera development. Also recently completed is the A.W. Grimes arterial that connects north and south Round Rock, as well as IH 35 improvements to facilitate access to several major retail developments. Many other local road projects, also funded with local and state funds, are in planning or construction phases. Total current expenditure estimates for these various projects approximate \$ 430 million. The local portion, \$ 148 million, is funded largely by the one-half percent sales tax mentioned earlier. The City's road development is closely following the Comprehensive Transportation Master Plan which developed a short-term (10 year), a long-term (20 year) and ultimate term (build-out) transportation plans to serve the community needs. These efforts, along with the development of funding sources for transportation improvements, discussed above, are indicative of the City's commitment to preserving its economic base and quality of life.

### **Relevant Financial Policies**

#### **Accounting System and Controls**

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

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

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

## Cash Management

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

## Risk Management

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

## **Long-Term Financial Planning**

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

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

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

## **Prospects for the Future**

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

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

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

As stated earlier, the local region and Round Rock saw rapid, unprecedented growth over the past decade. Population growth projections are expected to remain steady as the area economy continues show signs of continued expansion. 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. The first building of a planned full-service university campus has opened. The community development and opportunities presented by this type of institution are virtually unlimited. Round Rock is also experiencing a significant investment in the medical industry including several state-of-the-art medical facilities expansions as well as state funding for a university health science center clinical campus. Not only will these initiatives shape the physical development of the City but they will also influence the knowledge base and creativity in the community.

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

## **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Round Rock, Texas for its comprehensive annual financial report for the fiscal year ended September 30, 2006. This was the twenty-first consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

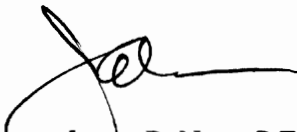


A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City of Round Rock also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning October 1, 2006. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide and a communications device.

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

Respectfully submitted,



James R. Nuse, P.E.  
City Manager



David Kautz, CGFO  
Assistant City Manager/  
Chief Financial Officer



# City Organization Chart

Citizens of Round Rock

Mayor & City Council

City Judge

City Manager

Legal

Asst. City Mgr/CFO

Administration

Human Resources Director

Human Resources

Communications Director

City Secretary

Finance Director

Purchasing

Finance

Utility Billing

General Services

Conv. & Visitors Bureau

Info Technology

Municipal Court

Chief of Public Works Operations/COO

Utility Director

Utilities Administration

Water Treatment Plant

Water Systems Support

Water Line Maint.

WW Treatment Plant

WW Systems Support

WW Line Maintenance

Environmental Services

Director of Transportation

Transportation

Street

City Shop

City Engineer

Eng & Dev Services

Building Inspections

Police Chief

Administration

Patrol

Criminal Invest.

Fire Chief

Administration

Fire Suppression

Fire Protection

Library Director

Administration

Public Service

Children's Serv.

Parks & Recreation Director

Administration

Forestry

Parks

Baca Activity Ctr.

Clay Madsen Rec.

Athletics/Aquatics

Planning Director

Administration

Code Enforcement



# 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, 2006

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.



*Oliver S. Cox*

President

*Jeffrey R. Enow*

Executive Director



**FINANCIAL SECTION**





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

**Independent Auditors' Report**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Round Rock, Texas as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Round Rock's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Round Rock, Texas as of September 30, 2007, and the respective changes in financial position, and, where applicable cash flows, thereof and the respective budgetary comparisons for the general fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2007, on our consideration of the City of Round Rock's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction in assessing the results of our audit.

**Independent Auditors' Report  
(continued)**

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

The introductory and statistical section of this report have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

*Brockway Atchuck McShannon, CPA*

November 30, 2007



**City of Round Rock, Texas**  
**Management's Discussion and Analysis**  
**September 30, 2007**

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, 2007. 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 \$ 681,405,413 (*net assets*). Of this amount, \$ 131,174,895 (*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 \$ 69,307,958. Approximately 34.9 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 \$ 190,984,941, an increase of \$ 49,573,868 in comparison with the prior year. The increase is primarily a result of the issuance of \$ 49,390,000 in general and certificate of obligation debt late in the fiscal year as further described below. Approximately 38 percent of the total fund balance amount, \$ 72,239,789, 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 \$ 34,340,001, or 50 percent of the total general fund expenditures.
- The City of Round Rock's total debt increased by \$ 37,829,754 during the current fiscal year. The increase is largely due to the issuance of \$ 49,390,000 in general and certificate of obligation debt. Other factors include regularly scheduled debt retirement and savings from various refunding bond issues.

**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.

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).

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**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

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 water and sewer utility and a golf course.

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

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

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

The City of Round Rock maintains 25 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, the Round Rock Transportation System Development Corporation (RRTSDC) revenue and project funds, the self-financed construction fund and the 2007 General Obligation Bond fund, all of which are considered to be major funds. Data from the other 19 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.

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**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

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

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

***Notes to the financial statements***

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

***Other information***

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the City of Round Rock, assets exceeded liabilities by \$ 681,405,413 as of September 30, 2007.

The largest portion of the City's net assets (60.4%) reflects its investments in capital assets (e.g., land, buildings and improvements, improvements other than buildings, machinery and equipment and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

An additional portion of the City's net assets (20.3%) represents resources that are subject to external restriction on how they may be utilized. The remaining balance of unrestricted net assets \$ 131,174,895 may be used to meet the City's ongoing obligations to citizens and creditors.

As of September 30, 2007 and 2006, the City was able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

The following table provides a comparative summary of the City's net assets as of September 30, 2007 and 2006.

Net Assets (in 000's)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 218,332	\$ 162,365	\$ 74,434	\$ 65,717	\$ 292,766	\$ 228,082
Capital assets	409,871	379,703	203,897	184,271	613,767	563,973
Total assets	<u>628,203</u>	<u>542,069</u>	<u>278,331</u>	<u>249,987</u>	<u>906,534</u>	<u>792,055</u>
Long term liabilities	204,926	162,522	2,048	1,373	206,974	163,896
Other liabilities	13,875	13,281	4,279	2,781	18,154	16,062
Total liabilities	<u>218,801</u>	<u>175,803</u>	<u>6,327</u>	<u>4,154</u>	<u>225,128</u>	<u>179,958</u>
Net assets:						
Invested in capital assets, net of related debt	207,796	218,160	203,542	184,271	411,338	402,431
Restricted	116,955	72,856	21,938	17,534	138,893	90,390
Unrestricted	<u>84,651</u>	<u>75,249</u>	<u>46,524</u>	<u>44,027</u>	<u>131,175</u>	<u>119,276</u>
Total net assets	<u>\$ 409,401</u>	<u>\$ 366,265</u>	<u>\$ 272,004</u>	<u>\$ 245,832</u>	<u>\$ 681,406</u>	<u>\$ 612,097</u>

**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, 2007 with comparisons to the previous year.

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

	Changes in Net Assets (in 000's)					
	Governmental		Business-Type		Total	
	Activities	Activities	Activities	Activities	2007	2006
	2007	2006	2007	2006	2007	2006
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 8,445	\$ 7,942	\$ 31,445	\$ 31,042	\$ 39,890	\$ 38,984
Operating grants and contributions	931	1,058	-	-	931	1,058
Capital grants and contributions	17,323	12,548	4,384	2,310	21,707	14,858
<b>General revenues:</b>						
Property taxes	24,410	21,632	-	-	24,410	21,632
Franchise taxes	5,499	4,990	-	-	5,499	4,990
Sales tax	68,988	64,936	-	-	68,988	64,936
Hotel occupancy tax	2,839	2,269	-	-	2,839	2,269
Public service taxes	257	228	-	-	257	228
Impact fees	-	-	10,609	9,261	10,609	9,261
Grants and contributions not restricted to specific programs	-	-	9,389	8,135	9,389	8,135
Investment earnings	9,913	7,233	1,055	2,364	10,968	9,597
Miscellaneous	153	122	-	49	153	171
<b>Total revenues</b>	<b>138,758</b>	<b>122,956</b>	<b>56,882</b>	<b>53,161</b>	<b>195,640</b>	<b>176,117</b>
<b>Expenses:</b>						
General government	21,926	21,635	-	-	21,926	21,635
Public safety	28,880	27,724	-	-	28,880	27,724
Public works	27,114	24,804	-	-	27,114	24,804
Culture and recreation	11,906	11,714	-	-	11,906	11,714
Interest on long-term debt	7,464	7,950	-	-	7,464	7,950
Water and sewer utility	-	-	28,874	27,783	28,874	27,783
Golf course	-	-	168	150	168	150
<b>Total expenses</b>	<b>97,290</b>	<b>93,828</b>	<b>29,042</b>	<b>27,933</b>	<b>126,333</b>	<b>121,761</b>
<b>Increases in net assets before transfers</b>	<b>41,468</b>	<b>29,130</b>	<b>27,840</b>	<b>25,227</b>	<b>69,309</b>	<b>54,357</b>
<b>Transfers</b>	<b>1,668</b>	<b>1,840</b>	<b>(1,668)</b>	<b>(1,840)</b>	<b>-</b>	<b>-</b>
<b>Increase in net assets</b>	<b>43,136</b>	<b>30,971</b>	<b>26,172</b>	<b>23,387</b>	<b>69,309</b>	<b>54,357</b>
<b>Net assets, at beginning of the year</b>	<b>366,265</b>	<b>335,295</b>	<b>245,832</b>	<b>222,445</b>	<b>612,097</b>	<b>557,740</b>
<b>Net assets, at the end of the year</b>	<b>\$ 409,401</b>	<b>\$ 366,265</b>	<b>\$ 272,004</b>	<b>\$ 245,832</b>	<b>\$ 681,406</b>	<b>\$ 612,097</b>

**City of Round Rock, Texas**  
**Management's Discussion and Analysis - continued**  
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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

***Governmental activities***

Governmental activities increased the City's net assets by \$ 43,135,972 or 62 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 \$ 14.8 million and are included in program revenues of public works activities.
- Amounts received for property taxes increased from last year by 12.8 percent primarily due to reduced reliance on sales tax and increased debt service requirements on recently issued bonds. Other factors included the addition of new property, an increase in assessed valuations and continued aggressive collection efforts.
- Sales taxes increased by about 6.2 percent over the prior year as a result of strong population and economic growth along with an improving technology sector and additional major retail outlets.

Overall, general revenues, while not shown by program, are used to fund governmental program activities citywide. Of these, sales taxes are the largest single source of funds comprising 49.7 percent of total revenues, while property taxes make up 17.6 percent of total revenues.

Expenses for governmental activities for the City totaled \$ 97,289,202 for the year ended September 30, 2007. Significant factors include the following:

- General government costs reflect a continuing multi-year economic development agreement with Dell Computer Corp. The City and Dell have developed a revenue sharing agreement whereby Dell and the City share sales tax generated by taxable computer sales within the state. Additional costs of general government operations include primarily personnel costs and professional services.
- Public safety program costs including police and fire department activities totaled almost \$ 29 million, or over 29 percent of total expenses for governmental activities. Most significant are personnel costs which totaled \$ 22.9 million.
- Public works program costs totaling \$ 27.1 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 \$ 26,171,986 or 38 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**  
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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

The City's water and sewer utility continues to show improvement in the number of customers and operating revenues. 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>2007</u>	<u>2006</u>
Operating revenues	\$ 30,968,868	\$ 30,566,103
Operating income	\$ 1,788,833	\$ 2,366,423
Income available for debt service	\$ 10,551,767	\$ 12,023,158
Annual debt service	\$ 5,966	\$ 284,310
Coverage	1,768.65	42.29

The City recently completed an update to its comprehensive utility rate study. Findings from the study indicated the water/wastewater utility to be in good financial health. However, in order to fund the capital improvement program and to meet increasing system demand and operational cost pressures, multiple-year rate increases will be necessary. This fiscal year saw a 3% utility rate increase effective in January 2007. Even with the rate increases, Round Rock water and wastewater rates continue to be among the lowest in the region.

Although an unusually rainy year reduced consumption levels, the rate adjustment and growth in the customer base combined to provide modest revenue growth over the prior year.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

**Governmental fund**-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, 2007, the City's governmental funds reported combined ending fund balances of \$ 190,984,941. Approximately 38 percent of this total amount (\$ 72,239,789) constitutes unreserved fund balance and is available for spending at the City's discretion. The remainder of fund balances is reserved to indicate that it is not available for new spending because it has already been committed to 1) pay debt service (\$ 3,058,395), 2) fund authorized capital projects (\$ 115,324,128), or 3) a variety of other restricted purposes (\$ 362,629).

The general fund is the chief operating fund of the City. At the close of the current fiscal year, fund balance of the general fund reached \$ 34,340,001, all of which was unreserved. Unreserved fund balance represented 50 percent of total general fund expenditures.

**City of Round Rock, Texas  
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**FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)**

The fund balance of the general fund increased by \$ 1,867,317 during the current fiscal year. The primary reasons for the increase mirror those highlighted in the analysis of governmental activities in the government-wide statements.

The debt service fund had a total fund balance of \$ 3,058,395 at the end of the fiscal year, all of which is reserved for the payment of debt service. The net scheduled decrease in fund balance during the year was minimal (\$ 142,113). Debt service expenditure requirements increased by \$ 4,913,302 during the fiscal year and were adequately funded by the debt service portion of the property tax.

The fund balance of the RRTSDC revenue fund was \$ 43,043,676, an increase of \$ 478,256 over the prior year. The increase reflects sales tax collections dedicated to transportation system improvements and related maintenance and debt service costs.

The RRTSDC project fund, the self-financed construction fund and the 2007 general obligation bond fund had a combined total fund balance at year-end of \$ 66,144,659. The collective increase of \$ 36,030,391 occurred as a result of the funding of \$ 34,475,000 in bond proceeds and transfers in for scheduled project construction expenditures.

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

Unrestricted net assets of the water and sewer utility totaled \$ 44,440,246 at September 30, 2007. The total growth in net assets for the utility was \$ 25,171,360. The unrestricted net assets represented 16.8 percent of the utility's total net assets. Other factors concerning the finances of the proprietary funds have already been addressed in the discussion of the government-wide financial statements and business-type activities.

***General Fund Budgetary Highlights***

Differences between the original budget and the final amended budget for the general fund were a net increase in appropriations of \$ 7,300,000 or 9.3 percent. The amendment was primarily to reallocate available cash to fund specified capital purchases totaling \$ 10,586,500.

Funding sources for the above items were provided by revenue budget amendments netting a total of \$ 7,300,000 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.



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

*Capital Assets*

The City of Round Rock's investment in capital assets for its governmental and business-type activities as of September 30, 2007, amounted to \$ 613,767,202 (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, 2007, included the following:

- Work was completed on Fire Stations 2 and 7 at a total cost of \$ 4.1 million. Both stations opened in mid 2007.
- The southwest downtown area infrastructure improvement project, phase one consisting of utility relocation and drainage improvements was completed in July 2007 at a cost of \$ 2.2 million.
- Work continued on the new police station; total cost is estimated at \$ 21.5 million; construction in progress had reached \$ 17 million at year-end. Completion is expected for early 2008.
- Various park improvement projects are underway at a total estimated cost of \$ 4.5 million and are in various stages of completion.
- Major arterial and road projects are underway and are in various stages of completion; construction in progress at year-end approximated \$ 28.8 million.
- Various street, sidewalk and drainage improvement projects were underway with completions totaling \$ 19.6 million and construction in progress at \$ 7.8 million at year-end.
- Developers contributed infrastructure improvements for governmental activities of \$ 14.8 million and \$ 9.4 million for water and sewer system infrastructure improvements.
- Construction of the east side water main transmission line continues at an estimated cost of \$ 8.1 million and was approximately 55% complete at year-end.
- Construction of raw water delivery system improvements was underway at an estimated cost of \$ 13.5 million and was approximately 15% complete at year-end.
- Various major water line projects are underway with completions totaling \$ 1.9 million and construction in progress at \$ 5.5 million at year-end.
- Phase 5 of the sanitary sewer evaluation and rehabilitation program was completed at a cost of \$ 2.5 million. Phase 6 is underway at a total estimated cost of \$ 2.5 million.

**City of Round Rock, Texas**  
**Management's Discussion and Analysis - continued**  
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**CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)**

- Construction of a major wastewater interceptor is underway at total estimated cost of \$ 12.7 million and was about 78% complete at year-end.
- Preliminary engineering has begun on a regional water project. Construction of Phase 1 is scheduled to get underway in late 2008.

Capital Assets (in 000's)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Land	\$ 20,554	\$ 19,948	\$ 2,545	\$ 2,545	\$ 23,099	\$ 22,493
Buildings and Improvements	61,288	57,126	22,386	21,778	83,674	78,904
Improvements Other Than Buildings	428,184	392,557	207,788	194,207	635,972	586,764
Machinery and Equipment	40,763	35,461	7,031	6,804	47,794	42,265
Accumulated Depreciation	(193,631)	(170,664)	(61,686)	(53,831)	(255,317)	(224,495)
Construction in Progress	52,712	45,274	25,834	12,768	78,546	58,042
<b>Total</b>	<b>\$ 409,871</b>	<b>\$ 379,702</b>	<b>\$ 203,898</b>	<b>\$ 184,272</b>	<b>\$ 613,768</b>	<b>\$ 563,974</b>

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

***Long-Term Debt***

At the end of the current fiscal year, the City of Round Rock had total debt outstanding of \$ 195,888,372. Of this amount, \$ 141,080,000 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 \$ 37,829,754 during the current fiscal year. The net increase is largely due to the issuance of \$ 49,390,000 in general and certificate of obligation debt for street, bridge and sidewalk projects, equipment for fire, a recreation center, municipal office facilities and park improvements. Regularly scheduled debt principal was retired as well.

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

During the current fiscal year, The City refinanced various existing debt issues to take advantage of favorable interest rates. Details of the refunding issues can be found in Note IV(E) to the financial statements.

	Long-Term Debt (in 000's)					
	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 124,960	\$ 95,020	\$ -	\$ -	\$ 124,960	\$ 95,020
Certificates of obligation	16,120	2,968	-	-	16,120	2,968
Hotel tax revenue bonds	8,920	8,450	-	-	8,920	8,450
Sales tax revenue bonds	21,345	21,610	-	-	21,345	21,610
State infrastructure bank loans	24,188	30,011	-	-	24,188	30,011
Water and wastewater revenue bonds	-	-	355	-	355	-
<b>Total</b>	<b>\$ 195,533</b>	<b>\$ 158,059</b>	<b>\$ 355</b>	<b>\$ -</b>	<b>\$ 195,888</b>	<b>\$ 158,059</b>

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

There is no direct debt limitation in the City Charter or under state law. The City operates under a Home Rule Charter (Article XI, Section 5, Texas Constitution), approved by the voters, that limits the maximum tax rate, for all City purposes to \$ 2.50 per \$ 100 assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$ 1.50 of the \$ 2.50 maximum tax rate for general obligation debt service. Assuming the maximum tax rate for debt service of \$ 1.50 on the January 1, 2006 certified assessed valuation of \$ 6,514,968,603 at 100% collection, tax revenue of \$ 97,724,529 would be produced. This revenue could service the debt on \$ 1,167,845,500 issued as 20-year serial bonds at 5.50% (with level debt service payment). The resulting legal debt margin is \$ 1,035,354,328.

The City had authorized but unissued water and wastewater system revenue bonds totaling \$ 1,585,000 at September 30, 2007.

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

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The development of the City's budget is guided by several factors including the City's strategic plan, prevailing economic conditions and by the continuing need to provide basic and improved customer services for a growing population. The fiscal year 2007-2008 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 2007-2008 are expected to generally follow the growth curve of job creation, population growth, retail sales activity and housing starts. Some specific revenues, such as property tax revenue and sales tax revenue, are forecast using historical results or specific calculations.

Major new programs in the general fund continue to focus on public safety and transportation. The new programs include the addition of 35.5 new full-time equivalent positions. Of that number, 20 positions are for public safety personnel including 7 new police officers, 2 detective positions, 1 sergeant, 4 new firefighters and 6 public safety support positions. To address transportation concerns, additional funding for street maintenance programs as well as funding for the implementation of a park and ride express connector shuttle from south Round Rock to north Austin is included. The City continues to invest significant funds in Old Settlers Park. In 2007, the City issued \$12.5 million in certificates of obligation to fund the construction of a sports complex. The debt service on those bonds is included in the budget. This budget also provides funding for additional costs of practice field maintenance and lighting and 2 additional personnel in the forestry division. Other budget highlights include funding for the City's information technology department for 2 new positions to enhance services in the areas of software and database administration and geographical information services for public safety. Planning & community development will add 2 positions to improve the development services process. Additional funding is also included for finance, purchasing, human resources and engineering & development services to add positions supporting the core operating departments.

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

- Economic development funding;
- Fleet and equipment replacement;
- Storm sewer management program;
- Specialized transit services.

Faced with a significant capital improvement program, increased operating costs and increasing system demand, the utility budget includes a 5.8% rate increase effective in January 2008. The City has updated the comprehensive rate study completed in 2003. Results of this update are expected to indicate continued scheduled rate increases to fund future capital improvement projects.

Additionally, the City has begun a regional water project that will provide treated water from Lake Travis to the cities of Round Rock, Leander and Cedar Park. This regional approach is expected to provide significant cost savings for the construction as well as economies of scale for the ongoing operations as one plant will be constructed to serve all three communities. The first phase of this project is expected to be completed by 2010 and future financial requirements of this project are incorporated in the City's rate planning model.

**City of Round Rock, Texas**  
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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (CONTINUED)**

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

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

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

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

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

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, City of Round Rock, 221 East Main Street, Round Rock, Texas 78664.



## **BASIC FINANCIAL STATEMENTS**

**CITY OF ROUND ROCK, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2007**

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 29,163,945	\$ 18,760,256	\$ 47,924,201
Investments	60,416,440	24,780,978	85,197,418
Receivables (net of allowances for uncollectibles)-			
Property taxes, including			
interest and penalties	386,331	-	386,331
Accounts & other	1,036,225	6,108,441	7,144,666
Loans	379,870	-	379,870
Accrued interest	1,199,640	272,054	1,471,694
Internal balances	(1,304,196)	1,304,196	-
Assessments	1,156,030	-	1,156,030
Intergovernmental	549,259	-	549,259
Inventories	80,978	382,621	463,599
Other current assets	140,962	757,226	898,188
Restricted assets -			
Cash and cash equivalents	95,429,499	21,588,532	117,018,031
Investments	23,032,563	-	23,032,563
Property taxes receivable	334,509	-	334,509
Accounts receivable	-	480,148	480,148
Accrued interest	66,257	-	66,257
Deferred charges, net	6,263,644	-	6,263,644
Capital assets -			
Land and construction in progress	73,265,716	28,378,417	101,644,133
Capital assets, net of accumulated depreciation	336,604,928	175,518,141	512,123,069
 Total assets	 <u>628,202,600</u>	 <u>278,331,010</u>	 <u>906,533,610</u>

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

(Continued)



**CITY OF ROUND ROCK, TEXAS  
STATEMENT OF NET ASSETS (CONTINUED)  
SEPTEMBER 30, 2007**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 10,253,237	\$ 4,256,141	\$ 14,509,378
Accrued payroll	91,793	21,809	113,602
Unearned revenue	2,102,068	-	2,102,068
Accrued interest payable	1,427,891	1,302	1,429,193
Noncurrent liabilities:			
Due within one year	12,334,519	331,800	12,666,319
Due in more than one year	192,591,873	1,715,764	194,307,637
Total liabilities	<u>218,801,381</u>	<u>6,326,816</u>	<u>225,128,197</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	207,796,040	203,541,558	411,337,598
Temporarily restricted for:			
Debt service	1,630,504	17,736	1,648,240
Capital projects	115,324,128	21,920,552	137,244,680
Unrestricted	84,650,547	46,524,348	131,174,895
Total net assets	<u>\$ 409,401,219</u>	<u>\$ 272,004,194</u>	<u>\$ 681,405,413</u>

**CITY OF ROUND ROCK, TEXAS  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2007**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 21,926,050	\$ 1,766,153	\$ 883,803	\$ -
Public safety	28,879,882	2,851,787	42,812	-
Public works	27,114,039	1,337,371	-	16,292,242
Culture and recreation	11,905,643	2,489,438	4,654	1,030,309
Interest on long-term debt	7,463,588	-	-	-
<b>Total governmental activities</b>	<b>97,289,202</b>	<b>8,444,749</b>	<b>931,269</b>	<b>17,322,551</b>
<b>Business-type activities:</b>				
Water and sewer utility	28,873,665	30,968,868	-	4,383,669
Golf course	167,906	476,025	-	-
<b>Total business-type activities</b>	<b>29,041,571</b>	<b>31,444,893</b>	<b>-</b>	<b>4,383,669</b>
<b>Total primary government</b>	<b>\$ 126,330,773</b>	<b>\$ 39,889,642</b>	<b>\$ 931,269</b>	<b>\$ 21,706,220</b>

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

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>			
General government	\$ (19,276,094)	\$ -	\$ (19,276,094)
Public safety	(25,985,283)	-	(25,985,283)
Public works	(9,484,426)	-	(9,484,426)
Culture and recreation	(8,381,242)	-	(8,381,242)
Interest on long-term debt	(7,463,588)	-	(7,463,588)
Total governmental activities	<u>(70,590,633)</u>	<u>-</u>	<u>(70,590,633)</u>
<b>Business-type activities:</b>			
Water and sewer utility	-	6,478,872	6,478,872
Golf course	-	308,119	308,119
Total business-type activities	<u>-</u>	<u>6,786,991</u>	<u>6,786,991</u>
<b>Total primary government</b>	<u>(70,590,633)</u>	<u>6,786,991</u>	<u>(63,803,642)</u>
<b>General revenues:</b>			
<b>Taxes:</b>			
Property taxes, levied for general purpose	14,248,795	-	14,248,795
Property taxes, levied for debt service	10,160,740	-	10,160,740
Franchise taxes	5,499,222	-	5,499,222
Sales tax	68,988,092	-	68,988,092
Hotel occupancy tax	2,838,689	-	2,838,689
Public service taxes	257,384	-	257,384
Impact fees	-	10,609,090	10,609,090
Grants and contributions not restricted to specific programs	-	9,388,762	9,388,762
Investment earnings	9,912,657	1,055,364	10,968,021
Miscellaneous	152,805	-	152,805
Transfers	1,668,221	(1,668,221)	-
Total general revenues and transfers	<u>113,726,605</u>	<u>19,384,995</u>	<u>133,111,600</u>
Change in net assets	43,135,972	26,171,986	69,307,958
Net assets-beginning	<u>366,265,247</u>	<u>245,832,208</u>	<u>612,097,455</u>
Net assets-ending	<u>\$ 409,401,219</u>	<u>\$ 272,004,194</u>	<u>\$ 681,405,413</u>

**CITY OF ROUND ROCK, TEXAS  
GOVERNMENTAL FUNDS BALANCE SHEET  
SEPTEMBER 30, 2007**

<u>ASSETS</u>	General Fund	Debt Service Fund	Round Rock Transportation System Development Corporation Revenue Fund
Cash and cash equivalents	\$ 8,192,208	\$ -	\$ -
Investments	57,415,463	-	-
Receivables (net of allowances for uncollectibles) -			
Property taxes, including interest and penalties	386,331	-	-
Accounts and other	1,021,852	-	-
Loans	-	-	-
Accrued interest	703,339	-	-
Interfund receivables	218,739	23,545	-
Assessments	-	-	-
Intergovernmental	311,159	-	-
Inventories	80,978	-	-
Other current assets	53,462	-	-
Restricted assets -			
Cash and cash equivalents	-	3,049,827	36,217,059
Investments	-	-	7,944,360
Receivables -			
Property taxes, including interest and penalties	-	334,509	-
Accrued interest	-	-	66,257
Total assets	<u>\$ 68,383,531</u>	<u>\$ 3,407,881</u>	<u>\$ 44,227,676</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities-			
Accounts payable	\$ 4,769,830	\$ 500	\$ -
Accrued payroll	91,793	-	-
Interfund payables	28,831,509	34,739	1,184,000
Deferred revenue	350,398	314,247	-
Total liabilities	<u>34,043,530</u>	<u>349,486</u>	<u>1,184,000</u>
Fund balances -			
Reserved for federal seizure	-	-	-
Reserved for non-current loans receivable	-	-	-
Reserved for debt service	-	3,058,395	-
Reserved for authorized construction	-	-	43,043,676
Unreserved, reported in-			
General fund	34,340,001	-	-
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Total fund balances	<u>34,340,001</u>	<u>3,058,395</u>	<u>43,043,676</u>
Total liabilities and fund balances	<u>\$ 68,383,531</u>	<u>\$ 3,407,881</u>	<u>\$ 44,227,676</u>

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

Round Rock Transportation System Development Corporation Project Fund	Self- Financed Construction	2007 General Obligation Bonds Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,414,887	\$ 5,022,585	\$ -	\$ 7,229,440	\$ 21,859,120
-	-	-	1,000,000	58,415,463
-	-	-	-	386,331
-	-	-	14,373	1,036,225
-	360,689	-	19,181	379,870
-	-	142,003	323,242	1,168,584
1,000,000	28,719,153	-	17,888	29,979,325
-	-	-	1,156,030	1,156,030
-	238,100	-	-	549,259
-	-	-	-	80,978
-	-	-	-	53,462
-	-	24,651,766	31,510,847	95,429,499
-	-	9,558,789	5,529,414	23,032,563
-	-	-	-	334,509
-	-	-	-	66,257
<u>\$ 2,414,887</u>	<u>\$ 34,340,527</u>	<u>\$ 34,352,558</u>	<u>\$ 46,800,415</u>	<u>\$ 233,927,475</u>
\$ 1,686,484	\$ 3,276,829	\$ -	\$ 300,136	\$ 10,033,779
-	-	-	-	91,793
-	-	-	-	30,050,248
-	-	-	2,102,069	2,766,714
<u>1,686,484</u>	<u>3,276,829</u>	<u>-</u>	<u>2,402,205</u>	<u>42,942,534</u>
-	-	-	343,448	343,448
-	-	-	19,181	19,181
-	-	-	-	3,058,395
728,403	-	34,352,558	37,199,491	115,324,128
-	-	-	-	34,340,001
-	-	-	5,876,872	5,876,872
-	31,063,698	-	959,218	32,022,916
<u>728,403</u>	<u>31,063,698</u>	<u>34,352,558</u>	<u>44,398,210</u>	<u>190,984,941</u>
<u>\$ 2,414,887</u>	<u>\$ 34,340,527</u>	<u>\$ 34,352,558</u>	<u>\$ 46,800,415</u>	<u>\$ 233,927,475</u>



**CITY OF ROUND ROCK, TEXAS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2007**

Total Fund Balances - Governmental Funds \$ 190,984,941

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

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

Land	\$ 20,553,925	
Building and improvements	489,472,393	
Equipment	40,763,497	
Construction in progress	52,711,791	
Accumulated depreciation	<u>(193,630,962)</u>	
Total capital assets	<u>\$ 409,870,644</u>	409,870,644

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

Current and prior year property taxes not collected	\$ 664,646	
Total unearned revenues reclassified	<u>\$ 664,646</u>	664,646

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. 7,971,627

Some long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. They are detailed in Note III A. (200,090,639)

Net Assets of Governmental Activities \$ 409,401,219

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

**CITY OF ROUND ROCK, TEXAS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
YEAR ENDED SEPTEMBER 30, 2007**

	General Fund	Debt Service Fund	Round Rock Transportation System Development Corporation Revenue Fund
<b>Revenues -</b>			
Taxes and franchise, including interest and penalties	\$ 71,692,792	\$ 10,160,740	\$ 17,247,023
Licenses, permits and fees	1,181,210	-	-
Charges for services	3,569,077	-	-
Fines and forfeitures	1,701,302	-	-
Intergovernmental	697,696	-	-
Hotel occupancy tax	-	-	-
Investment and other	5,998,198	498,903	2,471,979
Contributions	-	-	-
Total revenues	<u>84,840,275</u>	<u>10,659,643</u>	<u>19,719,002</u>
<b>Expenditures -</b>			
<b>Current -</b>			
General government	21,953,505	-	-
Public safety	28,124,088	-	-
Public works	8,535,201	-	184,500
Culture and recreation	10,073,155	-	-
<b>Debt service -</b>			
Principal retirement	-	11,940,981	-
Issuance costs	-	709,241	-
Interest and fiscal charges	-	7,052,015	-
Advance refunding escrow	-	2,547,568	-
<b>Capital projects</b>			
Total expenditures	<u>68,685,949</u>	<u>22,249,805</u>	<u>184,500</u>
Excess (deficiency) of revenues over expenditures	<u>16,154,326</u>	<u>(11,590,162)</u>	<u>19,534,502</u>
<b>Other financing sources (uses) -</b>			
Lease purchase proceeds	750,000	-	-
Issuance of debt	-	30,720,000	-
Issuance of premium/discount	-	203,596	-
Payment to refunding agent	-	(30,175,015)	-
Transfers in	1,690,000	10,709,481	-
Transfers out	(16,727,009)	(10,013)	(19,056,246)
Total other financing sources (uses)	<u>(14,287,009)</u>	<u>11,448,049</u>	<u>(19,056,246)</u>
Net changes in fund balance	<u>1,867,317</u>	<u>(142,113)</u>	<u>478,256</u>
Fund balances, October 1, 2006	32,472,684	3,200,508	42,565,420
Fund balances, September 30, 2007	<u>\$ 34,340,001</u>	<u>\$ 3,058,395</u>	<u>\$ 43,043,676</u>

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



Round Rock Transportation System Development Corporation Project Fund	Self- Financed Construction	2007 General Obligation Bonds Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 99,100,555
-	-	-	403,881	1,585,091
-	-	-	-	3,569,077
-	-	-	148,221	1,849,523
1,153,320	536,565	-	191,099	2,578,680
-	-	-	2,838,689	2,838,689
179,835	156,630	255,558	1,863,885	11,424,988
-	493,745	-	333,062	826,807
<u>1,333,155</u>	<u>1,186,940</u>	<u>255,558</u>	<u>5,778,837</u>	<u>123,773,410</u>
-	-	-	254,399	22,207,904
-	-	-	332,804	28,456,892
-	-	-	-	8,719,701
-	-	-	638,641	10,711,796
-	-	-	-	11,940,981
-	-	495,303	242,576	1,447,120
-	-	-	-	7,052,015
-	-	-	-	2,547,568
<u>12,766,071</u>	<u>16,866,656</u>	<u>420,000</u>	<u>6,489,492</u>	<u>36,542,219</u>
<u>12,766,071</u>	<u>16,866,656</u>	<u>915,303</u>	<u>7,957,912</u>	<u>129,626,196</u>
<u>(11,432,916)</u>	<u>(15,679,716)</u>	<u>(659,745)</u>	<u>(2,179,075)</u>	<u>(5,852,786)</u>
-	2,500,000	-	-	3,250,000
-	-	34,475,000	14,915,000	80,110,000
-	-	537,303	(167,451)	573,448
-	-	-	-	(30,175,015)
14,055,046	16,727,009	-	2,499,614	45,681,150
(3,941,590)	(550,000)	-	(3,728,071)	(44,012,929)
<u>10,113,456</u>	<u>18,677,009</u>	<u>35,012,303</u>	<u>13,519,092</u>	<u>55,426,654</u>
<u>(1,319,460)</u>	<u>2,997,293</u>	<u>34,352,558</u>	<u>11,340,017</u>	<u>49,573,868</u>
<u>2,047,863</u>	<u>28,066,405</u>	<u>-</u>	<u>33,058,193</u>	<u>141,411,073</u>
<u>\$ 728,403</u>	<u>\$ 31,063,698</u>	<u>\$ 34,352,558</u>	<u>\$ 44,398,210</u>	<u>\$ 190,984,941</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, 2007**

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

Net Change in Fund Balances-Total Governmental Funds \$ 49,573,868

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. 12,318,196

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals, and donations) is to increase net assets. 17,849,647

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 53,678

The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (37,819,767)

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. (558,690)

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. 1,719,040

Change in Net Assets of Governmental Activities \$ 43,135,972

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

**CITY OF ROUND ROCK, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED SEPTEMBER 30, 2007**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
<b>Revenues -</b>				
Taxes and franchise, including interest and penalties	\$ 71,692,792	\$ 69,149,000	\$ 71,982,800	\$ (290,008)
Licenses, permits and fees	1,181,210	1,059,000	1,174,100	7,110
Charges for services	3,569,077	3,100,000	3,211,100	357,977
Fines and forfeitures	1,701,302	1,118,000	1,574,000	127,302
Intergovernmental	697,696	137,000	421,300	276,396
Investment and other	5,998,198	1,861,000	5,360,700	637,498
Total revenues	<u>84,840,275</u>	<u>76,424,000</u>	<u>83,724,000</u>	<u>1,116,275</u>
<b>Expenditures -</b>				
Current -				
General government	21,953,505	23,901,621	22,091,321	137,816
Public safety	28,124,088	29,073,118	28,246,298	122,210
Public works	8,535,201	12,965,106	8,908,210	373,009
Culture and recreation	10,073,155	10,717,802	10,185,802	112,647
Total expenditures	<u>68,685,949</u>	<u>76,657,647</u>	<u>69,431,631</u>	<u>745,682</u>
Excess (deficiency) of revenues over expenditures	<u>16,154,326</u>	<u>(233,647)</u>	<u>14,292,369</u>	<u>1,861,957</u>
<b>Other financing sources (uses) -</b>				
Lease purchase proceeds	750,000	750,000	750,000	-
Transfers in	1,690,000	1,690,000	1,690,000	-
Transfers out	(16,727,009)	(2,201,000)	(16,727,016)	7
Total other financing sources (uses)	<u>(14,287,009)</u>	<u>239,000</u>	<u>(14,287,016)</u>	<u>7</u>
 Excess of revenues and other financing sources over expenditures and other uses	 1,867,317	 <u>\$ 5,353</u>	 <u>\$ 5,353</u>	 <u>\$ 1,861,964</u>
 Fund balance, October 1, 2006	 <u>32,472,684</u>			
 Fund balance, September 30, 2007	 <u>\$ 34,340,001</u>			

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

**CITY OF ROUND ROCK, TEXAS  
SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL  
ROUND ROCK TRANSPORTATION SYSTEM DEVELOPMENT CORPORATION  
REVENUE FUND  
YEAR ENDED SEPTEMBER 30, 2007**

	Actual	Budgeted Amounts		Variance - Positive (Negative)
		Original	Final	
Revenues -				
Sales tax	\$ 17,247,023	\$ 16,600,000	\$ 16,600,000	\$ 647,023
Investment and other	2,471,979	801,000	801,000	1,670,979
Total revenues	<u>19,719,002</u>	<u>17,401,000</u>	<u>17,401,000</u>	<u>2,318,002</u>
Expenditures -				
Current -				
Public works	184,500	190,000	190,000	5,500
Total expenditures	<u>184,500</u>	<u>190,000</u>	<u>190,000</u>	<u>5,500</u>
Excess of revenues over expenditures	<u>19,534,502</u>	<u>17,211,000</u>	<u>17,211,000</u>	<u>2,323,502</u>
Other financing uses-				
Transfers out	(19,056,246)	(19,056,246)	(19,056,246)	-
Total other financing uses	<u>(19,056,246)</u>	<u>(19,056,246)</u>	<u>(19,056,246)</u>	<u>-</u>
Excess of revenues over expenditures and other financing uses	478,256	<u>\$ (1,845,246)</u>	<u>\$ (1,845,246)</u>	<u>\$ 2,323,502</u>
Fund balance, October 1, 2006	<u>42,565,420</u>			
Fund balance, September 30, 2007	<u>\$ 43,043,676</u>			

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

**CITY OF ROUND ROCK, TEXAS  
PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2007**

	Business-Type Activities		Total	Governmental
	Enterprise Funds			Activities
	Water and Sewer Fund	Golf Course Fund		Internal Service
<b><u>ASSETS</u></b>				
Current assets:				
Cash and cash equivalents	\$ 17,850,984	\$ 909,272	\$ 18,760,256	\$ 7,304,825
Investments	24,780,978	-	24,780,978	2,000,977
Receivables (net of allowance for uncollectibles of \$ 1,108,463) -				
Accounts	6,103,998	4,443	6,108,441	-
Accrued interest	272,054	-	272,054	31,056
Interfund	70,923	-	70,923	-
Inventories	382,621	-	382,621	-
Other current assets	757,226	-	757,226	87,500
Total current assets	<u>50,218,784</u>	<u>913,715</u>	<u>51,132,499</u>	<u>9,424,358</u>
Noncurrent assets:				
Restricted cash, cash equivalents, and investments:				
Customer deposits	1,170,986	-	1,170,986	-
Revenue bond covenant accounts	17,736	-	17,736	-
Impact fees	13,867,880	-	13,867,880	-
Construction	6,531,930	-	6,531,930	-
Restricted accounts and accrued interest receivable:				
Impact fees	480,148	-	480,148	-
Capital assets:				
Land and construction in progress	26,459,930	1,918,487	28,378,417	-
Capital assets being depreciated, (net of accumulated depreciation of \$ 61,686,313)	<u>171,606,857</u>	<u>3,911,284</u>	<u>175,518,141</u>	<u>-</u>
Total capital assets (net of accumulated depreciation)	<u>198,066,787</u>	<u>5,829,771</u>	<u>203,896,558</u>	<u>-</u>
Total noncurrent assets	<u>220,135,467</u>	<u>5,829,771</u>	<u>225,965,238</u>	<u>-</u>
Total assets	<u>\$ 270,354,251</u>	<u>\$ 6,743,486</u>	<u>\$ 277,097,737</u>	<u>\$ 9,424,358</u>

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

(Continued)

**CITY OF ROUND ROCK, TEXAS  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS (CONTINUED)  
 SEPTEMBER 30, 2007**

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Golf Course Fund	Total	Internal Service
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 4,193,255	\$ 62,886	\$ 4,256,141	\$ 219,458
Accrued payroll	21,809	-	21,809	-
Accrued interest	1,302	-	1,302	-
Current portion of bonds payable	125,000	-	125,000	-
Accrued compensated absences payable	206,800	-	206,800	-
<b>Total current liabilities</b>	<b><u>4,548,166</u></b>	<b><u>62,886</u></b>	<b><u>4,611,052</u></b>	<b><u>219,458</u></b>
<b>Noncurrent liabilities:</b>				
Unearned revenue	259,811	-	259,811	-
Bonds payable	230,000	-	230,000	-
Accrued compensated absences payable	54,967	-	54,967	-
Customer deposits	1,170,986	-	1,170,986	-
<b>Total noncurrent liabilities</b>	<b><u>1,715,764</u></b>	<b><u>-</u></b>	<b><u>1,715,764</u></b>	<b><u>-</u></b>
<b>Total liabilities</b>	<b><u>6,263,930</u></b>	<b><u>62,886</u></b>	<b><u>6,326,816</u></b>	<b><u>219,458</u></b>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	197,711,787	5,829,771	203,541,558	-
Restricted for:				
Debt service	17,736	-	17,736	-
Capital projects	21,920,552	-	21,920,552	-
Unrestricted	44,440,246	850,829	45,291,075	9,204,900
<b>Total net assets</b>	<b><u>\$ 264,090,321</u></b>	<b><u>\$ 6,680,600</u></b>	<b><u>270,770,921</u></b>	<b><u>\$ 9,204,900</u></b>

**Reconciliation to government-wide statement of net assets:**

Adjustment to reflect the cumulative net profit of the internal service fund that was allocated to enterprise fund functions.	1,233,273
Net assets of business-type activities	<u>\$ 272,004,194</u>

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

**CITY OF ROUND ROCK, TEXAS  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
YEAR ENDED SEPTEMBER 30, 2007**

	Business-Type Activities- Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Golf Course Fund	Total	Internal Service
Operating revenues -				
Charges for services	\$ 30,968,868	\$ 476,025	\$ 31,444,893	\$ 6,655,605
Total operating revenues	<u>30,968,868</u>	<u>476,025</u>	<u>31,444,893</u>	<u>6,655,605</u>
Operating expenses -				
Personnel services	6,185,782	-	6,185,782	-
Contractual services	11,923,412	-	11,923,412	1,016,186
Supplies	857,894	-	857,894	-
Materials	708,217	-	708,217	-
Heat, light and power	1,694,450	-	1,694,450	-
Claims expense	-	-	-	4,013,488
Depreciation	7,810,280	167,906	7,978,186	-
Total operating expenses	<u>29,180,035</u>	<u>167,906</u>	<u>29,347,941</u>	<u>5,029,674</u>
Operating income	<u>1,788,833</u>	<u>308,119</u>	<u>2,096,952</u>	<u>1,625,931</u>
Nonoperating revenues (expenses) -				
Investment and other revenues	952,654	102,710	1,055,364	427,880
Interest and fiscal charges	<u>(28,401)</u>	<u>-</u>	<u>(28,401)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>924,253</u>	<u>102,710</u>	<u>1,026,963</u>	<u>427,880</u>
Income before contributions and transfers	<u>2,713,086</u>	<u>410,829</u>	<u>3,123,915</u>	<u>2,053,811</u>
Contributions and transfers -				
Contributions - impact fees	10,609,090	-	10,609,090	-
Contributions - other	4,383,669	-	4,383,669	-
Developer contributions - infrastructure	9,388,762	-	9,388,762	-
Transfers in	-	550,000	550,000	-
Transfers out	<u>(1,923,247)</u>	<u>(294,974)</u>	<u>(2,218,221)</u>	<u>-</u>
Total contributions and transfers	<u>22,458,274</u>	<u>255,026</u>	<u>22,713,300</u>	<u>-</u>
Change in net assets	25,171,360	665,855	25,837,215	2,053,811
Net assets, October 1, 2006	<u>238,918,961</u>	<u>6,014,745</u>		<u>7,151,089</u>
Net assets, September 30, 2007	<u>\$ 264,090,321</u>	<u>\$ 6,680,600</u>		<u>\$ 9,204,900</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.			334,771	
Change in net assets of business-type activities			<u>\$ 26,171,986</u>	

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

**CITY OF ROUND ROCK, TEXAS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 YEAR ENDED SEPTEMBER 30, 2007**

	Business Type Activities- Enterprise Funds		Total	Governmental Activities
	Water and Sewer Fund	Golf Course		Internal Service
Cash flows from operating activities:				
Cash received from customers	\$ 30,236,929	\$ 471,582	\$ 30,708,511	\$ 304,288
Cash received from other funds for services provided	-	-	-	6,351,317
Cash payments to suppliers for goods and services	(13,612,687)	-	(13,612,687)	(5,055,963)
Cash payments to employees for services	(5,401,452)	-	(5,401,452)	-
Cash payments to other funds for services	(852,666)	-	(852,666)	-
Net cash provided by operating activities	<u>10,370,124</u>	<u>471,582</u>	<u>10,841,706</u>	<u>1,599,642</u>
Cash flows from noncapital financing activities:				
Transfer from other funds	-	550,000	550,000	
Transfers to other funds	(1,923,247)	(294,974)	(2,218,221)	-
Net cash provided by (used for) noncapital financing activities	<u>(1,923,247)</u>	<u>255,026</u>	<u>(1,668,221)</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Proceeds from capital debt	355,000	-	355,000	-
Receipts of capital contributions	13,576,914	-	13,576,914	-
Bond issuance costs	(422,673)	-	(422,673)	-
Acquisition and construction of capital assets	(17,504,897)	(564,038)	(18,068,935)	-
Proceeds from sale of capital assets	6,837	-	6,837	-
Collection of loans	45,604	-	45,604	-
Interest and fiscal charges paid	(5,966)	-	(5,966)	-
Net cash used by capital and related financing activities	<u>(3,949,181)</u>	<u>(564,038)</u>	<u>(4,513,219)</u>	<u>-</u>
Cash flows from investing activities:				
Purchase of investments	(21,224,015)	-	(21,224,015)	(2,479,138)
Proceeds from sale of investments	18,870,000	-	18,870,000	1,500,000
Investment and other income	636,738	102,710	739,448	365,235
Net cash provided by (used for) investing activities	<u>(1,717,277)</u>	<u>102,710</u>	<u>(1,614,567)</u>	<u>(613,903)</u>
Net increase in cash and cash equivalents	2,780,419	265,280	3,045,699	985,739
Cash and cash equivalents at beginning of year	<u>36,659,097</u>	<u>643,992</u>	<u>37,303,089</u>	<u>6,319,086</u>
Cash and cash equivalents at end of year	<u>\$ 39,439,516</u>	<u>\$ 909,272</u>	<u>\$ 40,348,788</u>	<u>\$ 7,304,825</u>

(Continued)