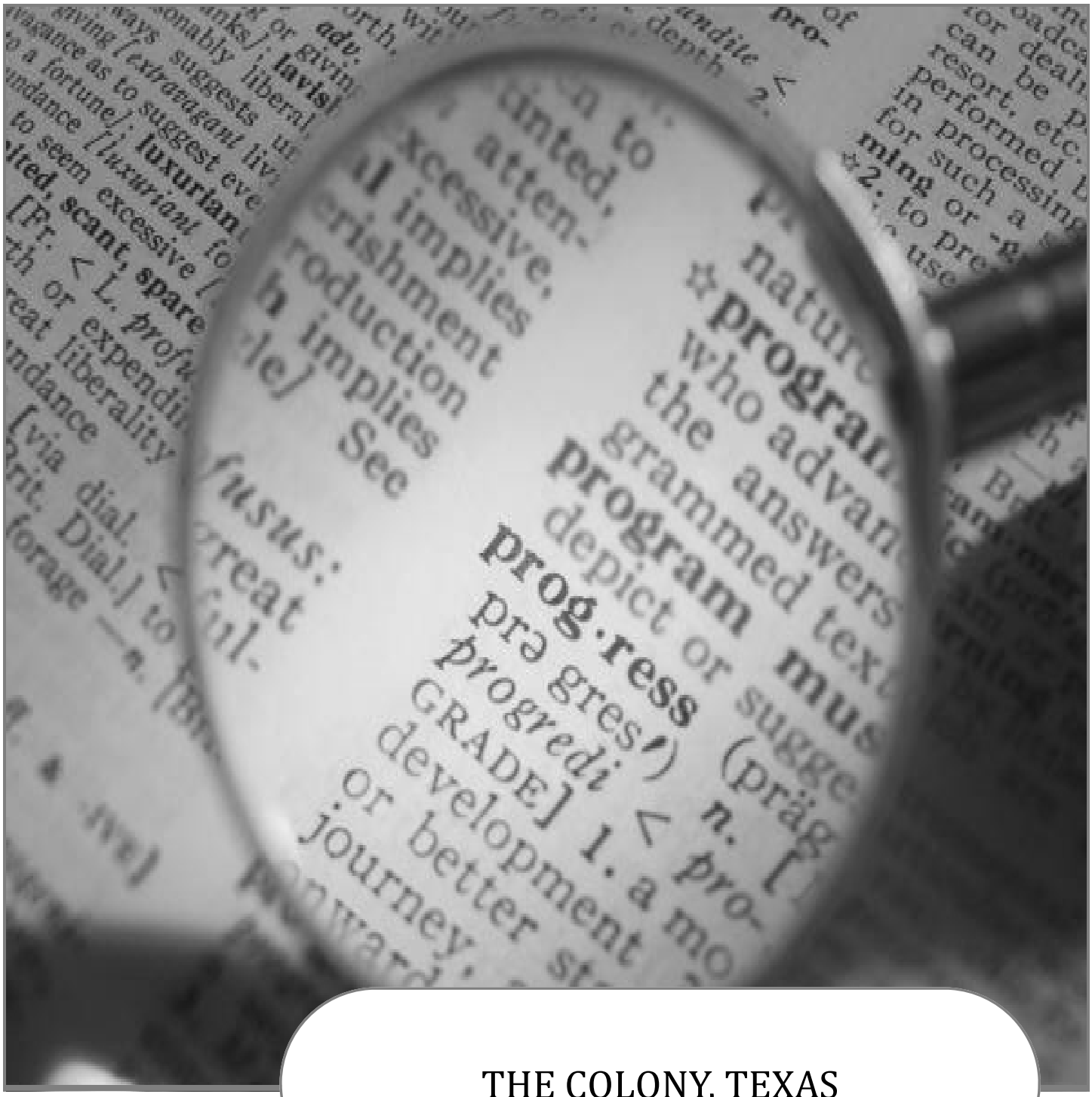

THE COLONY, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2014

CITY OF THE COLONY, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

As Prepared By

The Finance Department

David Cranford, Director

THE COLONY

City by the Lake

CITY OF THE COLONY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

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CITY OF THE COLONY, TEXAS
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INTRODUCTORY SECTION

THE COLONY

City by the Lake

March 30, 2015

The Honorable Mayor and Members of the City Council
City of The Colony, Texas

The Finance Department of the City of The Colony is pleased to submit the Comprehensive Annual Financial Report of the City of The Colony, Texas, for the fiscal year ended September 30, 2014.

This report is published to provide the City Council, Management Staff, our Citizens and other interested parties with detailed information concerning the financial condition and performance of the City Government. Responsibility for the accuracy and completeness of the presented data and the fairness of the presentation, including all disclosures, rests with the City of The Colony.

To the best of our knowledge and belief, the enclosed data is accurate in all material respects and presented in a manner designed to fairly set forth the financial position and operating results of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

THE REPORT

The Comprehensive Annual Financial Report is presented in three major sections: Introductory, Financial, and Statistical. The Introductory Section includes a list of principal City Officials, this transmittal letter, and an organizational chart of the City Government. The Financial Section includes Management's Discussion and Analysis (MD&A) and the basic financial statements. This section also includes the independent auditors' report on the basic financial statements. The MD&A provides narrative introduction, overview, and analysis. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Statistical Section includes selected tables of comparative economic and financial data, generally presented on a multi-year basis, as well as demographic and other pertinent miscellaneous and operational statistics.

The Financial Statements included in this report were prepared in accordance with accounting principles generally accepted in the United States of America for local governments as prescribed by the Governmental Accounting Standards Board (GASB), the National Council on Governmental Accounting (NCGA), and the American Institute of Certified Public Accountants (AICPA). The financial statements have been audited by the independent accounting firm of Certified Public Accountants, Weaver and Tidwell, L.L.P., whose report is included herein.

PROFILE OF THE GOVERNMENT

The City was incorporated in 1977 and operates under a Home Rule Charter, adopted by voters in 1979, with a Council – Manager form of government. The City Council is comprised of a Mayor and six Council Members who enact local legislation, determine policies, and adopt the City's annual budget. The Mayor and Council Members are elected for three-year staggered terms. The City Manager is appointed by the City Council and is responsible for the management and proper administration of the affairs of the City. All funds and accounts included in the financial section of this report are under the control of, and dependent on, the City and its elected officials.

A full range of municipal services provided by the City includes general administrative services, public safety (police, fire, and emergency medical services), municipal court, public works, library, parks and recreation, planning and zoning, public improvements, code enforcement, and water and wastewater utilities. Sanitation collection services are provided through private contractors with sanitation fees added to municipal utility bills. Elementary and secondary education services within the City are provided by the Lewisville Independent School District. The City Council has no oversight responsibility over the school district, and accordingly, no related financial data is included in the basic financial statements in this report.

The City is accountable for The Colony Economic Development Corporation, The Colony Community Development Corporation, The Colony Local Development Corporation, and Tax Increment Financing Zone Number One, and their financial data are included as component units in the City's Comprehensive Annual Financial Report. The functions of these four Corporations are covered under the Component Units section of this letter.

ECONOMIC CONDITION AND OUTLOOK

The Colony, located along State Highway 121 and minutes away from the Dallas North Tollway, President George Bush Turnpike, and Interstate 75, enjoys easy access to much of the DFW Metroplex. Downtown Dallas and DFW International Airport are just 30 and 20 miles south, respectively. At 15.8 square miles, The Colony is home to middle and upper class families, most of whom work in North Dallas and DFW International Airport area.

The Colony is a destination point:

- The City is located on 23 miles of beautiful Lake Lewisville's shoreline.
- Over 322,000 guests per year enjoy two of the City's Corps leased parks located on Lake Lewisville.
- Blue Sky Sports Center attracts over 345,000 people annually to its soccer fields.
- Over 72,000 people visit the two famous golf courses in the City each year.

The City experienced accelerated economic expansion during the early 2000's, but slowed in 2003 and 2004 due to the economy. Growth resumed slightly in 2007, before the economy slumped again in 2010. Since the latter part of 2012, building has dramatically improved in Tribute, the only residential development remaining in The Colony. Residential building permits have been strong the past couple of years and commercial permitting, which has struggled the past numerous years, showed significant improvement this year as construction of the Texas Furniture Mart store began.

POPULATION

The City's population has grown steadily since the early 2000's and is currently estimated at 45,000. Most recent residential growth is due to continued development at The Tribute (formerly known as Wynnwood Peninsula) and Austin Ranch along State Highway 121. Construction on the Texas Furniture Mart store is estimated to be 80% complete, which is the anchor of the 433 acre plan development. The development is expected to be a destination place with exclusive stores, shops, and surroundings.

The City's 2013 Ad Valorem tax base increased from the prior year by a little over 6%, or $142 million, to $2.322 billion.

Sales tax revenues in the General Fund increased by a little over $400,000 or 11% from the previous year; another sign that the economy is on the mend. Sales tax represents approximately 14% of the City's General Fund total income.

Water and sewer revenues have trended up over the past 10 years due primarily to growth. 2013-14 revenues increased from the prior year by $75,000 or half of a percent due to a 3% rate increase, offset by milder temperatures and more rainfall.

Ad Valorem Tax Rate

Ad Valorem tax rate was reduced from $.68 to $.6775 per $100 valuation for fiscal year 2013-2014. Council's expectation is to continue to reduce the tax rate as additional revenues from growth and increased property valuations permit.

Fund Balance – General Fund

Reserves in the General Fund increased by about $800,000 during the fiscal year to almost $8 million or 104 operating days. Council's goal is 90 days.

Fund Balance – Utility Fund

Utility Fund reserves increased by about $200,000 during the current fiscal year to a little over $3.55 million or 89 operating days. Council's goal is 80 days.

PROSPECTS FOR THE FUTURE

The Colony's prospects for the future are promising and very optimistic. Most recent economic drivers are:

Completion of Sam Rayburn Tollway (formerly known as State Highway 121), provides easy access to the North entrance of the DFW International Airport. The Tollway also provides easy access to Dallas and George Bush Tollways and Interstate 75, making access to most of the Metroplex easy.

Reconstruction of Arterial Streets, were completed during the past couple of years. Reconstruction of FM426 (Main St) has started.

The Tribute Subdivision, a 900-acre mixed-use development around two 18-hole golf courses and country clubs (i.e., The Tribute and Old American) on the eastern shore of Lake Lewisville. This development will accommodate 1,800 higher-end single family units, town homes and multi-family apartments, along with an integrated town center, hotel, retail, offices, and marina. Recently, an additional phase was opened up.

Austin Ranch a 1,900-acre mixed-use development planned for multi-family residential, retail, corporate and commercial offices located south of the Sam Rayburn Tollway. Approximately 989 acres of Austin Ranch are inside The Colony city limits. Phase (7) was started this year, which will bring over 500 upscale apartments and commercial on the east side of Plano Parkway. This development was master-planned by Peter Calthorpe, an internationally recognized Land Planner, who has won several awards, including the National Association of Home Builders; "Pillars of the Industry" award for its Phase I development. Many nearby corporate headquarters and office parks employ Austin Ranch tenants.

The Offices at Austin Ranch are master-planned for 700 acres of corporate and 200 acres of build-to-suit offices and office parks. Ultimately this area is planned to have 16 million square feet of office space and to accommodate an employee roster of 43,000. Already on site in The Colony are Pizza Inn and Edward Don.

Jackson-Shaw/Cascades Limited Partnership a mixed-use development on 92 acres of land located at the northeast corner of State Highway 121 and Morningstar Drive in the City of The Colony. It includes town homes, patio homes, retail, and office space. Approximately 200,000 square feet of flex-industrial space is completed and being leased. Two hotels have been completed in the development with a total of 206 rooms and a 6,500 square foot events center.

Nebraska Furniture Mart Plan Development a 400+ acre commercial development along SH121 providing easy access from most of the DFW Metroplex. Investment expected to exceed $1.5 billion. The Nebraska Furniture Mart store will be the cornerstone of the development and is expected to open March 2015.

Debt Services

No new debt was issued during the year, however $14.35 million was refinanced. Standard & Poor's increased the City's rating from AA- to AA. Moody's maintained their rating at Aa3. The bond rating agencies cited the City's strong financial performance and tax base growth as strong positive factors for the City.

COMPONENT UNITS

The City of The Colony has initiated both a Type A (formerly known as 4A) and a Type B (formerly known as 4B) sales tax program for the benefit of the community. Type A is called The Colony Economic Development Corporation and is geared around bringing in new businesses and commercial establishments. It may also motivate and assist already established businesses within the City through set criteria. Type B is called The Colony Community Development Corporation, which is geared to create new parks and recreation facilities. The primary goal of this program is to improve our current parks and park equipment. Both corporations are managed by their own boards, which report to City Council, who approves their budgets.

Also, this is the 2nd year of activity for the Local Development Corporation (LDC) component unit, established to govern the City's interest in the TIRZ ONE. A separate audit was done for the LDC for the prior year, but this year's activity is included as a component unit in the City's audit report.

FINANCIAL MANAGEMENT

The Colony continues to evaluate operating activity to help ensure services are provided as efficiently as possible. Service levels are reviewed in conjunction with revenues, expenses, and reserves to help ensure the best possible use is made of available resources. Two major priorities of Council are to reduce property taxes and debt.

AWARDS

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 The Colony, Texas, for its comprehensive annual financial report for the fiscal year ended September 30, 2013. (This was the 23nd consecutive year that The Colony 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 government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the year beginning October 1, 2013. The City has received the award annually since the budget year beginning on October 1, 1993. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operation guide, and a communications device.

ACKNOWLEDGEMENTS

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We would also like to thank the Mayor and City Council for their interest and leadership in planning and conducting the financial operations of the City of The Colony in a responsible and progressive manner.

Respectfully submitted,

Troy Powell, City Manager

David Cranford, Finance Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of The Colony

Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO

CITY OF THE COLONY, TEXAS

ORGANIZATIONAL CHART

SEPTEMBER 30, 2014

CITY OF THE COLONY, TEXAS

CITY OFFICIALS CHART

September 30, 2014

MAYOR

Joe McCourry

CITY COUNCIL

Kirk Mikulec, Place 1
Richard Boyer, Place 2
Brian Wade, Place 3
David Terre, Mayor Pro-Tem Place 4
Perry Schrag, Place 5
Joel Marks, Place 6

City Manager
Troy Powell

Assistant City Manager
Tim Miller

Finance Director
David Cranford

FINANCIAL SECTION

THE COLONY

City by the Lake

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor,
City Council, and City Manager
City of The Colony, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of The Colony, Texas (the City), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-14 and budgetary comparison information and schedule of funding progress on pages 60–62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell LLP

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 30, 2015

THE COLONY

City by the Lake

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE COLONY

City by the Lake

CITY OF THE COLONY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

The City of The Colony (the City) is providing this narrative overview and analysis of its financial activities for the fiscal year ended September 30, 2014. This Management's Discussion and Analysis (MD&A) provides additional information that was not contained in the Letter of Transmittal. Readers are advised to read both to gain understanding of the financial picture of the City. This discussion and analysis includes prior year data for comparison purposes.

Financial Highlights

- The City's total assets exceeded the City's total liabilities at the close of the fiscal year by $235,819,163. Of this amount $16,768,429 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by $10,670,720, due to increases in net position of $9,334,947 in governmental activities and an increase of $1,335,773 in business-type activities.
- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $29,027,302, a decrease of $19,566,199. The general fund reported an increase in fund balance of $2,505,685. The capital projects fund had a decrease in fund balance of $22,506,691 primarily due to capital outlay expenses. Out of the $29,027,302 fund balances in the governmental funds, $10,458,525 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was $10,458,525 or 48.46% of total general fund expenditures.
- The City's non-current liabilities decreased by $6,277,592 (7.05%) during the current fiscal year. The City issued $12,293,645 in bonds during 2014. The proceeds and premium associated with the issue were used in refunding $12,417,004 of outstanding debt.

Overview of the Financial Statements

The MD&A serves as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

The report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

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

The statement of net position presents information on all of the City's assets and liabilities, with the difference as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as incurred regardless of when cash is received or paid. Thus, revenues and expenses are reported on accrual basis even though cash flows occur in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City 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, streets, sanitation, and culture and recreation. The business-type activities of the City include water and sewerage operation.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation, legally separate community development corporation, legally separate local development corporation, and legally separate tax increment reinvestment zone, for which the City of The Colony is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

In the Statement of Net Position and the Statement of Activities, the City is divided into three kinds of activities:

- Governmental Activities – Most of the City's basic services are reported as governmental activities, including the general government, public safety, municipal court, public works, culture and recreation, planning and zoning, public improvements, and code enforcement. Taxes and intergovernmental revenues principally support these services.
- Business-type Activities – Functions that are intended to recover all or a significant portion of their costs through user fees and charges are considered as business-type activities. The business-type activity of the City includes Water and Sewer Utility.
- Component Units – The City includes four separate legal entities, The Colony Economic Development Corporation, The Colony Community Development Corporation, The Colony Local Development Corporation, and Tax Increment Reinvestment Zone Number One in its report. Although they are legally separate, they are included as component units because the City is accountable for them. Financial information for these component units is reported separately from the financial information presented for the primary government.

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, like other state and 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 two categories:

1. **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 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 government'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 maintains 16 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the Debt Service Fund, and the Capital Projects Fund, all of which are considered to be major funds. Non-major governmental funds are aggregated in total.

   The City adopts annual appropriated budgets for its General Fund, Debt Service Fund, Lake Parks Fund, Special Events Fund, Hotel/Motel Taxes Fund, Child Safety Fund, and Storm Water Utility Fund. The budgetary comparison schedules have been provided for these funds to demonstrate compliance with the budgets.

2. **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 operation. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The water and sewer utility fund is considered to be a major fund of the City.

Notes to the financial statements

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

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City. This Management's Discussions and Analysis is part of the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of the close of the 2013-2014 fiscal year, the City's net position (assets exceeding liabilities) totaled $235,819,163.

The largest portion of the City's net position (88%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot generate revenues to liquidate these liabilities.

An additional portion of the City's net position (5%) represents resources that are subject to external restrictions on how they may be used (primarily for debt service and infrastructure improvements). The remaining balance of net position ($16,768,429) may be used to meet the government's ongoing obligations to citizens and creditors.

Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	$ 35,762,979	$ 51,607,682	$ 6,605,384	$ 7,538,110	$ 42,368,363	$ 59,145,792
Capital assets	206,322,386	180,759,330	76,277,394	77,246,123	282,599,780	258,005,453
Total assets	242,085,365	232,367,012	82,882,778	84,784,233	324,968,143	317,151,245
Deferred outflows of resources	635,231	678,780	1,241,975	776,824	1,877,206	1,455,604
Long-term liabilities outstanding	43,427,770	46,666,152	39,396,651	42,435,861	82,824,421	89,102,013
Other liabilities	6,484,364	2,906,125	1,717,401	1,450,268	8,201,765	4,356,393
Total liabilities	49,912,134	49,572,277	41,114,052	43,886,129	91,026,186	93,458,406
Net position:						
Net investment in capital assets	168,321,953	138,322,067	38,498,565	35,059,168	206,820,518	173,381,235
Restricted	11,863,373	36,774,502	366,843	1,630,805	12,230,216	38,405,307
Unrestricted	12,623,136	8,376,946	4,145,293	4,984,955	16,768,429	13,361,901
Total net position	$ 192,808,462	$ 183,473,515	$ 43,010,701	$ 41,674,928	$ 235,819,163	$ 225,148,443

At the end of the current fiscal year, the City has positive balances in all three categories of net position, for the government as a whole, as well as for its separate governmental and business-type activities.

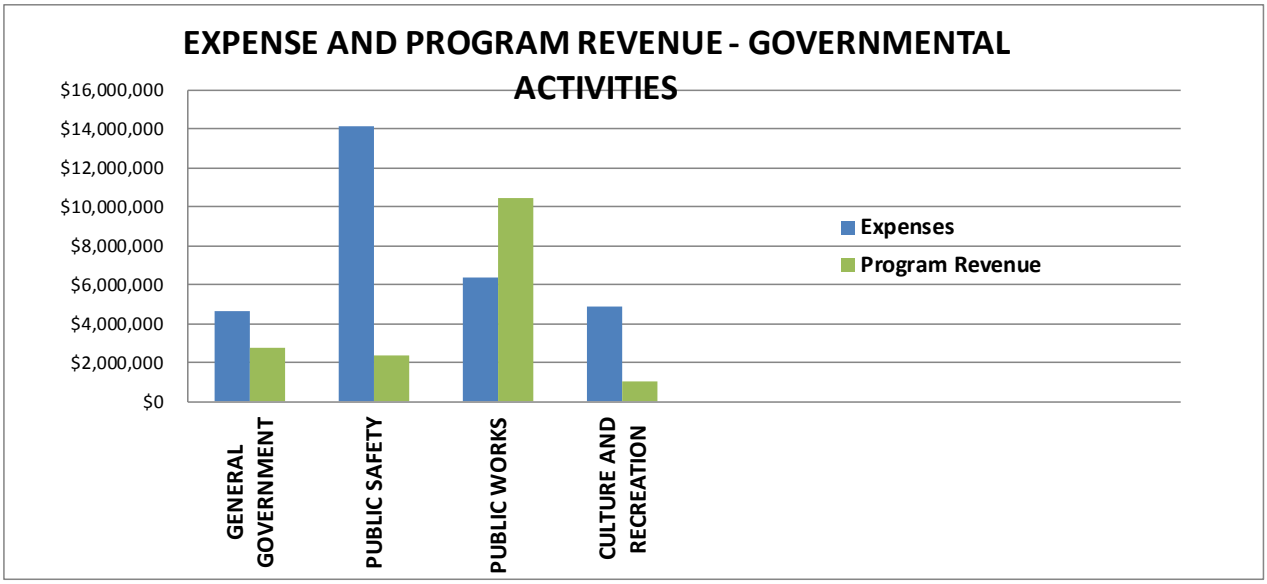
The City's net position increased by $10,670,720 during the current fiscal year. Total assets increased by $7,816,898. Capital assets increased by $24,594,327, while current and other assets decreased by $16,777,429.

Change in Net Position

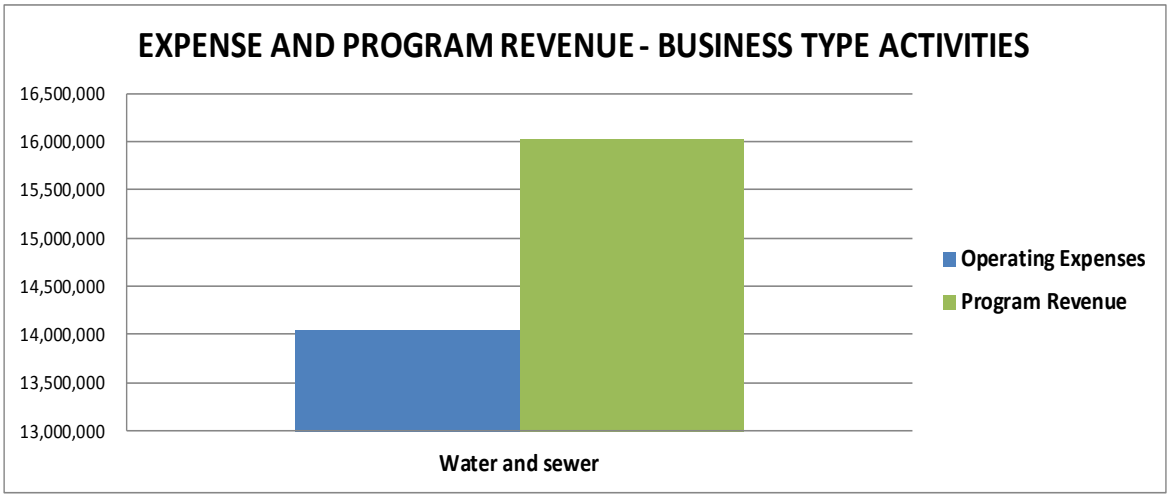
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	$ 5,200,882	$ 4,339,433	14,406,435	13,579,477	$ 19,607,317	$ 17,918,910
Operating grants and contributions	2,673,886	22,019,655	51,745	-	2,725,631	22,019,655
Capital grants and contributions	8,730,508	2,899,255	1,572,935	1,338,003	10,303,443	4,237,258
General revenues:						
Property taxes	15,619,879	15,024,242	-	-	15,619,879	15,024,242
Sales taxes	4,452,674	4,098,458	-	-	4,452,674	4,098,458
Franchise taxes	2,415,524	2,205,461	-	-	2,415,524	2,205,461
Other taxes	473,743	425,177	-	-	473,743	425,177
Interest	19,516	43,567	3,056	8,093	22,572	51,660
Miscellaneous	706,755	501,649	-	441,338	706,755	942,987
Total revenues	40,293,367	51,556,897	16,034,171	15,366,911	56,327,538	66,923,808
Expenses:						
General government	4,657,245	5,376,865	-	-	4,657,245	5,376,865
Public safety	14,111,478	13,307,649	-	-	14,111,478	13,307,649
Public works	6,365,189	5,901,952	-	-	6,365,189	5,901,952
Culture and recreation	4,861,085	4,603,345	-	-	4,861,085	4,603,345
Interest on long-term debt	1,615,808	1,718,298	-	-	1,615,808	1,718,298
Water and sewer	-	-	14,046,013	14,009,946	14,046,013	14,009,946
Total expenses	31,610,805	30,908,109	14,046,013	14,009,946	45,656,818	44,918,055
Increase in net position before transfers	8,682,562	20,648,788	1,988,158	1,356,965	10,670,720	22,005,753
Transfers	652,385	1,282,318	(652,385)	(1,282,318)		
Increase in net position	9,334,947	21,931,106	1,335,773	74,647	10,670,720	22,005,753
Net position, as previously reported	183,473,515	162,518,052	41,674,928	42,280,919	225,148,443	204,798,971
Change in accounting princple	-	(975,643)	-	(680,638)	-	(1,656,281)
Beginning net position (October 1)	183,473,515	161,542,409	41,674,928	41,600,281	225,148,443	203,142,690
Ending net position (September 30)	$ 192,808,462	$ 183,473,515	$ 43,010,701	$ 41,674,928	$ 235,819,163	$ 225,148,443

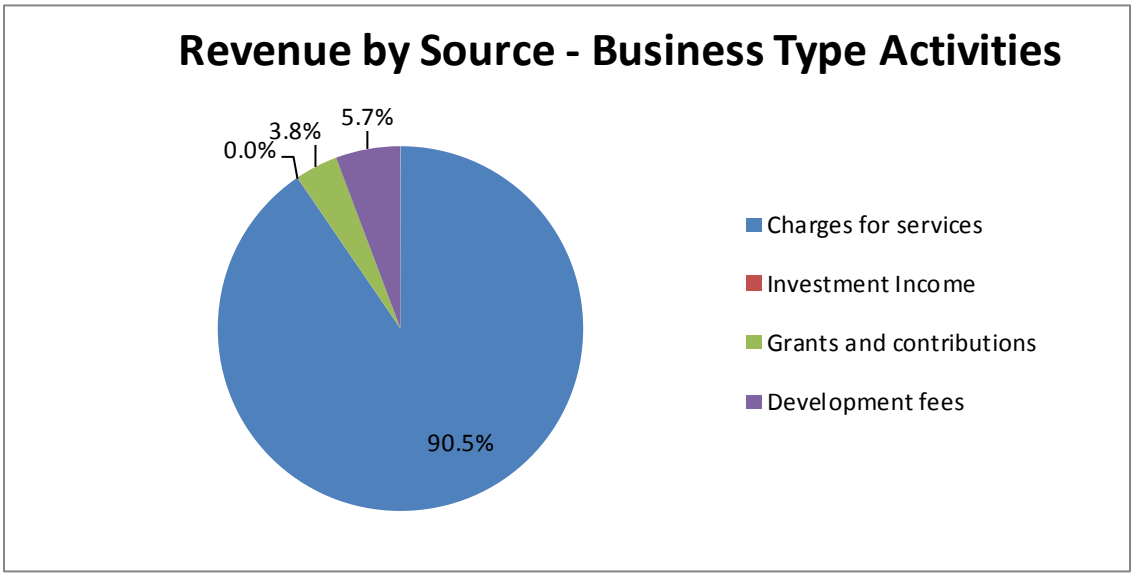
Governmental Activities - Governmental activities increased the City's net position by $9,334,947 compared to an increase of $21,931,106 in the prior year. Key elements of this increase are as follows:

- Property taxes increased by $595,637 due to an increase in taxable assessed valuation.
- Sales taxes increased by $354,216.
- Capital grants and contributions increased $5,831,253, due primarily to $6,077,845 of revenue from Denton County/ TxDOT for construction of the Memorial Drive/ Spring Creek project.



Business-type Activities - Business-type activities increased the City's net position by $1,335,773. The overall increase in net position is due to several factors, the most significant of which was $1,023,231 in contributed capital during fiscal year 2014.





Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $29,027,302 a decrease of $19,566,199 in comparison with the prior year. Approximately 36.03% of this total amount ($10,458,525) constitutes the unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is not available for new spending because it has already been committed, restricted, or is nonspendable for:

1. Capital projects ($12,608,865) including infrastructure projects to be funded with intergovernmental revenues,
2. Pay debt service ($650,022),
3. Parks or special events ($600,116).
4. Various purposes ($1,014,418).
5. Inventory ($87,434).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $10,458,525. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 48.46% of total general fund expenditures (excluding transfers to other funds).

The fund balance of the City's General Fund increased by $2,505,685 during the current fiscal year due primarily to increases in licenses and permits ($701,385), sales tax ($354,216), ad valorem taxes ($301,382) and franchise taxes, $210,063.

The Debt Service Fund has a total fund balance of $650,022, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the Debt Service Fund was $158,068. The City has a dedicated property tax for general debt service. The property tax produced debt service fund revenues of $4,990,832 in the current fiscal year.

The Capital Projects Fund has a total fund balance of $15,849,390, all of which is restricted for future expenditures of currently approved capital items. The net decrease in fund balance during the current year was $22,506,691 attributable primarily to the spending of intergovernmental revenue received in 2013 for certain infrastructure improvements throughout the City.

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

General Fund Budgetary Highlights

During the year, there was a $68,000 decrease in appropriations between the original and final budget. Overall, revenues had a $2,470,906 positive variance between final budget and actual while expenditures had a $244,850 positive variance. The significant variances were associated with the allocation of overhead between the General Fund and other funds.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2014, amounts to $282,599,780 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, water and sewer system infrastructure improvements, machinery and equipment, park facilities, and roads. The City's investment in capital assets for the current fiscal year increased by 10% (a 14% increase for governmental activities and a 1% decrease for business-type activities).

Major capital asset events during the current fiscal year (some are in the initial phases) included the following:

- **Plano Parkway Widening** – This project is the widening of Plano Parkway from the Sam Rayburn Tollway to Parker Road (FM 544 in Carrollton) as a divided roadway with six lanes. The design includes a trail, drainage, water, wastewater, streetscape, traffic signal improvements and roadway improvements within the street right-of-way. The City has teamed with the City of Carrollton through an Interlocal Agreement to extend the improvements to Parker Road in Carrollton. The estimated cost of this project is $7.2 million.

- **Memorial Drive - Spring Creek Connector** – This project is to connect Memorial Drive to Spring Creek in the City of Frisco with an underpass at the Burlington Northern Santa Fe railway and to realign the intersection of Town and Country Drive in Frisco. The design includes drainage, water and wastewater relocations, streetscape, signs, traffic signal improvements at Town and Country, street lights, temporary/permanent railroad improvements, and trail and roadway improvements within the street right-of-way. The estimated cost of this project is $17.2 million.

- **FM 423 (Main St) Widening –** This project has started to ramp up after several years of obtaining rights-of-way and moving utilities. The project will provide eight lanes from Highway 121 to Cougar Alley and six lanes to the North City limit. Most of $93.2 million of the expected cost will be provided by TxDot and Denton County. The expected completion date is late 2017.

- **HWY 121 Overpass into Grandscape –** This project includes the construction of a double inverted diamond overpass of Highway 121 from S. Colony into Grandscape on Nebraska Furniture Mart Drive. The $9.5 million dollar projected cost is funded primarily by The Colony Local Development Corporation, with the City contributing about $2 million.

Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Capital Assets Being Depreciated:						
Water systems	$ -	$ -	$ 40,768,159	$ 38,254,618	$ 40,768,159	$ 38,254,618
Sanitary sewer systems	-	-	27,556,713	28,403,831	27,556,713	28,403,831
Drainage system	-	-	201,967	242,568	201,967	242,568
Buildings	17,422,687	17,864,199	207,589	222,405	17,630,276	18,086,604
Improvements other than buildings	11,136,067	10,657,299	-	-	11,136,067	10,657,299
Aquatic Park	836,503	865,889	-	-	836,503	865,889
Machinery and equipment	3,219,897	3,213,726	222,943	218,662	3,442,840	3,432,388
Infrasctucture	99,791,256	95,546,328	1,264,138	1,462,344	101,055,394	97,008,672
	$ 132,406,410	$ 128,147,441	$ 70,221,509	$ 68,804,428	$ 202,627,919	$ 196,951,869
Capital Assets Not Being Depreciated:						
Land and land improvements	$ 4,510,684	$ 4,358,020	$ 3,273,472	$ 3,273,472	$ 7,784,156	$ 7,631,492
Right-of-ways	25,398,226	25,398,226	-	-	25,398,226	25,398,226
Construction in progress	44,007,066	22,855,643	2,782,413	5,168,223	46,789,479	28,023,866
	$ 73,915,976	$ 52,611,889	$ 6,055,885	$ 8,441,695	$ 79,971,861	$ 61,053,584

Additional information on the City's capital assets can be found in Note 4 on pages 44-46 to the basic financial statements.

Outstanding Debt

	Government Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	$ 21,140,410	$ 23,778,250	$ 26,773,235	$ 15,071,750	$ 47,913,645	$ 38,850,000
Certificates of Obligation	18,023,500	18,900,000	9,568,200	23,768,949	27,591,700	42,668,949
Revenue Bonds	-	-	-	990,000	-	990,000
	$ 39,163,910	$ 42,678,250	$ 36,341,435	$ 39,830,699	$ 75,505,345	$ 82,508,949

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $75,505,345. The entire amount represents debt backed by the full faith and credit of the City.

The City's total debt decreased by $7,003,604 during the current fiscal year. One factor in this decrease was the issuance of $14,350,000 of debt used, in part, to refund $12,417,004 of existing debt in the business-type activities.

Additional information on the City's long-term debt can be found in Note 5 on pages 47-53 to the basic financial statements.

The City's general and revenue obligations maintain an AA- and AA- rating, respectively, from Standard & Poor's and an Aa3 and A1 rating respectively from Moody's Investors Service. The high rating speaks well of the City's proactive approach to economic development and financial management.

The revenue supported debt in the Water and Sewer Fund is limited to the net revenues equal to at least 1.10 times the maximum annual principal and interest requirements and 1.25 times the average annual principal and interest requirements of all parity bonds to be outstanding. The net revenues in the Water and Sewer Fund are higher than the required limitations and are monitored each year for appropriate coverage.

Economic Factors and Next Year's Budgets and Rates

- Ad valorem tax base increased by a little over $216 million during the 14-15 fiscal year.
- Total sales tax is projected to increase by almost $1 million due receiving a half year of the TIRZ One 10% and growth of retail sales.
- Licenses and Permits in the General Fund were projected to decrease by a little over $2 million due to continued residential construction in the Tribute and commercial construction in and near Grandscape.

All of these factors were considered in preparing the City's budget for the 2014-2015 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, The City of The Colony, 6800 Main Street, The Colony, Texas 75056.

THE COLONY

City by the Lake

BASIC FINANCIAL STATEMENTS

THE COLONY

City by the Lake

GOVERNMENT – WIDE
FINANCIAL STATEMENTS

THE COLONY

City by the Lake

EXHIBIT 1

CITY OF THE COLONY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Cash and cash equivalents	$ 30,140,606	$ 4,058,834	$ 34,199,440	$ 8,454,814
Receivables (net of allowance for uncollectibles)	5,525,363	1,762,635	7,287,998	1,091,494
Due from component unit	9,576	-	9,576	-
Due from other governments	-	-	-	647,461
Inventories	87,434	87,328	174,762	-
Prepaid expenses	-	12,308	12,308	3,856,438
Restricted:				
Cash and cash equivalents	-	684,279	684,279	37,171,509
Capital assets:				
Non-depreciable	73,915,976	6,055,885	79,971,861	130,277,601
Depreciable (net of depreciation)	132,406,410	70,221,509	202,627,919	-
TOTAL ASSETS	242,085,365	82,882,778	324,968,143	181,499,317
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	635,231	1,241,975	1,877,206	90,192
TOTAL DEFERRED OUTFLOWS OF RESOURCES	635,231	1,241,975	1,877,206	90,192
LIABILITIES				
Accounts payable and accrued liabilities	4,900,113	255,658	5,155,771	563,798
Accrued interest payable	189,689	-	189,689	1,472,727
Retainage payable	1,365,321	-	1,365,321	-
Unearned revenue	29,241	-	29,241	-
Due to other governments	-	-	-	647,461
Due to primary government	-	-	-	9,576
Payable from restricted assets:				
Accounts payable and accrued liabilities	-	260,950	260,950	-
Accrued interest payable	-	216,110	216,110	-
Customer meter deposits	-	984,683	984,683	-
Non-current liabilities:				
Due within one year	6,690,534	3,133,027	9,823,561	236,012
Due in more than one year	36,737,236	36,263,624	73,000,860	199,678,306
TOTAL LIABILITIES	49,912,134	41,114,052	91,026,186	202,607,880
NET POSITION				
Net investment in capital assets	168,321,953	38,498,565	206,820,518	(20,947,110)
Restricted for:				
Debt service	510,962	-	510,962	-
Construction	367,397	366,843	734,240	-
Government funded construction contracts	9,970,596	-	9,970,596	-
Other	1,014,418	-	1,014,418	-
Unrestricted	12,623,136	4,145,293	16,768,429	(71,261)
TOTAL NET POSITION	$ 192,808,462	$ 43,010,701	$ 235,819,163	$ (21,018,371)

The Notes to Financial Statements are an integral part of this statement.

CITY OF THE COLONY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

		Program Revenues		
Functions/Program Activities	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	$ 4,657,245	$ 817,907	$ 1,934,331	$ -
Public safety	14,111,478	1,909,552	424,163	-
Public works	6,365,189	1,734,579	-	8,718,508
Culture and recreation	4,861,085	738,844	315,392	12,000
Interest on long-term debt	1,615,808	-	-	-
Total governmental activities	31,610,805	5,200,882	2,673,886	8,730,508
Business-type Activities:				
Water and sewer	14,046,013	14,406,435	51,745	1,572,935
Total business-type activities	14,046,013	14,406,435	51,745	1,572,935
TOTAL PRIMARY GOVERNMENT	$ 45,656,818	$ 19,607,317	$ 2,725,631	$ 10,303,443
COMPONENT UNITS:				
The Colony Economic Development Corporation	$ 2,947,495	$ -	$ 963	$ 323,731
The Colony Community Development Corporation	3,216,844	-	4,141	323,730
The Colony Local Development Corporation	4,664,742	-	133,329	-
TOTAL COMPONENT UNITS	$ 10,829,081	$ -	$ 138,433	$ 647,461

General Revenues and Transfers:
- Taxes:
  - Property taxes, levied for general purposes
  - Sales taxes
  - Franchise taxes
  - Hotel/motel taxes
  - Penalties and interest
- Interest on investments
- Miscellaneous

Transfers

Total general revenues and transfers

CHANGE IN NET POSITION

NET POSITION, beginning of year

NET POSITION, end of year

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 2

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business - Type Activities	TOTAL	COMPONENT UNITS
$ (1,905,007)	$ -	$ (1,905,007)	$ -
(11,777,763)	-	(11,777,763)	-
4,087,898	-	4,087,898	-
(3,794,849)	-	(3,794,849)	-
(1,615,808)	-	(1,615,808)	-
(15,005,529)	-	(15,005,529)	-
-	1,985,102	1,985,102	-
-	1,985,102	1,985,102	-
$ (15,005,529)	$ 1,985,102	$ (13,020,427)	$ -
$ -	$ -	$ -	$ (2,622,801)
-	-	-	(2,888,973)
-	-	-	(4,531,413)
$ -	$ -	$ -	$ (10,043,187)
15,561,110	-	$ 15,561,110	$ -
4,452,674	-	4,452,674	4,875,280
2,415,524	-	2,415,524	-
473,743	-	473,743	-
58,769	-	58,769	-
19,516	3,056	22,572	54,212
706,755	-	706,755	1,415
652,385	(652,385)	-	-
24,340,476	(649,329)	23,691,147	4,930,907
9,334,947	1,335,773	10,670,720	(5,112,280)
183,473,515	41,674,928	225,148,443	(15,906,091)
$ 192,808,462	$ 43,010,701	$ 235,819,163	$ (21,018,371)

THE COLONY

City by the Lake

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

EXHIBIT 3

CITY OF THE COLONY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	$ 10,656,147	$ 650,021	$ 17,226,928	$ 1,607,510	$ 30,140,606
Receivables, net of allowances for uncollectibles:					
Ad valorem taxes	252,333	50,630	-	-	302,963
Service accounts receivable	94,764	-	-	-	94,764
Franchise taxes	447,375	-	-	-	447,375
Sales taxes	1,062,349	-	-	-	1,062,349
Other	550,829	-	2,990,283	76,800	3,617,912
Due from component unit	9,576	-	-	-	9,576
Inventory	87,434	-	-	-	87,434
TOTAL ASSETS	$ 13,160,807	$ 700,651	$ 20,217,211	$ 1,684,310	$ 35,762,979
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenses	$ 1,827,837	$ -	$ 3,002,500	$ 69,776	$ 4,900,113
Retainage payable	-	-	1,365,321	-	1,365,321
Unearned revenue	29,241	-	-	-	29,241
TOTAL LIABILITIES	1,857,078	-	4,367,821	69,776	6,294,675
DEFERRED INFLOWS OF RESOURCES- PROPERTY TAXES	390,373	50,629	-	-	441,002
FUND BALANCES					
Nonspendable:	87,434	-	-	-	87,434
Restricted:					
Capital projects	367,397	-	12,241,468	-	12,608,865
Debt service	-	650,022	-	-	650,022
Other	-	-	-	1,014,418	1,014,418
Committed	-	-	3,607,922	600,116	4,208,038
Unassigned:	10,458,525	-	-	-	10,458,525
TOTAL FUND BALANCES	10,913,356	650,022	15,849,390	1,614,534	29,027,302
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 13,160,807	$ 700,651	$ 20,217,211	$ 1,684,310	$ 35,762,979

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 4

CITY OF THE COLONY, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

Total fund balances - governmental funds	$ 29,027,302
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	206,322,386
Interest payable on long-term debt does not require current financial resources, therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	(189,689)
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.	441,002
Deferred losses on refunding of long-term debt are reported as deferred outflows of resources in the government-wide finacial statements, but are not reported in the governmental funds.	635,231
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements. Long-term liabilities at year end consist of:	
Bonds payable	(39,163,910)
Premium on issuance of debt	(1,742,626)
Compensated absences	(2,521,234)
Net position of governmental activities	$ 192,808,462

The Notes to the Financial Statements are an integral part of this statement.

EXHIBIT 5

CITY OF THE COLONY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Ad valorem taxes, penalties and interest	$ 10,496,379	$ 4,990,832	$ -	$ -	$ 15,487,211
Franchise taxes	2,415,524	-	-	-	2,415,524
Municipal sales tax	4,452,674	-	-	-	4,452,674
Licenses and permits	1,808,320	-	-	740,594	2,548,914
Charges for services	1,308,917	-	-	-	1,308,917
Fines and forfeitures	1,219,636	-	-	123,415	1,343,051
Grants	77,214	127,150	38,495	66,763	309,622
Gifts and contributions	676,492	1,034,072	926,246	63,781	2,700,591
Hotel / Motel taxes	-	-	-	473,743	473,743
Intergovernmental	-	-	6,712,194	-	6,712,194
Investment income	10,911	1,032	7,566	7	19,516
Miscellaneous	615,155	-	14,078	77,522	706,755
Total revenues	23,081,222	6,153,086	7,698,579	1,545,825	38,478,712
EXPENDITURES					
Current					
General government	3,700,896	256,100	-	-	3,956,996
Public safety	12,748,205	-	-	106,685	12,854,890
Public works	1,717,030	-	472,268	2,856	2,192,154
Cultural and recreation	3,388,194	-	-	870,745	4,258,939
Capital outlay	29,500	-	30,578,420	-	30,607,920
Debt service:					
Principal retirement	-	4,066,150	-	-	4,066,150
Interest and fiscal charges	-	1,647,599	-	-	1,647,599
Cost of issuance of bonds	-	25,169	-	-	25,169
Total expenditures	21,583,825	5,995,018	31,050,688	980,286	59,609,817
Excess (deficiency) of revenues over (under) expenditures	1,497,397	158,068	(23,352,109)	565,539	(21,131,105)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	2,118,706	-	1,045,418	554,001	3,718,125
Transfers to other funds	(1,110,418)	-	(200,000)	(842,801)	(2,153,219)
Total other financing sources (uses)	1,008,288	-	845,418	(288,800)	1,564,906
NET CHANGE IN FUND BALANCES	2,505,685	158,068	(22,506,691)	276,739	(19,566,199)
FUND BALANCES, BEGINNING OF YEAR	8,407,671	491,954	38,356,081	1,337,795	48,593,501
FUND BALANCES, END OF YEAR	$ 10,913,356	$ 650,022	$ 15,849,390	$ 1,614,534	$ 29,027,302

The Notes to the Financial Statements are an integral part of this statement.

EXHIBIT 6

CITY OF THE COLONY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Net change in fund balances - total governmental funds	$ (19,566,199)
Amounts reported for governmental activities in the statement of activities are different because:	
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 of capital assets recorded in the current period.	30,607,920
Governmental funds do not recognize assets contributed by developers. However, in the statement of activities the fair market value of those assets are recognized as revenue, then allocated over their estimated useful lives and reported as depreciation expense.	1,681,987
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(6,366,140)
Current year changes in long term liability for compensated absences do not require the use of current financial resources; and, therefore, are not reported as expenditures in governmental funds.	(365,878)
Current year changes in accrued interest payable do not require the use of current financial resources; and, therefore, are not reported as expenditures in governmental funds.	10,589
Reallocation of debt recorded in the enterprise funds does not involve current financial resources, and, therefore, isn't recorded in the governmental funds. However, in the government-wide financial statements, this transaction reduces net position.	(551,810)
Current year transfers of capital assets to enterprise funds are not reported in governmental funds. However, the effect on the government-wide financials is to decrease in net position.	(360,711)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the 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.	
Bond principal retirement	4,066,150
Amortization bond related cost (premium/discount, deferred loss)	46,371
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This amount is the net change in these revenues for the year.	132,668
Change in Net Position of Governmental activities	$ 9,334,947

The Notes to Financial Statements are an integral part of this statement.

THE COLONY

City by the Lake

PROPRIETARY FUNDS FINANCIAL STATEMENTS

CITY OF THE COLONY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014

	BUSINESS TYPE ACTIVITIES WATER AND SEWER ENTERPRISE FUND
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 4,058,834
Receivables, net of allowance for uncollectibles:	
Accounts	1,751,509
Other	11,126
Due from other funds	
Inventories	87,328
Prepaid expenses	12,308
Restricted cash and cash equivalents	684,279
Total current assets	6,605,384
NONCURRENT ASSETS	
CAPITAL ASSETS	
Land	3,273,472
Water system	97,341,121
Sanitary sewer system	1,684,364
Buildings	706,481
Machinery and equipment	2,246,224
Engineering fees	2,473,213
Organizational costs	5,718,467
Construction in progress	2,782,413
Total capital assets	116,225,755
Less: accumulated depreciation	(39,948,361)
Capital assets, net of accumulated depreciation	76,277,394
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	1,241,975
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 84,124,753

The Notes to the Financial Statements are an integral part of this statement.

EXHIBIT 7

	BUSINESS TYPE ACTIVITIES WATER AND SEWER ENTERPRISE FUND
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	$ 255,658
Accrued compensated absences	288,768
Payable from restricted assets:	
Accounts payable and accrued expenses	260,950
Revenue bonds payable	2,844,259
Accrued interest payable	216,110
Customer meter deposits	984,683
Total current liabilities	4,850,428
NON-CURRENT LIABILITIES	
Revenue bonds payable	36,263,624
TOTAL LIABILITIES	41,114,052
NET POSITION	
Net Investment in capital assets	38,498,565
Restricted for:	
Construction	366,843
Unrestricted	4,145,293
TOTAL NET POSITION	43,010,701
TOTAL LIABILITIES AND NET POSITION	$ 84,124,753

EXHIBIT 8

CITY OF THE COLONY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	BUSINESS TYPE ACTIVITIES WATER AND SEWER ENTERPRISE FUND
OPERATING REVENUES	
Charges for sales and services:	
Water service	$ 8,320,168
Wastewater treatment service	4,847,322
Other fees and penalties	1,118,327
Service charges	30,711
Miscellaneous	89,907
Total operating revenues	14,406,435
OPERATING EXPENSES:	
Personnel services	3,264,608
Contractual services	727,133
Supplies	460,452
Maintenance	784,270
Water purchases	2,040,818
Overhead	2,593,752
Depreciation and amortization	2,667,868
Total operating expenses	12,538,901
OPERATING INCOME	1,867,534
NON-OPERATING REVENUES (EXPENSES)	
Investment income	3,056
Interest and fiscal charges	(1,507,112)
Development fees	603,704
Total non-operating revenues (expenses)	(900,352)
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	967,182
CAPITAL CONTRIBUTIONS AND TRANSFERS	
Grants and contributions	910,266
Capital contributions	1,023,231
Transfers from other funds	350,000
Transfers to other funds	(1,914,906)
Total capital contributions and transfers	368,591
CHANGE IN NET POSITION	1,335,773
NET POSITION, BEGINNING OF YEAR	41,674,928
NET POSITION, END OF YEAR	$ 43,010,701

The Notes to the Financial Statements are an integral part of this statement.

EXHIBIT 9

CITY OF THE COLONY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	BUSINESS TYPE ACTIVITIES WATER AND SEWER ENTERPRISE FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 14,501,816
Cash paid to employees for services	(3,212,979)
Cash paid for goods and services	(6,428,719)
Net cash provided by operating activities	4,860,118
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers from other funds	350,000
Transfers to other funds	(1,914,906)
Net cash used in non-capital financing activities	(1,564,906)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on revenue bond maturities	(2,762,350)
Cost of bond issuance	(180,872)
Grants and contributions	306,711
Interest and fiscal charges	(1,528,873)
Acquisition of capital assets	(675,908)
Development fees	603,704
Net cash used in capital and related financial activities	(4,237,588)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	3,056
Net cash provided by investing activities	3,056
NET DECREASE IN CASH AND CASH EQUIVALENTS	(939,320)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,682,433
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,743,113

The Notes to the Financial Statements are an integral part of this statement.

EXHIBIT 9 CON'T

CITY OF THE COLONY, TEXAS
STATEMENT OF CASH FLOWS – CONTINUED
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	BUSINESS TYPE ACTIVITIES WATER AND SEWER ENTERPRISE FUND
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 1,867,534
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	2,667,868
Provision for bad debts	(5,775)
Change in assets and liabilities:	
Decrease in accounts receivable	33,305
Increase in inventories	(34,094)
Increase in prepaid expense	(30)
Increase in accounts payable and accrued liabilities	223,597
Increase in compensated absences	39,862
Increase in customer deposits	67,851
Total adjustments	2,992,584
Net cash provided by operating activities	$ 4,860,118
NON-CASH FINANCING ACTIVITIES:	
Contributions of capital assets	$ 1,023,231
Reconciliation of total cash to the statement of net position:	
Cash and cash equivalents - current	$ 4,058,834
Restricted cash and cash equivalents	684,279
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,743,113

The Notes to the Financial Statements are an integral part of this statement.

COMPONENT UNITS
FINANCIAL STATEMENTS

THE COLONY

City by the Lake

EXHIBIT 10

CITY OF THE COLONY, TEXAS
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2014

	THE COLONY ECONOMIC DEVELOPMENT CORPORATION	THE COLONY COMMUNITY DEVELOPMENT CORPORATION	THE COLONY LOCAL DEVELOPMENT CORPORATION	TIRZ ONE	TOTALS
ASSETS					
Cash and cash equivalents	$ 6,596,096	$ 1,858,718	$ -	$ -	$ 8,454,814
Sales tax receivable	545,747	545,747	-	-	1,091,494
Due from other governments	323,731	323,730	-	-	647,461
Prepaids	-	-	3,856,438	-	3,856,438
Restricted assets					
Cash and cash equivalents	8,982,694	8,985,874	19,202,941	-	37,171,509
Capital assets					
Land	1,438,304	1,438,304	37,577,058	-	40,453,666
Construction in process	14,546,153	14,546,151	60,722,055	9,576	89,823,935
TOTAL ASSETS	32,432,725	27,698,524	121,358,492	9,576	181,499,317
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	90,192	-	-	-	90,192
TOTAL DEFERRED OUTFLOWS OF RESOURCES	90,192	-	-	-	90,192
LIABILITIES AND NET POSITION					
Accounts payable	286,884	266,670	10,244	-	563,798
Due to primary government	-	-	-	9,576	9,576
Accrued interest payable	275,637	265,061	932,029	-	1,472,727
Due to other governments	-	-	647,461	-	647,461
Non-current liabilities:					
Due within one year	236,012	-	-	-	236,012
Due in more than one year	29,846,176	27,635,658	142,196,472	-	199,678,306
TOTAL LIABILITIES	30,644,709	28,167,389	143,786,206	9,576	202,607,880
NET POSITION (DEFICIT)					
Net investment in capital assets	(2,907,541)	(520,844)	(17,528,301)	9,576	(20,947,110)
Unrestricted	4,785,749	51,979	(4,899,413)	(9,576)	(71,261)
TOTAL NET POSITION (DEFICIT)	$ 1,878,208	$ (468,865)	$ (22,427,714)	$ -	$ (21,018,371)

The Notes to the Financial Statements are an integral part of this statement.

CITY OF THE COLONY, TEXAS
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
COMPONENT UNITS:				
The Colony Economic Development Corporation	$ 2,947,495	$ -	$ 963	$ 323,731
The Colony Community Development Corporation	$ 3,216,844	-	4,141	323,730
The Colony Local Development Corporation	$ 4,664,742	-	133,329	-
TOTAL COMPONENT UNITS	$ 10,829,081	$ -	$ 138,433	$ 647,461

General revenues:
Taxes:
Sales taxes
Interest on investments
Miscellaneous

Total general revenue

CHANGE IN NET POSITION (DEFICIT)

NET POSITION (DEFICIT), Beginning of Year

NET POSITION (DEFICIT), End of Year

The Notes to the Financial Statements are an integral part of this statement.

EXHIBIT 11

Net (Expense) Revenue and Changes in Net Position			
COMPONENT UNITS			
The Colony Economic Development Corporation	The Colony Community Development Corporation	The Colony Local Development Corporation	TOTAL
$ (2,622,801)	$ -	$ -	$ (2,622,801)
-	(2,888,973)	-	(2,888,973)
-	-	(4,531,413)	(4,531,413)
(2,622,801)	(2,888,973)	(4,531,413)	(10,043,187)
2,288,535	2,288,535	298,210	4,875,280
11,848	10,549	31,815	54,212
1,415	-	-	1,415
2,301,798	2,299,084	330,025	4,930,907
(321,003)	(589,889)	(4,201,388)	(5,112,280)
2,199,211	121,024	(18,226,326)	(15,906,091)
$ 1,878,208	$ (468,865)	$ (22,427,714)	$ (21,018,371)

THE COLONY

City by the Lake

NOTES TO BASIC FINANCIAL STATEMENTS

THE COLONY

City by the Lake

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City of The Colony (the City), originally incorporated in 1977, is a municipal corporation incorporated under Article XI of the Constitution of the State of Texas (Home Rule Amendment). The City operates under a Council-Manager form of government and provides such services as are authorized by its charter to advance the welfare, health, comfort, safety and convenience of the City and its inhabitants.

The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. Management uses estimates and assumptions in preparing financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues, expenditures and expenses. Actual results could vary from the estimates that are used. The significant accounting policies of the City are described below.

Financial Reporting Entity

The City is governed by an elected mayor and a six-member council and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The financial information of the following component units have been “discretely presented” in the accompanying report because (i) their governing boards are not substantially the same as the governing body of the City, or (ii) the component unit provides services entirely or almost entirely to the citizenry and not the City:

The Colony Economic Development Corporation (TCEDC) - Organized exclusively for the public purposes of the promotion and development of new and expanded business enterprises to provide and encourage employment in the furtherance of public welfare.

The Colony Community Development Corporation (TCCDC) - Responsible for promoting economic development within the City and the State of Texas in order to eliminate unemployment and underemployment, and to promote and encourage employment and the public welfare of, for, and on behalf of the City by developing, implementing, providing and financing projects under the Development Corporation Act of 1979. This includes the construction, renovation and operation of municipal buildings, the acquisition and improvement of parks as well as the promotion and expansion of manufacturing and industrial facilities, and other economic development purposes.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Reporting Entity – Continued

The Colony Local Development Corporation (TCLDC) – Established as the primary governing body for funding Tax Increment Reinvestment Zone (TIRZ) Number One public infrastructure. Surrounding these activities are performance agreements between the TCLDC and the developer, NMF Services, which commenced November 2011 and will terminate on the 75th anniversary of the date in which the City collects its first sales tax dollar from the respective facility.

Tax Increment Reinvestment Zone Number One (TIRZ One) – The City created Tax Increment Reinvestment Zone Number One (TIRZ One) to provide additional financing resources to further enhance development within the zone. The City Council appoints a Board and Board members are removable by the City Council. TIRZ One commenced November 2011 and will terminate the earlier of the 40th anniversary of the date the City collects its first sales tax dollar within the zone, or the date on which all TIF project costs have been paid or funded and all TIF obligations have been paid in full.

A majority of the members of the TCEDC's, TCCDC's, TCLDC and TIRZ One's Boards of Directors are appointed by the City Council. The TCEDC, TCCDC, TCLDC and TIRZ One are each fiscally dependent upon the City as the City Council approves their budgets and must approve any debt issuance. However, the component units do not qualify for blending because the component units' services directly benefit the community rather than the City itself. The TCEDC, TCCDC, TCLDC and TIRZ One are presented as governmental fund types and do not issue separate financial statements.

Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Financial Statements:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental funds and proprietary funds. These statements present each major fund as a separate column in the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balances of current financial resources. The City has presented the following major governmental funds:

General Fund –

The General Fund is the general operating fund of the City. It is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund –

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is restricted to signify the amounts that are exclusively for debt service expenditures.

Capital Projects Fund –

The Capital Projects Fund is used to account for the acquisition and construction of capital assets financed primarily through the issuance of general obligation debt.

The City also reports the following non-major governmental funds:

All of the following funds are Special Revenue Funds. Special Revenue Funds account for the proceeds of specific revenue sources (other than expendable trust or capital projects) that are legally restricted or committed to expenditures for specific purposes.

Lake Parks Fund – To account for revenue generated by fees and permits to enter and utilize the park area and facilities located on the eastern shore of Lake Lewisville.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Financial Statements – Continued

Special Events Fund – To account for various special events of the City including Christmas decorations, 4th of July fireworks display and other special events held by the City.

Hotel/Motel Taxes Fund – To account for the receipt and allocation of the City's hotel/motel occupancy tax.

Library Grants Fund – To account for proceeds received from various state grants received for the Library.

Police Forfeited Fund – To account for the funds granted to the police department that have been awarded by the court.

Federal Seized Fund – To account for funds granted to the police department in a revenue sharing agreement with the federal government.

Police Seized Fund – To account for funds seized by the police department that are awaiting disposition by the court.

Child Safety Fund – The account for child safety fees collected according to state statute to fund the school crossing guard program and for other programs designed to enhance child safety, health or nutrition.

Storm Water Utility Fund – To account for the revenue and expenses associated with drainage projects within the City.

Court Security Fund – To account for the revenue and expenditures associated with the portion of traffic tickets that have been restricted for the security of the Municipal Court.

Court Technology Fund – To account for the revenue and expenditures associated with the portion of traffic tickets restricted for upgrading the technology in the Municipal Court.

Keep The Colony Beautiful – To account for revenue and expenditures associated with the City-supported community volunteer program designed to help property owners who can't maintain their properties due to financial or physical limitations.

Citizens Donation Fund – To account for money received from the $1 Add-On Program and the Recycling Rebate Program. This money is restricted for social and community services, public safety citizen programs and beautification projects.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Financial Statements – Continued

All assets and liabilities are included in the Statement of Net Position. The City has presented the following major proprietary fund:

Water and Sewer Enterprise Fund

Water and Sewer Enterprise Fund is used to account for the acquisition, operation and maintenance of a municipal water and sewer utility, supported primarily by user charges to the public.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies, maintenance and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included in the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for non-matured interest on long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus and Basis of Accounting – Continued

Property taxes, sales taxes, franchise taxes and interest are susceptible to accrual. Other receipts become measurable and available when cash is received by the City and are recognized as revenue at that time.

Cash and Cash Equivalents

State statutes and policy as established by the City Council authorize the City to invest in certificates of deposit, direct obligations of the U.S. Treasury, investment pools consisting of such U.S. Treasury obligations, repurchase agreements, commercial paper and mutual funds. Substantially all operating cash and cash equivalents are maintained in pooled cash and time deposit accounts. Interest income relating to pooled deposits is allocated to the individual funds based on each fund's pro rata share of total pooled deposits.

Restricted cash and investments is classified separately in the balance sheet of governmental funds and statement of net position for proprietary funds and represents cash and cash equivalents restricted for specific infrastructure projects (governmental funds) or the payment of long-term debt and for the acquisition of capital assets (proprietary funds).

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents, as they are available for withdrawal on demand.

Investments are accounted for in accordance with GASB No. 31 – *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investments are recorded at amortized cost when original maturity at the time of purchase is less than one year or at market if greater than one year.

Property Taxes

The City's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and certain personal property located within the City. Property taxes attach as an enforceable lien on property as of January 1 after they are levied. The assessed value upon which the fiscal year 2014 levy was based was $2,307,050,778. Taxes are due on October 1 and are delinquent after the following January 31. Current tax collections for the year ended September 30, 2014 were 100.12% of the tax levy.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property Taxes – Continued

The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services, including the payment of principal and interest on general obligation long-term debt. The combined tax rate to finance general governmental services including the payment of principal and interest on long-term debt for the year ended September 30, 2014 was $0.6775 per $100 of assessed valuation.

The ordinance levying the ad valorem taxes specifies the percentage of the taxes applicable to the General Fund, and Debt Service Fund therefore, ad valorem tax revenues are recorded as revenues in the respective funds.

In Texas, countywide central appraisal districts are required to assess all property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values.

The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

Budgets

The City adopts annual appropriated budgets for its General Fund, Debt Service Fund, Lake Parks Fund, Special Events Fund, Hotel/Motel Taxes Fund, Child Safety Fund, and Storm Water Utility Fund. The budgetary comparison schedules have been provided for these funds to demonstrate compliance with the budgets.

Internal Balances

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Transactions Between Funds and Component Units

Interfund services are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/ expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund reimbursed. All other interfund transactions, except interfund services and reimbursements, are recorded as transfers.

Transactions between the component units and the primary government are accounted for as external transactions. During the year ended September 30, 2014, the TCEDC contributed $306,711 to the Debt Service Fund and $465,016 to the General Fund. Additionally, the TCCDC contributed $717,457 to the Debt Service Fund and $942,345 to the General Fund. The revenues were reflected as operating grants and contributions for the primary government in the statement of activities.

Inventories

Inventories, which are expended when consumed, are stated at the lower of cost or market on a first-in, first-out basis.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at fair market value on the date donated. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the asset lives are not capitalized. Renewals and betterments are capitalized. Interest costs incurred during the construction period have been capitalized in the amount of $23,218 in the current year in the enterprise fund.

Assets capitalized, not including infrastructure assets, have an original cost of $5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	30 Years
Towers, tanks, and pump stations	40 Years
Infrastructure	40 Years
Machinery and equipment	5 - 10 Years
Vehicles	5 Years

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Vacation and Sick Leave (Compensated Absences)

In the event of termination, an employee is reimbursed for up to his/her accrued available vacation days. An employee may accumulate up to 130 days of sick leave; however, upon termination, qualified employees may be reimbursed for up to a maximum of 30 sick days. All vacation and qualifying sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

Classification of Fund Equity

Fund balances are classified as nonspendable, restricted, committed, assigned or unassigned in governmental funds. Nonspendable fund balance cannot be spent, either because it is not in spendable form or because of legal or contractual requirements. Restricted fund balances have constraints for specific purposes which are externally imposed by providers, such as creditors, grantors or other governments; or by enabling legislation of the City Council. Committed fund balances can only be used for specific purposes pursuant to constraints imposed by ordinance of the City Council, the City's highest level of decision making authority. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. Assigned fund balances are constrained by intent to be used for specific purposes, but are neither restricted nor committed. Assignments are made by City management based on City Council direction.

Unassigned fund balances include residual positive fund balances within the General Fund that had not been classified within the other mentioned categories. Unassigned fund balances may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes. The City designates restricted amounts to be spent first if both restricted and unassigned fund balances are available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, followed by assigned, and lastly unassigned amounts when expenditures are incurred for purpose for which amounts in any of those unrestricted fund balance classifications could be used. The propriety funds and government-wide financial statements have three classifications of equity: (1) net investment in capital assets; (2) restricted net position and (3) unrestricted net position. In the first category, capital assets are netted with bonded and capital lease debt. Restricted net position includes debt service, grantor and other government restrictions for proprietary funds and the same categories as restricted fund balance for governmental activities.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2014 through March 30, 2015, the date the financial statements were available to be issued.

NOTE 2. CASH AND INVESTMENTS

The funds of the City must be deposited and invested per the Public Funds Investment Act. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At September 30, 2014 the carrying amount of the City's deposits was $8,664,034 and the bank balance was $8,674,197. All of the bank balances were fully covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name. The City had petty cash totaling $4,484 at September 30, 2014.

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity, allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Legal and Contractual Provisions Governing Deposits and Investments – Continued

Statutes and the City's investment policy authorized the City to invest in the following investments as summarized in the table below:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Government Securities	5 Years	100%	None
State of Texas	5 Years	25%	None
States, Agencies, Counties, Cities and Other	5 Years	25%	None
Repurchase Agreements	90 Days	100%	None
Certificates of Deposits	5 Years	25%	None
Commercial Paper	270 Days	25%	None
No-Load Money Market Mutual Funds	90 Days	25%	None
Eligible Investment Pools	90 Days	100%	None

The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Cash and investments as of September 30, 2014 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and cash equivalents – primary government	$ 34,199,440
Restricted cash and cash equivalents – primary government	684,279
Cash and cash equivalents – component units	8,454,814
Restricted cash and cash equivalents – component units	37,171,509
	$ 80,510,042

Cash and investments as of September 30, 2014 consist of the following:

Cash on hand	$ 4,484
Deposits with financial institutions	8,664,034
Investment pools	71,841,524
	$ 80,510,042

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

As of September 30, 2014 the City had the following investments:

Investment Type	Amount	Weighted Average Maturity
TexPool	$ 10,647,768	48 days
TexPool Prime	24,022,243	46 days
Money Market Mutual Funds	37,171,513	1 day
	$ 71,841,524	

As of September 30, 2014 the City did not invest in any securities which are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Disclosures Relating to Credit Risk – Continued

Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End
TexPool	$ 10,647,768	N/A	AAAm
TexPool Prime	24,022,243	N/A	AAAm
Money Market Mutual Funds	37,171,513	N/A	AAAm
	$ 71,841,524		

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2014 other than external investment pools the City did not have 5% or more of its investment with one issuer.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits:

The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2014 the City deposits with financial institutions in excess of federal depository insurance limits were fully collateralized during the year.

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Investment in State Investment Pools

The City is a voluntary participant in two investment pools: TexPool and TexPool Prime. Each of these pools operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. Each uses amortized costs rather than market value to report the net position to compute share prices. Accordingly, the value of the City's position in the pools is the same as the value of the shares in the pool.

The State Comptroller of Public Accounts exercises responsibility over TexPool and TexPool Prime. This oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool.

NOTE 3. RECEIVABLES

Receivables at September 30, 2014 for the individual major funds, nonmajor funds, and component units in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following:

	Governmental Activities					Business-type Activities	Discretely Presented Component Units
	General	Debt Service	Capital Projects	Non-Major Governmental Funds	Total Governmental Activities	Water and Sewer Enterprise	
Receivables							
Property taxes	$ 286,246	$ 56,696	$ -	$ -	$ 342,942	$ 14,835	$ -
Franchise taxes	447,375	-	-	-	447,375	-	-
Sales taxes	1,062,349	-	-	-	1,062,349	-	1,091,494
Service accounts	157,716	-	-	-	157,716	1,946,192	-
Other	550,829	-	2,990,283	76,800	3,617,912	-	-
Gross receivables	2,504,515	56,696	2,990,283	76,800	5,628,294	1,961,027	1,091,494
Allowance for uncollectibles	(96,865)	(6,066)	-	-	(102,931)	(198,392)	-
Net total receivables	$ 2,407,650	$ 50,630	$ 2,990,283	$ 76,800	$ 5,525,363	$ 1,762,635	$ 1,091,494

The Water and Sewer Fund service accounts receivable include unbilled charges for services rendered through September 30, 2014 in the amount of $1,049,496.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, was as follows:

	Balance September 30, 2013	Capital Acquisitions	Sales or Other Dispositions	Adjustments/ Transfers	Balance September 30, 2014
Governmental Activities:					
Capital assets not being depreciated					
Land and Land Improvements	$ 4,358,020	$ 152,664	$ -	$ -	$ 4,510,684
Rights-of-way	25,398,226	-	-	-	25,398,226
Construction in progress	22,855,643	30,455,256	-	(9,303,833)	44,007,066
Total capital assets not being depreciated	52,611,889	30,607,920	-	(9,303,833)	73,915,976
Capital assets being depreciated					
Buildings	23,180,511	-	-	349,648	23,530,159
Improvements other than buildings	15,638,636	-	-	1,083,732	16,722,368
Swimming pool	1,574,630	-	-	25,232	1,599,862
Machinery and equipment	10,254,530	-	(435,786)	630,014	10,448,758
Infrastructure	173,508,591	1,681,987		6,854,496	182,045,074
Total capital assets being depreciated	224,156,898	1,681,987	(435,786)	8,943,122	234,346,221
Less: accumulated depreciation for:					
Buildings	(5,316,312)	(791,160)	-	-	(6,107,472)
Improvements other than buildings	(4,981,337)	(604,964)	-	-	(5,586,301)
Swimming pool	(708,741)	(54,618)	-	-	(763,359)
Machinery and equipment	(7,040,804)	(623,843)	435,786	-	(7,228,861)
Infrastructure	(77,962,263)	(4,291,555)	-	-	(82,253,818)
Total accumulated depreciation	(96,009,457)	(6,366,140)	435,786	-	(101,939,811)
Total capital assets being depreciated, net	128,147,441	(4,684,153)	-	8,943,122	132,406,410
Governmental activities capital assets, net	$ 180,759,330	$ 25,923,767	$ -	$ (360,711)	$ 206,322,386

NOTE 4. CAPITAL ASSETS – CONTINUED

	Balance September 30, 2013	Capital Acquisitions	Sales or Other Dispositions	Adjustments/ Transfers	Balance September 30, 2014
Business-Type Activities:					
Capital assets not being depreciated					
Land	$ 3,273,472	$ -	$ -	$ -	$ 3,273,472
Construction in progress	5,168,223	675,911	-	(3,061,721)	2,782,413
Total capital assets not being depreciated	8,441,695	675,911	-	(3,061,721)	6,055,885
Capital assets being depreciated:					
Building	706,481	-	-	-	706,481
Water System	52,064,540	485,835	-	3,317,064	55,867,439
Sanitary System	41,296,998	176,684	-	-	41,473,682
Drainage System	1,684,364	-	-	-	1,684,364
Machinery and Equipment	2,220,243		(79,387)	105,368	2,246,224
Infrastructure	8,191,680	-	-		8,191,680
Total capital assets being depreciated	106,164,306	662,519	(79,387)	3,422,432	110,169,870
Less: Accumulated depreciation for:					
Building	(484,076)	(14,816)	-	-	(498,892)
Water System	(13,809,922)	(1,289,358)	-	-	(15,099,280)
Sanitary System	(12,893,167)	(1,023,802)	-	-	(13,916,969)
Drainage System	(1,441,796)	(40,601)	-	-	(1,482,397)
Machinery and Equipment	(2,001,581)	(101,087)	79,387	-	(2,023,281)
Infrastructure	(6,729,336)	(198,206)	-	-	(6,927,542)
Total accumulated depreciation	(37,359,878)	(2,667,870)	79,387	-	(39,948,361)
Total capital assets being depreciated, net	68,804,428	(2,005,351)	-	3,422,432	70,221,509
Business-Type activities capital assets, net	$ 77,246,123	$ (1,329,440)	$ -	$ 360,711	$ 76,277,394

NOTE 4. CAPITAL ASSETS – CONTINUED

	Balance September 30, 2013	Capital Acquisitions	Sales or Other Dispositions	Adjustments/ Transfers	Balance September 30, 2014
Component Unit:					
Capital assets not being depreciated					
Land	$ 40,453,666	$ -	$ -	$ -	$ 40,453,666
Construction in progress	36,595,971	53,227,964	-	-	89,823,935
Total capital assets not being depreciated	77,049,637	53,227,964	-	-	130,277,601
Component Unit capital assets, net	$ 77,049,637	$ 53,227,964	$ -	$ -	$ 130,277,601

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

General government	$ 951,422
Public safety	765,640
Public works	4,111,486
Culture and recreation	537,592
Total depreciation expense-Governmental activities	$ 6,366,140
Business-type activities:	
Water and Sewer	$ 2,667,870

NOTE 5. LONG-TERM DEBT

At September 30, 2014, bonds payable consisted of the following individual issues:

	Governmental Activities	Business-type Activities	Component Units
Certificates of Obligation:			
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2006, 3.5% to 5.00% maturing in installments of $140,000 to $1,630,000 through 2026.	$ -	$ 821,700	$ 168,300
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2007, 3.5% to 5.00% maturing in installments of $510,000 to $1,055,000 through 2027.	5,061,700	5,268,300	-
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2008, 3.5% to 5.00% maturing in installments of $510,000 to $1,055,000 through 2027.	250,000	-	-
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2010, 2.50% to 4.00%, maturing in annual installments of $550,000 to $960,000 through 2030.	8,780,100	3,084,900	-
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2010-A, 2.00% to 4.00%, maturing in annual installments of $125,000 to $175,000 through 2030.	1,921,700	393,300	-
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2013, 2.00% to 4.375%, maturing in annual installments of $155,000 to $675,000 through 2033.	2,010,000	-	-
	$ 18,023,500	$ 9,568,200	$ 168,300
General Obligation Bonds:			
General Obligation Refunding Bonds, Series 2005, 3.00% to 4.125%, maturing in annual installments of $65,000 to $1,050,000 through 2021	$ 5,820,000	$ -	$ -
General Obligation Refunding Bonds, Series 2010, 2.00% to 4.00%, maturing in annual installments of $170,000 to $510,000 through 2022.	3,565,000	-	-
General Obligation Refunding Bonds, Series 2011, 2.00% to 4.00%, maturing in annual installments of $20,000 to $890,000 through 2022.	4,742,400	1,497,600	-
General Obligation Refunding Bonds, Series 2012, 2.00% to 3.00%, maturing in annual installments of $225,000 to $1,295,000 through 2023.	4,110,010	1,369,990	-
General Obligation Refunding Bonds, Series 2013, 3.00% to 5.00%, maturing in annual installments of $1,205,000 to $1,775,000 through 2024.	2,903,000	11,612,000	-
General Obligation Refunding Bonds, Series 2014, 2.00% to 5.00%, maturing in annual installments of $55,000 to $1,535,000 through 2026.	-	12,293,645	2,056,355
	$ 21,140,410	$ 26,773,235	$ 2,056,355
Revenue Bonds:			
Sales Tax Revenue Bonds, Series 2013 (Infrastructure Bonds), 4.50% to 7.25%, maturing in annual installments of $ 195,000 to $2,770,000 through 2042.	$ -	$ -	$ 29,580,000
Sales Tax Revenue Bonds, Series 2013 (Infrastructure Bonds), 4.50% to 7.25%, maturing in annual installments of $ 195,000 to $2,770,000 through 2042.	-	-	29,580,000
Sales Tax Increment Contract Revenue Bonds, Series 2013 (Infrastructure Bonds), 5.00% to 7.625%, maturing in annual installments from October 1, 2018 through October 1, 2042.	-	-	15,875,000
Sales Tax Increment Contract Revenue Bonds, Series 2013 (Infrastructure Bonds), 2.594% to 4.881%, maturing in annual installments from October 1, 2020 through October 1, 2047.	-	-	106,850,000
Sales Tax Revenue Bonds, Series 2013 (Infrastructure Bonds), 5.00% to 7.625%, maturing in annual installments from October 1, 2018 through October 1, 2042.	-	-	19,515,000
	$ -	$ -	$ 201,400,000

NOTE 5. LONG-TERM DEBT – CONTINUED

The following is a summary of long-term debt transactions, including current portion, of the City for the year ended September 30, 2014:

	Balance Beginning of Year	Increases	Decreases	Refunding	Balance End of Year	Due Within One Year
Governmental Activities						
Certificates of obligation	$ 18,900,000	$ 551,810	$ (1,428,310)	$ -	$ 18,023,500	$ 1,116,450
General obligation bonds	23,778,250	-	(2,637,840)	-	21,140,410	3,052,850
Unamortized bond premium	1,832,546	-	(89,920)	-	1,742,626	-
Compensated absences	2,155,356	2,609,135	(2,243,257)	-	2,521,234	2,521,234
Governmental activities Long-term debt	$ 46,666,152	$ 3,160,945	$ (6,399,327)	$ -	$ 43,427,770	$ 6,690,534
Business-Type Activities						
Certificates of obligation	$ 23,768,949	$ -	$ (1,783,745)	$ (12,417,004)	$ 9,568,200	$ 1,345,000
General obligation bonds	15,071,750	12,293,645	(592,160)	-	26,773,235	1,499,259
Revenue bonds	990,000	-	(990,000)	-	-	-
Unamortized bond premium	2,356,256	990,095	(218,313)	(361,590)	2,766,448	-
Compensated absences	248,906	345,855	(305,993)	-	288,768	288,768
Business-type activities Long-term debt	$ 42,435,861	$ 13,629,595	$ (3,890,211)	$ (12,778,594)	$ 39,396,651	$ 3,133,027
Component Units						
Certificates of obligation	$ 2,356,051	$ 51,745	$ (161,500)	$ (2,077,996)	$ 168,300	$ 168,300
General obligation bonds	-	2,056,355	-	-	2,056,355	7,882
Revenue bonds	201,400,000	-	-	-	201,400,000	-
Unamortized bond premium	58,119	165,613	(12,995)	(48,695)	162,042	-
Unamortized bond discount	(4,068,423)	-	136,214	-	(3,932,209)	-
Compensated absences	37,444	50,052	(27,666)	-	59,830	59,830
Component units Long-term debt	$ 199,783,191	$ 2,323,765	$ (65,947)	$ (2,126,691)	$ 199,914,318	$ 236,012

The City intends to retire all of its general long-term liabilities, plus accrued interest, from ad valorem taxes and other current revenues from the Debt Service Fund as has been done in prior years. The proprietary fund type long-term debt, plus accrued interest, will be repaid from operating revenues of the Water and Sewer Enterprise Fund. The general fund has typically been used to liquidate the liability for compensated absences for governmental activities.

During 2014, the City corrected the allocation of its debt service payments related to previously issued certificates of obligation. As a result of this reallocation, $603,555 of certificates previously reported in the enterprise fund are now reported in the governmental activities ($551,810) and the discretely presented component units ($51,745).

In prior years, the City defeased certain tax and revenue bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments on the defeased bonds. Accordingly, the trust accounts and the defeased bonds are not included in the City's financial statements. At September 30, 2014 outstanding principal on outstanding defeased debt obligations totaled $1,039,500.

NOTE 5. LONG-TERM DEBT – CONTINUED

A portion of Series 2006, Combination Tax and Surplus Revenue Certificate Obligation was issued by the City to provide financial assistance to the TCEDC. Payment of the obligation to the City is guaranteed through a project agreement entered into by the City with the TCEDC, and therefore the obligation for the debt has been recorded in the financial statements of the TCEDC. At September 30, 2014, the amount outstanding under the debt obligation was $168,300.

During July 2013, the City issued $14,350,000 General Obligation Refunding Bonds, Series 2014 ($12,293,645 of which was recorded in business-type activities and $2,056,355 was recorded in the component units). The purposes of the bonds were to refund a portion of the City's Combination Tax and Surplus Revenue Certificates of Obligation, Series 2006, in order to lower the overall debt service requirements of the City and pay the costs of issuance of the bonds. The bonds bear interest between 2% and 5% and mature in 2026. The bonds were issued at a premium of $1,155,708. The refunding decreased total debt service requirements by $1,439,756, and resulted in an economic gain of $1,221,206. As a result of this transaction, $12,417,004 of certificates of obligation recorded in the business-type activities and $2,077,996 of certificates of obligation recorded in the component units were refunded, are considered legally defeased, and are no longer included as liabilities in the City's basic financial statements.

Nebraska Furniture Mart

During March 2012, the TCEDC, TCCDC and TCLDC individually entered into a pledge agreement where the consideration of future sales tax revenue from the tax increment reinvestment zone would be used to repay debt issued by the component units to provide funding for the Nebraska Furniture Mart Texas project. This pledge was effectively an incentive agreement to secure the development of Nebraska Furniture Mart, through NFM Services, within the City of The Colony.

TCEDC and TCCDC have each pledged a portion of their future sales tax revenues to repay $29,580,000 of sales tax revenue bonds that each corporation issued in February 2013 to finance the acquisition of land and cost of construction and infrastructure associated with the Nebraska Furniture Mart Texas project. Total principal and interest remaining on each issuance is approximately $73 million as of September 30, 2014. Interest paid and incremental sales tax revenues were $2,356,097 and $149,105, respectively, for each corporation during the year ended September 30, 2014.

TCLDC has pledged a portion of its future sales tax revenues to repay $142,240,000 of sales tax incremental contract revenue bonds that the Corporation issued in February 2013 to finance the acquisition of land and cost of construction and infrastructure associated with the Nebraska Furniture Mart Texas project. Total principal and interest remaining on these bonds is approximately $316 million as of September 30, 2014. Interest paid and incremental sales tax revenues were $8,284,699 and $298,210, respectively, during the year ended September 30, 2014.

NOTE 5. LONG-TERM DEBT – CONTINUED

Description to Debt Indentures

Certificate of Obligation Bonds

The City issues certificate of obligation bonds to provide funds for the acquisition and construction of major capital facilities and infrastructure. The City is required by ordinance to create from ad valorem tax revenues a sinking fund sufficient to pay the current interest and principal installments as they become due.

Revenue Bonds

The City issues revenue bonds to construct water and sewer system improvements. The City is required by the applicable revenue bond indentures to pledge the net revenues of the Water and Sewer Enterprise Fund for the retirement of its outstanding revenue bonds, including interest thereon, and is required to maintain debt service funds and bond reserve funds for all such bonds outstanding.

Bond Compliance

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions at September 30, 2014.

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for each bond type for the years subsequent to September 30, 2014, are as follows:

Certificate of Obligation Bonds

Annual debt service requirements to maturity for certificate obligation bonds, including interest of $6,865,639 for governmental activities, $3,444,200 for business-type activities and $8,415 for component unit activities are as follows:

Fiscal Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2015	$ 1,116,450	$ 768,593	$ 1,885,043
2016	956,250	724,145	1,680,395
2017	998,150	685,775	1,683,925
2018	1,042,950	644,522	1,687,472
2019	1,011,600	602,637	1,614,237
2020 – 2024	5,638,000	2,346,071	7,984,071
2025 – 2029	5,854,200	998,416	6,852,616
2030 – 2034	1,405,900	95,480	1,501,380
Total	$ 18,023,500	$ 6,865,639	$ 24,889,139

NOTE 5. LONG-TERM DEBT – CONTINUED

Annual Requirements to Retire Debt Obligations – Continued

Fiscal Year Ending September 30	Business-Type Activities Principal	Interest	Total
2015	$ 1,345,000	$ 450,023	$ 1,795,023
2016	478,750	385,250	864,000
2017	501,850	363,184	865,034
2018	527,050	339,821	866,871
2019	548,400	317,438	865,838
2020 – 2024	3,112,000	1,196,746	4,308,746
2025 – 2029	2,775,800	380,564	3,156,364
2030 – 2034	279,350	11,174	290,524
Total	$ 9,568,200	$ 3,444,200	$ 13,012,400

Fiscal Year Ending September 30	Component-Units Principal	Interest	Total
2015	$ 168,300	$ 8,415	$ 176,715
Total	$ 168,300	$ 8,415	$ 176,715

NOTE 5. LONG-TERM DEBT – CONTINUED

Annual Requirements to Retire Debt Obligations – Continued

General Obligation Bonds

Annual debt service requirements to maturity for general obligation bonds, including interest of $3,461,719 for governmental activities, $6,765,519 for business-type activities, and $522,783 for component unit activities are as follows:

Fiscal Year Ending September 30	Government Activities		
	Principal	Interest	Total
2015	$ 3,052,850	$ 748,917	$ 3,801,767
2016	3,079,900	660,069	3,739,969
2017	3,097,350	567,247	3,664,597
2018	2,660,600	466,114	3,126,714
2019	2,293,650	372,066	2,665,716
2020 – 2024	6,956,060	647,306	7,603,366
Total	$ 21,140,410	$ 3,461,719	$ 24,602,129

Fiscal Year Ending September 30	Business-Type Activities		
	Principal	Interest	Total
2015	$ 1,499,259	$ 1,057,248	$ 2,556,507
2016	2,378,919	1,014,573	3,393,492
2017	2,425,020	937,243	3,362,263
2018	2,341,038	847,731	3,188,769
2019	2,385,107	748,347	3,133,454
2020 – 2024	13,152,376	2,038,040	15,190,416
2025 – 2029	2,591,516	122,337	2,713,853
Total	$ 26,773,235	$ 6,765,519	$ 33,538,754

NOTE 5. LONG-TERM DEBT – CONTINUED

Annual Requirements to Retire Debt Obligations – Continued

Fiscal Year Ending September 30	Component-Units Principal	Interest	Total
2015	$ 7,882	$ 76,195	$ 84,077
2016	151,182	75,802	226,984
2017	157,630	69,755	227,385
2018	163,362	63,450	226,812
2019	171,244	55,282	226,526
2020 – 2024	971,574	161,836	1,133,410
2025 – 2029	433,481	20,463	453,944
Total	$ 2,056,355	$ 522,783	$ 2,579,138

Revenue Bonds

Revenue bond debt service requirements to maturity, including interest of $260,081,782 for component unit activities are as follows:

Fiscal Year Ending September 30	Component-Units Principal	Interest	Total
2015	$ -	$ 11,697,205	$ 11,697,205
2016	390,000	11,697,205	12,087,205
2017	410,000	11,679,655	12,089,655
2018	640,000	11,660,179	12,300,179
2019	770,000	11,618,579	12,388,579
2020 – 2024	14,080,000	56,710,478	70,790,478
2025 – 2029	22,455,000	52,366,559	74,821,559
2030 – 2034	34,480,000	44,625,646	79,105,646
2035 – 2039	51,550,000	32,138,548	83,688,548
2040 – 2044	54,555,000	13,691,278	68,246,278
2045 – 2047	22,070,000	2,196,450	24,266,450
Total	$ 201,400,000	$ 260,081,782	$ 461,481,782

NOTE 6. INTERFUND TRANSFERS

All interfund transfers between the various funds are approved supplements to the operations of those funds. Individual fund transfers for fiscal year 2014 were as follows:

Transfer Fund	Transfer In	Transfer Out	Purpose of Transfer
General:			
Water & Sewer Enterprise	$ 1,914,906	$ -	Utility franchise fee
Capital Projects	-	845,418	Budgeted capital project money
Non-major Governmental	203,800	265,000	Administrative cost reimbursement
Capital Projects:			
General Fund	845,418	-	Budgeted capital project money
Water & Sewer Enterprise	200,000	200,000	Budgeted capital project money
Water & Sewer Enterprise:			
General Fund	-	1,914,906	Utility franchise fee
Non-major Governmental	350,000	-	Storm Water maintenance
Non-major Governmental:			
General Fund	285,000	223,800	Administrative cost reimbursement
Water & Sewer Enterprise	-	350,000	Storm Water maintenance
Non-major Governmental	19,001	19,001	Transfer of police seized funds
Non-major Governmental	250,000	250,000	Budgeted special events money
	$ 4,068,125	$ 4,068,125	

Budgetary transfers were to move unrestricted funds to finance various programs that the City must account for in other funds in accordance with budgetary authorizations.

NOTE 7. RETIREMENT PLAN

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions.

NOTE 7. RETIREMENT PLAN – CONTINUED

Plan Description – Continued

In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence. It is based on the premise that the employee's salary had always been the average of his/her salary in the last three years that was one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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

The pension plan does not issue separate reports on the pension plan. However, TMRS does issue a publicly available report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. That report can be obtained by writing to: Texas Municipal Retirement System, P.O. Box 149153, Austin, Texas 78714-9153.

Contributions

The contribution rate for the employees is 7%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year.

The normal cost contribution rate finances the currently accruing monetary credits due to the City's matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 26.0-year amortization period. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as updated service credits and annuity increases.

NOTE 7. RETIREMENT PLAN – CONTINUED

Contributions – Continued

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2013 valuation is will determine the contribution rate beginning January 1, 2015).

A summary of the City's net pension obligation (NPO) and annual required contributions for the last three fiscal years is as follows:

	Fiscal Year Ended September 30		
	2014	2013	2012
NPO, beginning of the period	$ -	$ -	$ -
Annual required contribution	2,051,044	1,974,608	2,085,794
Contributions made (100%)	2,051,044	1,974,608	2,085,794
NPO, end of the period	$ -	$ -	$ -

A summary of the actuarial assumptions used is as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	26.0 Years - Closed Period
Asset Valuation Method	10-year Smoothed Marked
Investment Rate of Return	7.0%
Projected Salary Increases	Varies by age and service
Includes Inflation At	3.0%
Cost-of-Living Adjustments	0.9%

NOTE 7. RETIREMENT PLAN – CONTINUED

Contributions – Continued

Trend information is presented below for the three most recent plan years.

Fiscal Year Sep-30	Annual Contributions	Annual Pension Cost (APC)	Percentage of APC Contributed	Pension Obligation (Asset)
2012	$ 2,085,794	$ 2,085,794	100 %	-
2013	1,974,608	1,974,608	100 %	-
2014	2,051,044	2,051,044	100 %	-

As of the most recent actuarial valuation date, funding progress on the plan is as follows:

Actuarial valuation date	December 31, 2013
Actuarial value of plan assets	$ 58,308,169
Actuarial accrued liability (AAL)	67,453,684
Funded ratio	86.4%
Unfunded AAL	9,145,515
Covered payroll	16,143,914
Unfunded AAL as a % of covered payroll	56.6%

NOTE 8. DEFERRED COMPENSATION PLAN

The City participates in a deferred compensation plan, which falls under Internal Revenue Code Section 457. Virtually all employees are eligible to participate in the plan. The deferred compensation plan allows the deferral of individual federal income taxes until funds are withdrawn. Funds may be withdrawn at termination, retirement, death or unforeseeable emergency. Employees may contribute a maximum of 100% of compensation included in gross income or $15,500 whichever is less.

As a result of legislative changes, all amounts of compensation deferred, all property and rights purchased, and all income, property or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries, whereas, prior to these legislative changes, these amounts were solely the property and rights of the City subject only to the claims of the City's general creditors. As a result, at September 30, 2014, the deferred compensation investments in the amount of $4,801,199 are not reported in the City's financial statements.

NOTE 9. COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

The amount, if any, of expenditures which may be disallowed by the grantor agency cannot be determined at this time although the City expects such amounts, if any, to be immaterial to the basic financial statements.

At September 30, 2014, certain claims and litigation against the City are pending with respect to matters arising in the normal course of the City's operations. City management is of the opinion that the settlement of these matters will not have a material adverse effect on the City's financial statements.

At September 30, 2014, the City had authorized construction contract commitments of approximately $25,250,000.

NOTE 10. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2014, the City purchased commercial insurance to cover these liabilities. Additionally, the City purchases commercial insurance to cover employee health benefits. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three years.

NOTE 11. FUND BALANCE/NET POSITION

The composition of the City's governmental fund balances as of September 30, 2014 is as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Non major Governmental Funds	Total Governmental Funds
Non-spendable:					
Inventory	$ 87,434	$ -	$ -	$ -	$ 87,434
	87,434	-	-	-	87,434
Restricted for:					
Debt service	-	650,022	-	-	650,022
Tourism	-	-	-	130,749	130,749
Library	-	-	-	2,424	2,424
Police	-	-	-	77,926	77,926
Child Safety	-	-	-	52,915	52,915
Stormwater drainage	-	-	-	295,485	295,485
Court	-	-	-	411,548	411,548
Social and community services	-	-	-	43,371	43,371
Capital projects	367,397	-	12,241,468	-	12,608,865
	367,397	650,022	12,241,468	1,014,418	14,273,305
Committed for:					
Parks	-	-	-	526,926	526,926
Capital projects	-	-	3,607,922	-	3,607,922
Special events	-	-	-	73,190	73,190
	-	-	3,607,922	600,116	4,208,038
Unassigned	10,458,525	-	-	-	10,458,525
	$ 10,913,356	$ 650,022	$ 15,849,390	$ 1,614,534	$ 29,027,302

Net position restricted for other reported for the governmental activities in the statement of net position is comprised of the same balance that is reported as restricted fund balance in the non-major governmental funds.

NOTE 12. NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*." – This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer's financial statements for any actuarially unfunded portion of pension benefits earned to date. This statement will become effective for the City in fiscal year 2015.

Management has not yet determined the effect of this statement on the financial statements.

NOTE 13. BUDGETARY COMPLIANCE

The Child Safety Special Revenue Fund expenditures exceeded budgeted appropriations by $4,561 for the year ended September 30, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

THE COLONY

City by the Lake

EXHIBIT A-1

CITY OF THE COLONY, TEXAS
SCHEDULE OF FUNDING PROGRESS
YEAR ENDED SEPTEMBER 30, 2014

Actuarial Valuation Date	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio as a Percentage (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered ((b-a)/c))
12/31/2008	TMRS	$ 26,870,041	$ 41,690,175	$ 14,820,134	64.45%	$ 14,873,359	99.64%
12/31/2009	TMRS	30,412,675	48,050,036	17,637,361	63.29%	15,794,534	111.67%
12/31/2010	TMRS	43,409,635	53,450,730	10,041,095	81.21%	15,554,464	64.55%
12/31/2011	TMRS	48,476,592	57,367,956	8,891,364	84.50%	15,743,058	56.48%
12/31/2012	TMRS	52,888,253	60,728,120	7,839,867	87.09%	15,761,112	49.74%
12/31/2013	TMRS	58,308,169	67,453,684	9,145,515	86.44%	16,143,914	56.65%

The accrual information presented is determined by an actuarial valuation and is the amount that results from applying various assumptions with regard to termination, disability, mortality and the time value of money to the accumulated plan benefits.

EXHIBIT A-2

CITY OF THE COLONY, TEXAS
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2014

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Ad valorem taxes, penalties and interest	$ 10,622,964	$ 10,622,964	$ 10,496,379	$ (126,585)
Franchise taxes	2,203,590	2,203,590	2,415,524	211,934
Municipal sales tax	3,720,185	3,720,185	4,452,674	732,489
Licenses and permits	908,100	908,100	1,808,320	900,220
Charge for services	1,059,721	1,059,721	1,308,917	249,196
Fines and forfeitures	1,206,700	1,206,700	1,219,636	12,936
Grants	78,211	78,211	77,214	(997)
Gifts and Contributions	315,845	315,845	676,492	360,647
Investment income	11,000	11,000	10,911	(89)
Miscellaneous	484,000	484,000	615,155	131,155
Total revenues	20,610,316	20,610,316	23,081,222	2,470,906
EXPENDITURES				
Current:				
General government:				
Community image	412,813	412,813	389,329	23,484
General administration	712,096	712,096	773,716	(61,620)
City secretary	294,298	294,298	284,818	9,480
City council	37,845	37,845	37,738	107
Human resources	259,047	259,047	272,664	(13,617)
Finance	813,910	813,910	790,698	23,212
Information technology	478,470	478,470	416,728	61,742
Nondepartmental	370,133	277,133	222,715	54,418
Fleet services	539,007	539,007	512,490	26,517
Public safety:				
Municipal court	370,750	370,750	374,177	(3,427)
Fire	5,361,229	5,361,229	5,508,410	(147,181)
Police	7,003,986	7,003,986	6,867,118	136,868
Public works:				
Engineering	1,302,466	1,302,466	1,301,583	883
Facilities maintenance	403,925	403,925	418,372	(14,447)
Culture and recreation:				
Parks and recreation	2,030,105	2,055,105	1,917,178	137,927
Aquatic park	377,452	377,452	399,552	(22,100)
Library	976,523	976,523	974,434	2,089
Community center	152,620	152,620	122,105	30,515
Total expenditures	21,896,675	21,828,675	21,583,825	244,850
Excess (deficiency) of revenues over (under) expenditures	(1,286,359)	(1,218,359)	1,497,397	2,715,756
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	2,118,706	2,118,706	2,118,706	-
Transfers to other funds	(1,142,803)	(1,222,803)	(1,110,418)	112,385
Total other financing sources (uses)	975,903	895,903	1,008,288	112,385
NET CHANGE IN FUND BALANCE	(310,456)	(322,456)	2,505,685	2,828,141
FUND BALANCES, BEGINNING OF YEAR	8,407,671	8,407,671	8,407,671	-
FUND BALANCES, END OF YEAR	$ 8,097,215	$ 8,085,215	$ 10,913,356	$ 2,828,141

CITY OF THE COLONY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2014

BUDGETARY INFORMATION

The City Council adheres to the following procedures in establishing the budgets reflected in the financial statements:

1. Prior to July 31, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

2. The proposed budget is filed with the City Secretary not less than 30 days prior to the time the City Council approves the tax levy for the fiscal year commencing the following October 1. Public hearings are conducted to obtain taxpayers' comments.

3. Prior to October 1, the budget is legally enacted by the City Council through passage of an ordinance.

4. The City Manager has authority to transfer appropriation balances from one expenditure account to another within a single department of the City. Only the City Council may transfer any unencumbered appropriation balance or portion thereof from one department to another. Appropriations lapse at the end of the fiscal year.

An annual budget is legally adopted for the General Fund using accounting principles generally accepted in the United States of America in all material respects.

THE COLONY

City by the Lake

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

THE COLONY

City by the Lake

DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources for and the payment of general obligation bonds and interest from governmental resources.

EXHIBIT B-1

CITY OF THE COLONY, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Ad valorem tax	$ 5,055,000	$ 5,055,000	$ 4,990,832	$ (64,168)
Gifts and contributions	879,143	1,037,852	1,034,072	(3,780)
Investment income	1,500	1,500	1,032	(468)
Grants	128,938	127,150	127,150	-
Total revenues	6,064,581	6,221,502	6,153,086	(68,416)
EXPENDITURES				
General government	-	-	256,100	(256,100)
Principal retirement	4,313,700	4,313,700	4,066,150	247,550
Cost of issuance bonds	-	-	25,169	(25,169)
Interest and fiscal charges	1,803,761	1,803,761	1,647,599	156,162
Total expenditures	6,117,461	6,117,461	5,995,018	122,443
Excess (deficiency) of revenues over (under) expenditures	(52,880)	104,041	158,068	54,027
FUND BALANCE, BEGINNING OF YEAR	491,954	491,954	491,954	-
FUND BALANCE, END OF YEAR	$ 439,074	$ 595,995	$ 650,022	$ 54,027

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted or committed to expenditures for specific purposes.

Lake Parks Fund – To account for revenue generated by fees and permits to enter and utilize the park area and facilities located on the eastern shore of Lake Lewisville.

Special Events Fund – To account for various special events of the City including Christmas decorations, 4th of July fireworks display, and other special events held by the City.

Hotel/Motel Taxes Fund – To account for the receipt and allocation of the City's hotel/motel occupancy tax.

Library Grants Fund – To account for proceeds received from various state grants received for the Library.

Police Forfeited Fund – To account for the funds granted to the police department that have been awarded by the court.

Federal Seized Fund – To account for funds granted to the police department in a revenue sharing agreement with the federal government.

Police Seized Fund – To account for funds seized by the police department that are awaiting disposition by the court.

Child Safety Fund – To account for child safety fees collected according to state statute to fund the school crossing guard program and other programs designed to enhance child safety, health or nutrition.

Storm Water Utility Fund – To account for the revenue and expenses associated with the drainage projects within the City.

Court Security Fund – To account for the revenue and expenditures associated with the portion of traffic tickets that have been restricted for the security of the Municipal Court.

Court Technology Fund – To account for the revenue and expenditures associated with the portion of traffic tickets restricted for upgrading the technology in the Municipal Court.

Keep The Colony Beautiful – To account for revenue and expenditures associated with the City-supported community volunteer program designed to help property owners who can't maintain their properties due to financial or physical limitations.

Citizens Donations Fund – To account for money received from the $1 Add-On Program and the Recycling Rebate Program. This money is restricted for social and community services, public safety citizen programs and beautification projects.

CITY OF THE COLONY, TEXAS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2014

	SPECIAL REVENUE					
	LAKE PARKS	SPECIAL EVENTS	HOTEL/ MOTEL TAXES	LIBRARY GRANTS	POLICE FORFEITED FUND	FEDERAL SEIZED FUND
ASSETS						
Cash and cash equivalents	$ 538,286	$ 78,961	$ 119,214	$ 2,953	$ 30,888	$ 12,024
Accounts receivable	-	-	28,824	-	-	-
TOTAL ASSETS	$ 538,286	$ 78,961	$ 148,038	$ 2,953	$ 30,888	$ 12,024
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable and accrued expenses	$ 11,360	$ 5,771	$ 17,289	$ 529	$ 320	$ -
TOTAL LIABILITIES	11,360	5,771	17,289	529	320	-
FUND BALANCES						
Restricted	-	-	130,749	2,424	30,568	12,024
Committed	526,926	73,190	-	-	-	-
TOTAL FUND BALANCES	526,926	73,190	130,749	2,424	30,568	12,024
TOTAL LIABILITIES AND FUND BALANCES	$ 538,286	$ 78,961	$ 148,038	$ 2,953	$ 30,888	$ 12,024

EXHIBIT C-1

SPECIAL REVENUE							
POLICE SEIZED FUND	CHILD SAFETY FUND	STORM WATER UTILITY	COURT SECURITY	COURT TECHNOLOGY	KEEP THE COLONY BEAUTIFUL	CITIZENS DONATIONS	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
$ 33,684	$ 6,589	$ 295,485	$ 363,798	$ 82,257	$ 37,305	$ 6,066	$ 1,607,510
1,650	46,326	-	-	-	-	-	76,800
$ 35,334	$ 52,915	$ 295,485	$ 363,798	$ 82,257	$ 37,305	$ 6,066	$ 1,684,310
$ -	$ -	$ -	$ -	$ 34,507	$ -	$ -	$ 69,776
-	-	-	-	34,507	-	-	69,776
35,334	52,915	295,485	363,798	47,750	37,305	6,066	1,014,418
-	-	-	-	-	-	-	600,116
35,334	52,915	295,485	363,798	47,750	37,305	6,066	1,614,534
$ 35,334	$ 52,915	$ 295,485	$ 363,798	$ 82,257	$ 37,305	$ 6,066	$ 1,684,310

CITY OF THE COLONY, TEXAS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	SPECIAL REVENUE					
	LAKE PARKS	SPECIAL EVENTS	HOTEL/ MOTEL TAXES	LIBRARY GRANTS	POLICE FORFEITED FUND	FEDERAL SEIZED FUND
REVENUES						
Licenses and permits	$ 228,694	$ -	$ -	$ -	$ -	$ -
Fines and forfeitures	-	-	-	-	587	-
Hotel / motel taxes	-	-	473,743	-	-	-
Gifts and contributions	62,000	950	-	-	-	-
Grants	-	-	-	9,997	-	-
Investment income	-	-	-	-	4	3
Miscellaneous	-	76,115	1,407	-	-	-
Total revenues	290,694	77,065	475,150	9,997	591	3
EXPENDITURES						
Current:						
Culture and recreation	106,114	398,831	346,516	19,284	-	-
Public works	-	-	-	-	-	-
Public safety	-	-	-	-	7,872	1,089
Total expenditures	106,114	398,831	346,516	19,284	7,872	1,089
Excess (deficiency) of revenues over (under) expenditures	184,580	(321,766)	128,634	(9,287)	(7,281)	(1,086)
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	-	350,000	165,000	-	19,001	-
Transfers to other funds	(35,000)	-	(250,000)	-	-	-
Total other financing sources (uses)	(35,000)	350,000	(85,000)	-	19,001	-
NET CHANGE IN FUND BALANCES	149,580	28,234	43,634	(9,287)	11,720	(1,086)
FUND BALANCES, BEGINNING OF YEAR	377,346	44,956	87,115	11,711	18,848	13,110
FUND BALANCES, END OF YEAR	$ 526,926	$ 73,190	$ 130,749	$ 2,424	$ 30,568	$ 12,024

EXHIBIT C-2

SPECIAL REVENUE							
POLICE SEIZED FUND	CHILD SAFETY FUND	STORM WATER UTILITY	COURT SECURITY	COURT TECHNOLOGY	KEEP THE COLONY BEAUTIFUL	CITIZENS DONATIONS	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
$ -	$ -	$ 511,900	$ -	$ -	$ -	$ -	$ 740,594
54,335	-	-	29,354	39,139	-	-	123,415
-	-	-	-	-	-	-	473,743
-	-	-	-	-	-	831	63,781
-	56,766	-	-	-	-	-	66,763
-	-	-	-	-	-	-	7
-	-	-	-	-	-	-	77,522
54,335	56,766	511,900	29,354	39,139	-	831	1,545,825
-	-	-	-	-	-	-	870,745
-	-	-	-	-	2,856	-	2,856
-	27,354	-	-	70,370	-	-	106,685
-	27,354	-	-	70,370	2,856	-	980,286
54,335	29,412	511,900	29,354	(31,231)	(2,856)	831	565,539
-	-	-	-	-	20,000	-	554,001
(19,001)	(20,000)	(518,800)	-	-	-	-	(842,801)
(19,001)	(20,000)	(518,800)	-	-	20,000	-	(288,800)
35,334	9,412	(6,900)	29,354	(31,231)	17,144	831	276,739
-	43,503	302,385	334,444	78,981	20,161	5,235	1,337,795
$ 35,334	$ 52,915	$ 295,485	$ 363,798	$ 47,750	$ 37,305	$ 6,066	$ 1,614,534

EXHIBIT C-3

CITY OF THE COLONY
LAKE PARKS SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Fees and permits	$ 181,000	$ 181,000	$ 228,694	$ 47,694
Development contributions	62,000	62,000	62,000	-
Total revenues	243,000	243,000	290,694	47,694
EXPENDITURES				
Cultural and recreation	107,010	107,010	106,114	896
Total expenditures	107,010	107,010	106,114	896
Excess of revenues Over expenditures	135,990	135,990	184,580	48,590
OTHER FINANCING SOURCES				
Transfers to other funds	(35,000)	(35,000)	(35,000)	-
Total other financing uses	(35,000)	(35,000)	(35,000)	-
NET CHANGE IN FUND BALANCES	100,990	100,990	149,580	48,590
FUND BALANCE, BEGINNING OF YEAR	377,346	377,346	377,346	-
FUND BALANCE, END OF YEAR	$ 478,336	$ 478,336	$ 526,926	$ 48,590

EXHIBIT C-4

CITY OF THE COLONY
SPECIAL EVENTS SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Gifts and contributions	$ 1,500	$ 1,500	$ 950	$ (550)
Miscellaneous	46,500	46,500	76,115	29,615
Total revenues	48,000	48,000	77,065	29,065
EXPENDITURES				
Culture and recreation	401,887	401,887	398,831	3,056
Total expenditures	401,887	401,887	398,831	3,056
Excess (deficiency) of revenues over (under) expenditures	(353,887)	(353,887)	(321,766)	32,121
OTHER FINANCING SOURCES				
Transfers from other funds	350,000	350,000	350,000	-
Total other financing sources	350,000	350,000	350,000	-
NET CHANGE IN FUND BALANCES	(3,887)	(3,887)	28,234	32,121
FUND BALANCE, BEGINNING OF YEAR	44,956	44,956	44,956	-
FUND BALANCE, END OF YEAR	$ 41,069	$ 41,069	$ 73,190	$ 32,121

EXHIBIT C-5

CITY OF THE COLONY
HOTEL/MOTEL TAXES SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Hotel / motel taxes	$ 350,000	$ 350,000	$ 473,743	$ 123,743
Miscellaneous	-	-	1,407	1,407
Total revenues	350,000	350,000	475,150	125,150
EXPENDITURES				
Culture and recreation	353,791	353,791	346,516	7,275
Total expenditures	353,791	353,791	346,516	7,275
Excess (deficiency) of revenues over (under) expenditures	(3,791)	(3,791)	128,634	132,425
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	165,000	165,000	165,000	-
Transfers to other funds	(250,000)	(250,000)	(250,000)	-
Total other financing sources (uses)	(85,000)	(85,000)	(85,000)	-
NET CHANGE IN FUND BALANCES	(88,791)	(88,791)	43,634	132,425
FUND BALANCE, BEGINNING OF YEAR	87,115	87,115	87,115	-
FUND BALANCE, END OF YEAR	$ (1,676)	$ (1,676)	$ 130,749	$ 132,425

EXHIBIT C-6

CITY OF THE COLONY
CHILD SAFETY SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Grants	$ 45,158	$ 45,158	$ 56,766	$ 11,608
Total revenues	45,158	45,158	56,766	11,608
EXPENDITURES				
Public safety	31,915	31,915	27,354	(4,561)
Total expenditures	31,915	31,915	27,354	(4,561)
Excess of revenues over expenditures	13,243	13,243	29,412	16,169
OTHER FINANCING USES				
Transfers to other funds	(20,000)	(20,000)	(20,000)	-
Total other financing uses	(20,000)	(20,000)	(20,000)	-
NET CHANGE IN FUND BALANCES	(6,757)	(6,757)	9,412	16,169
FUND BALANCE, BEGINNING OF YEAR	43,503	43,503	43,503	-
FUND BALANCE, END OF YEAR	$ 36,746	$ 36,746	$ 52,915	$ 16,169

EXHIBIT C-7

CITY OF THE COLONY
STORM WATER UTILITY SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL BUDGET BASIS	
REVENUES				
Fees and permits	$ 491,000	$ 491,000	$ 511,900	$ 20,900
Total revenues	491,000	491,000	511,900	20,900
EXPENDITURES				
Public works	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	491,000	491,000	511,900	20,900
OTHER FINANCING USES				
Transfers to other funds	(518,000)	(518,000)	(518,800)	(800)
Total other financing uses	(518,000)	(518,000)	(518,800)	(800)
NET CHANGE IN FUND BALANCES	(27,000)	(27,000)	(6,900)	20,100
FUND BALANCE, BEGINNING OF YEAR	302,385	302,385	302,385	-
FUND BALANCE, END OF YEAR	$ 275,385	$ 275,385	$ 295,485	$ 20,100

DISCRETELY PRESENTED COMPONENT UNITS

The Colony Economic Development Corporation (TCEDC) – TCEDC is a legally separate entity from the City and was organized exclusively for the public purposes of the promotion and development of new and expanded business enterprises to provide and encourage employment in the furtherance of public welfare.

The Colony Community Development Corporation (TCCDC) – TCCDC is a legally separate entity from the City and was organized for the purpose of the promotion of economic development by developing, implementing, and financing projects under the Development Corporation Act of 1979.

The Colony Local Development Corporation (TCLDC) – The TCLDC is a legally separate entity from the City and was organized exclusively for the purpose of serving as the primary governing body for the funding of the Tax Increment Reinvestment Zone Number One public infrastructure between the City and NFM Services.

Tax Increment Reinvestment Zone Number One (TIRZ One) – The City created Tax Increment Reinvestment Zone Number One (TIRZ One) to provide additional financing resources to further enhance development within the zone. The City Council appoints a Board and Board members are removable by the City Council. TIRZ One commenced November 2011 and will terminate the earlier of the 40th anniversary of the date the City collects its first sales tax dollar within the zone, or the date on which all TIF project costs have been paid or funded and all TIF obligations have been paid in full.

EXHIBIT F-1

CITY OF THE COLONY, TEXAS
THE COLONY ECONOMIC DEVELOPMENT CORPORATION
BALANCE SHEET
SEPTEMBER 30, 2014

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	6,596,096
Sales tax receivable		545,747
Due from other governments		323,731
Restricted assets:		
Cash and cash equivalents		8,982,694
Total assets	$	16,448,268
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	$	286,884
Total liabilities		286,884
FUND BALANCES		
Restricted for:		
Construction		11,130,359
Unassigned		5,031,025
Total fund balance		16,161,384
Total liabilities and fund balances	$	16,448,268

EXHIBIT F-2

CITY OF THE COLONY, TEXAS
THE COLONY ECONOMIC DEVELOPMENT CORPORATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

Total fund balances - governmental funds	$	16,161,384
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		15,984,457
Interest payable on long term debt does not require current financial resources, therefore, interest payable is not reported as a liability in the governmental funds balance sheet.		(275,637)
Deferred losses on refunding of long-term debt are reported as deferred outflows of resources in the government-wide finacial statements, but are not reported in the governmental funds.		90,192
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements. Long-term liabilities at year-end consist of:		
Bonds payable		(31,804,656)
Compensated absences		(59,830)
Discount on issuance of debt		1,944,342
Premium on issuance of debt		(162,044)
Net position of governmental activities	$	1,878,208

EXHIBIT F-3

CITY OF THE COLONY, TEXAS
THE COLONY ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

REVENUES		
Municipal sales tax	$	2,288,535
Intergovernmental		579,831
Gifts and contributions		963
Investment income		11,848
Miscellaneous		1,415
Total revenues		2,882,592
EXPENDITURES		
Current:		
Economic development		1,658,903
Capital outlay		7,459,611
Debt service:		
Principal retirement		161,500
Interest and fiscal charges		2,450,697
Total expenditures		11,730,711
Deficiency of revenues under expenditures		(8,848,119)
OTHER FINANCING SOURCES (USES)		
Refunding bond issued		2,056,355
Payment to refunded bond escrow agent		(2,216,883)
Premium on bonds issued		165,613
Total other financing sources (uses)		5,085
NET CHANGE IN FUND BALANCES		(8,843,034)
FUND BALANCES, BEGINNING OF YEAR		25,004,418
FUND BALANCES, END OF YEAR	$	16,161,384

EXHIBIT F-4

CITY OF THE COLONY, TEXAS
THE COLONY ECONOMIC DEVELOPMENT CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Net change in fund balances - total governmental funds	$	(8,843,034)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation.		7,459,611
Reallocation of debt recorded in the enterprise funds does not involve current financial resources, and, therefore, isn't recorded in the governmental funds. However, in the government-wide financial statements, this transaction reduces net position.		(51,745)
Current year amortization of the costs of premiums on debt issuance does not require the use of current financial resources; and, therefore, not reported as expenditures in governmental funds.		12,993
Current year amortization of the costs of discounts on debt issuance does not require the use of current financial resources; and, therefore, not reported as expenditures in governmental funds.		(67,046)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the 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.		
Bonds issued, plus premium on issuance		(2,221,968)
Payments to escrow agent		2,216,883
Current year changes in accrued compensated absences do not require the use of current financial resources; and, therefore, are not reported as expenditures in governmental funds.		(22,386)
Current year principal payments on long-term debt are recorded as expenditures in the fund financial statements, but are reflected as reductions in the liability for long-term debt in the government-wide financial statements.		161,500
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		1,034,189
Change in Net Position of Governmental activities	$	(321,003)

EXHIBIT F-5

CITY OF THE COLONY, TEXAS
THE COLONY COMMUNITY DEVELOPMENT CORPORATION
BALANCE SHEET
SEPTEMBER 30, 2014

ASSETS		
Cash and cash equivalents	$	1,858,718
Sales tax receivable		545,747
Due from other governments		323,730
Restricted assets:		
Cash and cash equivalents		8,985,874
Total assets	$	11,714,069
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$	266,670
Total liabilities		266,670
FUND BALANCE		
Restricted for:		
Construction		11,130,360
Unassigned		317,039
Total fund balance		11,447,399
Total liabilities and fund balance	$	11,714,069

EXHIBIT F-6

CITY OF THE COLONY, TEXAS
THE COLONY COMMUNITY DEVELOPMENT CORPORATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

Total fund balances - governmental funds	$ 11,447,399
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	15,984,455
Interest payable on long term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.	(265,061)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements. Long-term liabilities at year end consist of:	
Bonds payable	(29,580,000)
Discount on issuance of debt	1,944,342
Net position of governmental activities	$ (468,865)

EXHIBIT F-7

CITY OF THE COLONY, TEXAS
THE COLONY COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

REVENUES		
Municipal sales tax	$	2,288,535
Intergovernmental		323,730
Gifts and contributions		4,141
Investment income		10,549
Total revenues		2,626,955
EXPENDITURES		
Current:		
Economic development		1,824,494
Capital outlay		7,459,611
Debt service:		
Interest and fiscal charges		2,356,097
Total expenditures		11,640,202
Deficiency of revenues under expenditures		(9,013,247)
FUND BALANCE, BEGINNING OF YEAR		20,460,646
FUND BALANCE, END OF YEAR	$	11,447,399

EXHIBIT F-8

CITY OF THE COLONY, TEXAS
THE COLONY COMMUNITY DEVELOPMENT CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Net change in fund balances - total governmental funds	$	(9,013,247)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation.		7,459,611
Current year amortization of the costs of discounts on debt issuance does not require the use of current financial resources; and, therefore, not reported as expenditures in governmental funds.		(67,045)
Current year changes in accrued interest payable do not require the use of current financial resources; and, therefore, are not reported as expenditures in governmental funds.		1,030,792
Change in Net Position of Governmental activities	$	(589,889)

EXHIBIT F-9

CITY OF THE COLONY, TEXAS
THE COLONY LOCAL DEVELOPMENT CORPORATION
BALANCE SHEET
SEPTEMBER 30, 2014

ASSETS		
Restricted cash and cash equivalents	$	19,202,941
Total assets	$	19,202,941
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued expenses	$	10,244
Due to other governments		647,461
Total liabilities		657,705
FUND BALANCE		
Restricted for:		
Construction		22,512,620
Unrestricted		(3,967,384)
Total fund balance		18,545,236
Total liabilities and fund balance	$	19,202,941

EXHIBIT F-10

CITY OF THE COLONY, TEXAS
THE COLONY LOCAL DEVELOPMENT CORPORATION
RECONCILITATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

Total fund balance - governmental fund	$ 18,545,236
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	98,299,113
Interest payable on long term debt does not require current financial resources; therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	(932,029)
Prepaid insurance costs associated with the issuance of bonds are recorded as expenditures at the time of issuance in the governmental funds financial statements. In the government-wide financial statements, these costs are recorded as an asset and amortized into expense over the life of the debt.	3,856,438
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements. Long-term liabilities at year end consist of:	
Bonds payable	(142,240,000)
Discount on issuance of debt	43,528
Net position for governmental activities	$ (22,427,714)

EXHIBIT F-11

CITY OF THE COLONY, TEXAS
THE COLONY LOCAL DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

REVENUES		
Intergovernmental	$	132,094
Municipal sales tax		298,210
Gifts and contributions		1,235
Investment income		31,815
Total revenues		463,354
EXPENDITURES		
Current:		
Economic development		2,478
Capital outlay		38,299,166
Debt services:		
Interest and fiscal charges		8,284,698
Total expenditures		46,586,342
Deficiency of revenues under expenditures		(46,122,988)
FUND BALANCE, BEGINNING OF YEAR		64,668,224
FUND BALANCE, END OF YEAR	$	18,545,236

EXHIBIT F-12

CITY OF THE COLONY, TEXAS
THE COLONY LOCAL DEVELOPMENT CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Net change in fund balances - Local Development Corporation	$	(46,122,988)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation.		38,299,166
Current year amortization of the costs of discounts on debt issuance does not require the use of current financial resources; and, therefore, not reported as expenditures in governmental funds.		(2,121)
Current year changes in accrued interest payable do not require the use of current financial resources; and, therefore, are not reported as expenditures in governmental funds.		3,624,555
Change in net position of governmental activities	$	(4,201,388)

EXHIBIT F-13

CITY OF THE COLONY, TEXAS
TIRZ ONE
BALANCE SHEET
SEPTEMBER 30, 2014

ASSETS	
Cash and cash equivalents	$ -
Total assets	$ -
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Due to primary government	$ 9,576
Total liabilities	9,576
FUND BALANCE (DEFICIT)	
Unrestricted	(9,576)
Total fund balance (deficit)	(9,576)
Total liabilities and fund balance (deficit)	$ -

EXHIBIT F-14

CITY OF THE COLONY, TEXAS
TIRZ ONE
RECONCILIATION OF THE GOVERNMENT FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

Total fund balance - governmental fund	$	(9,576)
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.		9,576
Net position for governmental activities	$	-

EXHIBIT F-15

CITY OF THE COLONY, TEXAS
TIRZ ONE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

REVENUES	
Intergovernmental	$ -
Total revenues	-
EXPENDITURES	
Capital outlay	9,576
Total expenditures	9,576
Deficiency of revenues under expenditures	(9,576)
FUND BALANCE, BEGINNING OF YEAR	-
FUND BALANCE (DEFICIT), END OF YEAR	$ (9,576)

EXHIBIT F-16

CITY OF THE COLONY, TEXAS
TIRZ ONE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Net change in fund balances - TIRZ One	$	(9,576)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation.		9,576
Change in net position of governmental activities	$	-

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THE COLONY

City by the Lake

STATISTICAL SECTION

THE COLONY

City by the Lake

STATISTICAL SECTION
(Unaudited)

The City of the Colony's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

		Tables
Financial Trends	These Schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1-4
Revenue Capacity	These schedules present information to help the reader assess the City's most significant local revenue source, the property tax.	5-8
Debt Capacity	These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	9-13
Demographic and Economic Indicators	These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	14-16
Operating Information	These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relate to the services the City provides and the activities it performs.	17-18

CITY OF THE COLONY, TEXAS
NET POSITION BY COMPONENT
ACCRUAL BASIS OF ACCOUNTING
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
	2005	**2006**	**2007**	**2008**
Governmental activities				
Net investment in capital assets	$ 99,960,918	$ 99,646,935	$ 110,759,032	$ 114,835,815
Restricted for:				
Debt service	520,709	649,790	275,435	969,106
Construction	-	-	-	-
Governmental funded construction costs	-	-	-	-
Other	-	-	-	-
Unrestricted	6,083,150	11,005,057	9,769,205	11,545,288
Total governmental activities net position	$ 106,564,777	$ 111,301,782	$ 120,803,672	$ 127,350,209
Business-type activities				
Net investment in capital assets	$ 25,114,313	$ 26,584,212	$ 28,799,583	$ 31,288,426
Restricted for:				
Debt service	1,982,120	2,146,469	1,987,616	1,927,384
Construction	-	-	-	-
Unrestricted	(1,683,654)	2,825,843	4,802,190	5,188,745
Total business-type activities net position	$ 25,412,779	$ 31,556,524	$ 35,589,389	$ 38,404,555
Primary government				
Net investment in capital assets	$ 125,075,231	$ 126,231,147	$ 139,558,615	$ 146,124,241
Restricted for:				
Debt service	2,502,829	2,796,259	2,263,051	2,896,490
Construction	-	-	-	-
Governmental funded construction costs	-	-	-	-
Other	-	-	-	-
Unrestricted	4,399,496	13,830,900	14,571,395	16,734,033
Total primary governmental net position	$ 131,977,556	$ 142,858,306	$ 156,393,061	$ 165,754,764

Source: Comprehensive Annual Financial Report

TABLE 1

Fiscal Year					
2009	2010	2011	2012	2013	2014
$ 120,522,026	$ 120,889,617	$ 120,171,449	$ 124,203,756	$ 138,322,067	$ 168,321,953
1,378,540	1,417,890	1,328,743	616,551	491,954	510,962
-	-	-	-	-	367,397
-	21,587,370	15,162,606	18,841,254	36,282,548	9,970,596
-	-	-	-	-	1,014,418
6,788,851	7,104,234	12,898,833	18,856,491	8,376,946	12,623,136
$ 128,689,417	$ 150,999,111	$ 149,561,631	$ 162,518,052	$ 183,473,515	$ 192,808,462
$ 34,221,183	$ 34,339,436	$ 32,790,670	$ 34,435,853	$ 35,059,168	$ 38,498,565
2,008,372	2,125,650	2,035,533	1,630,663	1,630,805	-
-	-	-	-	-	366,843
4,527,153	5,272,751	7,431,021	6,214,403	4,984,955	4,145,293
$ 40,756,708	$ 41,737,837	$ 42,257,224	$ 42,280,919	$ 41,674,928	$ 43,010,701
$ 154,743,209	$ 155,229,053	$ 152,962,119	$ 158,639,609	$ 173,381,235	$ 206,820,518
3,386,912	3,543,540	3,364,276	2,247,214	2,122,759	510,962
-	-	-	-	-	734,240
-	21,587,370	15,162,606	18,841,254	36,282,548	9,970,596
-	-	-	-	-	1,014,418
11,316,004	12,376,985	20,329,854	25,070,894	13,361,901	16,768,429
$ 169,446,125	$ 192,736,948	$ 191,818,855	$ 204,798,971	$ 225,148,443	$ 235,819,163

CITY OF THE COLONY, TEXAS
CHANGES IN NET POSITION
ACCRUAL BASIS OF ACCOUNTING
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
	2005	**2006**	**2007**	**2008**
Expenses				
Governmental activities:				
General government	$ 3,702,048	$ 4,076,007	$ 5,174,718	$ 5,457,879
Public safety	7,905,278	8,718,968	9,615,093	10,724,686
Public works	6,226,189	6,800,501	7,138,705	6,787,684
Culture and recreation	3,299,725	3,491,239	3,869,375	3,828,479
Interest on Long-term Debt	2,135,725	2,036,915	2,113,208	1,797,601
Total governmental activities expenses	23,268,965	25,123,630	27,911,099	28,596,329
Business-type activities:				
Water and sewer	8,595,082	9,894,712	10,210,302	12,121,212
Total business-type activities expenses	8,595,082	9,894,712	10,210,302	12,121,212
Total primary government expenses	$ 31,864,047	$ 35,018,342	$ 38,121,401	$ 40,717,541
Program Revenues				
Governmental activities:				
Charges for Services:				
General government	$ 272,468	$ 969,908	$ 1,210,127	$ 1,864,500
Public safety	1,194,993	1,527,570	1,626,470	1,678,345
Public works	1,723,199	523,801	509,999	609,161
Culture and recreation	650,576	668,477	571,053	636,726
Operating grants and contributions	1,504,198	5,322,230	3,426,207	2,866,700
Capital grants and contributions	2,036,404	1,764,383	8,226,536	6,706,427
Total governmental activities program revenues	7,381,838	10,776,369	15,570,392	14,361,859
Business-type activities:				
Charges for Services:				
Water and sewer	10,058,890	12,772,249	11,340,679	12,989,227
Operating grants and contributions	-	-	170,058	170,058
Capital grants and contributions	1,043,371	2,542,627	3,404,723	1,018,773
Total business-type activities program revenues	11,102,261	15,314,876	14,915,460	14,178,058
Total primary government program revenues	$ 18,484,099	$ 26,091,245	$ 30,485,852	$ 28,539,917
Net (Expenses) Revenues				
Governmental activities	$ (15,887,127)	$ (14,347,261)	$ (12,340,707)	$ (14,234,470)
Business-type activities	2,507,179	5,420,164	4,705,158	2,056,846
Total primary government net expenses	$ (13,379,948)	$ (8,927,097)	$ (7,635,549)	$ (12,177,624)

Source: Comprehensive Annual Financial Report

TABLE 2

Fiscal Year					
2009	2010	2011	2012	2013	2014
$ 6,047,649	$ 5,348,676	$ 5,358,521	$ 5,088,732	$ 5,376,865	$ 4,657,245
11,931,119	12,007,197	14,315,846	13,033,809	13,307,649	14,111,478
6,460,351	7,259,566	6,103,481	6,540,099	5,901,952	6,365,189
4,166,790	4,328,613	4,220,462	4,383,077	4,603,345	4,861,085
2,294,631	2,148,148	2,803,970	2,262,515	1,718,298	1,615,808
30,900,540	31,092,200	32,802,280	31,308,232	30,908,109	31,610,805
12,267,934	12,675,692	12,966,102	13,262,154	14,009,946	14,046,013
12,267,934	12,675,692	12,966,102	13,262,154	14,009,946	14,046,013
$ 43,168,474	$ 43,767,892	$ 45,768,382	$ 44,570,386	$ 44,918,055	$ 45,656,818
$ 1,458,466	$ 2,339,378	$ 2,394,953	$ 1,382,069	$ 1,820,291	$ 817,907
1,556,809	1,376,055	1,756,273	1,467,787	1,269,844	1,909,552
648,546	3,035	-	-	-	1,734,579
628,334	636,493	681,708	691,786	1,249,298	738,844
1,760,789	2,113,635	1,532,482	14,574,876	22,019,655	2,673,886
3,947,382	24,282,758	1,939,338	2,766,960	2,899,255	8,730,508
10,000,326	30,751,354	8,304,754	20,883,478	29,258,343	16,605,276
13,219,584	13,615,694	14,502,097	13,646,312	13,579,477	14,406,435
-	307,870	-	-	-	51,745
2,190,944	1,794,035	731,229	676,404	1,338,003	1,572,935
15,410,528	15,717,599	15,233,326	14,322,716	14,917,480	16,031,115
$ 25,410,854	$ 46,468,953	$ 23,538,080	$ 35,206,194	$ 44,175,823	$ 32,636,391
$ (20,900,214)	$ (340,846)	$ (24,497,526)	$ (10,424,754)	$ (1,649,766)	$ (15,005,529)
3,142,594	3,041,907	2,267,224	1,060,562	907,534	1,985,102
$ (17,757,620)	$ 2,701,061	$ (22,230,302)	$ (9,364,192)	$ (742,232)	$ (13,020,427)

CITY OF THE COLONY, TEXAS
CHANGES IN NET POSITION
ACCRUAL BASIS OF ACCOUNTING
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
	2005	**2006**	**2007**	**2008**
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes	$ 11,577,048	$ 11,887,846	$ 12,774,611	$ 14,305,445
Sales taxes	2,399,776	2,731,402	2,880,852	3,055,468
Franchise taxes	1,073,519	1,914,347	1,939,565	1,807,584
Hotel motel taxes	126,585	140,229	141,496	125,573
Penalties and interest	122,542	110,336	121,549	126,492
Interest on investments	463,229	806,666	843,217	725,623
Impact fees	66,870	112,149	435,092	272,529
Miscellaneous	1,781,034	-	249,534	80,136
Transfers	(1,052,707)	1,381,091	2,456,591	282,247
Total governmental activities	16,557,896	19,084,066	21,842,507	20,781,097
Business-type activities:				
Property taxes	886,779	929,179	764,062	23,758
Interest on investments	623,604	1,040,660	864,807	552,763
Impact fees	-	-	433,122	444,770
Miscellaneous	18,824	134,833	18,405	19,276
Gain/loss on sale/disposal of capital assets	-	-	(296,098)	-
Transfers	(1,781,064)	(1,381,091)	(2,456,591)	(282,247)
Total business-type activities	(251,857)	723,581	(672,293)	758,320
Total primary government	16,306,039	19,807,647	21,170,214	21,539,417
Change in Net Position				
Governmental activities	670,769	4,736,805	9,501,800	6,546,627
Business-type activities	2,255,322	6,143,745	4,032,865	2,815,166
Total primary government	$ 2,926,091	$ 10,880,550	$ 13,534,665	$ 9,361,793

Source: Comprehensive Annual Financial Report

TABLE 2 – cont.

Fiscal Year					
2009	2010	2011	2012	2013	2014
$ 14,718,171	$ 14,733,978	$ 14,643,407	$ 14,797,974	$ 14,926,095	$ 15,561,110
3,096,768	3,118,514	3,435,175	3,655,111	4,098,458	4,452,674
2,049,184	2,024,933	2,199,253	3,104,073	2,205,461	2,415,524
129,444	282,798	371,056	370,798	425,177	473,743
124,297	154,803	102,593	155,272	98,147	58,769
294,167	39,924	76,193	50,088	43,567	19,516
(360,501)	-	-	-	-	-
407,769	-	-	-	501,649	706,755
1,857,605	2,295,590	2,232,369	1,247,859	1,282,318.00	652,385
22,316,904	22,650,540	23,060,046	23,381,175	23,580,872	24,340,476
9,170	12,660	-	-	-	-
199,739	29,222	21,000	16,263	8,093	3,056
835,678	139,110	-	-	-	-
22,577	-	463,532	194,729	441,338	-
-	-	-	-	-	-
(1,857,605)	(2,295,590)	(2,232,369)	(1,247,859)	(1,282,318)	(652,385)
(790,441)	(2,114,598)	(1,747,837)	(1,036,867)	(832,887)	(649,329)
21,526,463	20,535,942	21,312,209	22,344,308	22,747,985	23,691,147
1,416,690	22,309,694	(1,437,480)	12,956,421	21,931,106	9,334,947
2,352,153	927,309	519,387	23,695	74,647	1,335,773
$ 3,768,843	$ 23,237,003	$ (918,093)	$ 12,980,116	$ 22,005,753	$ 10,670,720

CITY OF THE COLONY, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
	2005	**2006**	**2007**	**2008**
General Fund				
Reserved for:				
Encumbrances	$ 89,550	$ 276,747	$ 151,818	$ 303,401
Unreserved- designated for	-	-	-	-
Hidden Cove Park	404,000	404,000	392,000	140,000
Unreserved and undesignated	3,887,622	4,941,023	5,478,517	6,252,576
Restricted for capital projects	-	-	-	-
Nonspendable	-	-	-	-
Unassigned	-	-	-	-
Total general fund	$ 4,381,172	$ 5,621,770	$ 6,022,335	$ 6,695,977
All Other Governmental Funds				
Reserved for:				
Encumbrances	$ 285	$ 7,711	$ 9,814	$ 141,193
Capital Projects	7,804,681	8,980,710	12,187,996	7,437,260
Debt Service	840,387	1,017,383	965,997	1,123,924
Court security and technology	202,128	246,230	302,728	352,660
Unreserved and undesignated	387,933	350,548	452,916	740,965
Restricted for:				
Capital Projects	-	-	-	-
Debt Service	-	-	-	-
Other	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	$ 9,235,414	$ 10,602,582	$ 13,919,451	$ 9,796,002

Source: Comprehensive Annual Financial Report

TABLE 3

Fiscal Year					
2009	2010	2011	2012	2013	2014
$ 128,959	$ 152,211	$ -	$ -	$ -	$ -
-	-	-	-	-	-
165,000	156,000	-	-	-	-
6,445,698	6,771,098	-	-	-	-
-	-	-	-	-	367,397
-	-	-	112,876	99,785	87,434
-	-	7,904,478	7,407,174	8,307,886	10,458,525
$ 6,739,657	$ 7,079,309	$ 7,904,478	$ 7,520,050	$ 8,407,671	$ 10,913,356
$ 97,326	$ 83,971	$ -	$ -	$ -	$ -
2,832,183	32,766,218	-	-	-	-
1,301,247	1,592,932	-	-	-	-
288,755	328,436	-	-	-	-
393,979	584,000	-	-	-	-
-	-	19,856,420	30,118,151	38,356,081	12,241,468
-	-	1,328,743	616,551	491,954	650,022
-	-	873,735	901,645	915,493	1,014,418
-	-	480,430	268,589	422,302	4,208,038
-	-	(152,544)	-	-	-
$ 4,913,490	$ 35,355,557	$ 22,386,784	$ 31,904,936	$ 40,185,830	$ 18,113,946

CITY OF THE COLONY, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
	2005	2006	2007	2008
REVENUES				
Ad valorem taxes, penalties and interest	$ 11,788,963	$ 11,992,032	$ 12,774,562	$ 14,366,969
Franchise taxes	1,716,536	2,301,330	1,939,565	1,807,584
Municipal sales tax	2,399,776	2,731,402	2,880,852	3,055,468
Licenses and permits	871,934	1,058,664	1,231,961	2,093,887
Charges for services	810,809	1,030,023	1,011,419	1,031,277
Fines and forfeitures	980,348	1,205,994	1,238,791	1,205,663
Grants	154,924	219,140	254,565	284,543
Gifts and contributions	1,240,354	1,837,848	1,360,241	2,177,447
Hotel / motel taxes	126,585	140,229	141,496	125,573
Recreation fees	45,265	10,696	7,840	-
Capital recovery fees	937,818	3,265,837	2,293,141	4,384,262
Interest earned	463,203	806,773	842,023	722,799
Miscellaneous	447,168	1,096,398	628,015	568,042
Total revenues	21,983,683	27,696,366	26,604,471	31,823,514
EXPENDITURES				
Current				
General government	3,498,193	3,899,887	4,764,536	5,199,183
Public safety	7,700,142	8,321,276	9,175,863	10,190,968
Public works	4,114,276	3,169,204	3,428,083	2,890,446
Cultural and recreation	3,023,170	3,129,334	3,627,643	3,658,082
Fleet replacement				
Economic development				
Capital Outlay	1,726,414	4,469,999	7,105,135	10,199,487
Debt Service:				
Principal retirement	1,984,709	2,073,677	2,457,656	2,981,100
Interest and fiscal charges	2,081,111	1,948,296	2,185,797	2,251,494
Cost of issuance of bonds	-	230,976	-	-
Contractual obligations	262,000	-	-	-
Total expenditures	24,390,015	27,242,649	32,744,713	37,370,760
Excess (deficiency) of revenues over (under) expenditures	(2,406,332)	453,717	(6,140,242)	(5,547,246)
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	10,081,585	7,145,000	8,115,000
Issuance of refunding debt	-	-	-	-
Payment of escrow for refunding debt	-	(9,280,273)	-	(6,357,600)
Premium on issuance of debt	-	-	256,085	57,792
Proceeds from sale of capital assets	69,889	11,646	-	-
Transfers from other funds	2,773,687	2,762,965	4,750,300	4,126,170
Transfers from component units	-	-	-	-
Transfers to component units				
Transfers to other funds	(987,449)	(1,421,874)	(2,293,709)	(3,843,923)
Total other financing sources (uses)	1,856,127	2,154,049	9,857,676	2,097,439
NET CHANGE IN FUND BALANCES	$ (550,205)	$ 2,607,766	$ 3,717,434	$ (3,449,807)
Debt service as a percentage of noncapital expenditures	19.1%	18.7%	18.1%	19.3%

Source: Comprehensive Annual Financial Report

TABLE 4

Fiscal Year					
2009	2010	2011	2012	2013	2014
$ 14,907,953	$ 14,835,935	$ 14,979,835	$ 15,002,544	$ 14,935,642	$ 15,487,211
2,049,184	2,024,933	2,199,253	2,266,213	2,205,461	2,415,524
3,096,768	3,118,514	3,435,175	3,655,111	4,098,458	4,452,674
1,605,611	1,137,189	1,350,128	1,382,069	1,820,291	2,548,914
1,073,813	1,105,877	1,172,459	998,347	1,249,298	1,308,917
1,051,424	1,055,261	1,348,594	1,161,226	1,269,844	1,343,051
319,275	350,595	166,116	232,186	465,057	309,622
1,661,870	1,763,040	1,713,597	1,899,880	2,175,919	2,700,591
129,444	282,798	371,056	370,798	425,177	473,743
-	-	-		-	-
2,984,691	23,444,825	1,477,503	14,574,876	21,519,655	6,712,194
293,179	39,690	76,193	50,088	43,567	19,516
883,425	1,056,634	1,046,066	837,860	501,649	706,755
30,056,637	50,215,291	29,335,975	42,431,198	50,710,018	38,478,712
5,372,394	5,259,315	5,242,015	4,068,715	4,133,449	3,956,996
11,189,360	13,970,748	17,507,678	12,277,603	12,374,865	12,854,890
4,426,316	5,100,959	9,870,654	7,156,968	2,001,302	2,192,154
3,876,561	4,367,343	4,746,425	4,561,579	4,155,473	4,258,939
6,632,542	734,486	383,637	109,838	16,283,998	30,607,920
3,106,100	3,301,150	3,415,254	4,434,919	4,195,250	4,066,150
2,121,938	1,944,886	2,555,585	2,245,051	1,550,643	1,647,599
-	380,436	111,541	140,574	117,838	25,169
-	-	-	-	-	-
36,725,211	35,059,323	43,832,789	34,995,247	44,812,818	59,609,817
(6,668,574)	15,155,968	(14,496,814)	7,435,951	5,897,200	(21,131,105)
-	12,725,000	-	-	2,073,533	-
-	4,750,000	5,728,800	6,056,900	2,795,693	-
-	(5,039,202)	(5,971,643)	(6,076,552)	(3,120,000)	-
-	894,364	363,684	160,226	370,942	-
-	-	-	-	-	-
3,918,514	3,918,968	4,317,840	7,190,015	2,754,588	3,718,125
-	-	-	-	(131,171)	(256,100)
(2,088,915)	(1,623,379)	(2,085,471)	(5,632,816)	(1,472,270)	(2,153,219)
1,829,599	15,625,751	2,353,210	1,697,773	3,271,315	1,308,806
$ (4,838,975)	$ 30,781,719	$ (12,143,604)	$ 9,133,724	$ 9,168,515	$ (19,822,299)
17.4%	16.4%	14.0%	19.6%	20.6%	19.8%

TABLE 5

CITY OF THE COLONY, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS (UNAUDITIED)

Fiscal Year	Residential Property	Commercial Property	Lots, Land and Farm Property	Less: Tax Exempt Property	Total Taxable Assessed Value[a]	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value[b] as a Percentage of Actual Value
2005	$ 1,399,499,783	$ 323,245,018	$ 350,241	$ 46,351,581	$ 1,676,743,461	$0.72000	$ 1,676,743,461	100.00%
2006	1,399,940,472	375,454,075	144,021	51,634,185	1,723,904,383	$0.72000	1,723,904,383	100.00%
2007	1,428,465,087	449,127,821	280,938	69,801,485	1,808,072,361	$0.71500	1,808,072,361	100.00%
2008	1,492,394,571	513,602,494	250,465	77,255,808	1,928,991,722	$0.69750	1,928,991,722	100.00%
2009	1,522,142,530	611,399,792	209,972	78,053,258	2,055,699,036	$0.69000	2,055,699,036	100.00%
2010	1,560,226,270	687,641,850	159,840,111	261,431,780	2,146,276,451	$0.68800	2,146,276,451	100.00%
2011	1,569,607,583	632,696,025	150,073,277	257,990,301	2,094,386,584	$0.68550	2,094,386,584	100.00%
2012	1,601,232,947	665,867,076	151,296,903	262,401,818	2,155,995,108	$0.68300	2,155,995,108	100.00%
2013	1,570,595,410	725,097,869	119,916,725	235,621,588	2,179,988,416	$0.68000	2,179,988,416	100.00%
2014	1,639,008,480	850,183,936	97,622,211	279,763,849	2,307,050,778	$0.67750	2,307,050,778	100.00%

Source: City of The Colony Budget Document
Denton Central Appraisal District

Note: The County assesses property at 100% of its market value. Tax rates are per $100 of assessed value.

[a] Includes adjustments to certified rolls.
[b] Includes tax exempt property.

TABLE 6

CITY OF THE COLONY, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
(PER $100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS (UNAUDITED)

	City Direct Rates			Overlapping Rates	
Fiscal Year	Operating/ General Rate	General Obligation Debt Service	Total Direct	Lewisville Independent School District	Denton County
2005	0.47953	0.18997	0.66950	1.770	0.25480
2006	0.47858	0.18976	0.66834	1.640	0.24648
2007	0.49401	0.22099	0.71500	1.640	0.23192
2008	0.48750	0.21000	0.69750	1.370	0.23589
2009	0.48928	0.20072	0.69000	1.380	0.23577
2010	0.49158	0.19642	0.68800	1.409	0.24980
2011	0.49166	0.19384	0.68550	1.427	0.27390
2012	0.47997	0.20303	0.68300	1.426	0.27736
2013	0.46026	0.21974	0.68000	1.453	0.28287
2014	0.45902	0.21848	0.67750	1.477	0.28491

Source: Lewisville ISD and Denton County.

CITY OF THE COLONY, TEXAS
PRINCIPAL TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO (UNAUDITED)

	2014		
Taxpayer	**Taxable Assessed Value**	**Rank**	**Percentage of Total City Taxable Assessed Value[a]**
AR No. 5, LLC	$ 46,370,104	1	2.01%
AR Phase 1 LLC	44,129,517	2	1.91%
AR Phase 2 LLC	40,675,582	3	1.76%
The Residences of Austin Ranch #4 LTD	40,600,000	4	1.76%
The Residences of Austin Ranch 1-4 LTD	36,015,070	5	1.56%
The Residences of Austin Ranch No 6 LTD	33,010,927	6	1.43%
VR Estancia Holdings LP	24,350,000	7	1.06%
GS Sonoma Grand LP	23,173,700	8	1.00%
Oly-Ida Bristol Oaks LP	19,690,600	9	0.85%
Wal-Mart Real Est Bus Tr	15,100,000	10	0.65%
The Residences of Austin Ranch Ph 1	-		-
The Residences of Austin Ranch Ph II	-		-
The Residences of Austin Ranch PH III	-		-
Estancia at Morningstar II LP	-		-
Wal-Mart Stores #01-0426	-		-
Home Depot USA, Inc.	-		-
TXU Electric Delivery Co.	-		-
Albertson's Inc.	-		-
National Gold Operating P/S LP	-		-
	$ 323,115,500		13.99%

Source: City of The Colony Budget Document and the Denton Central Appraisal District.

Note: [a] Taxpayers are assessed on January 1, 2008 (2008 tax year) for the 2009 fiscal year.

TABLE 7

2005		
Taxable Assessed Value	**Rank**	**Percentage of Total City Taxable Assessed Value[a]**
$ 12,086,723	6	0.72%
33,201,990	1	1.98%
33,158,886	2	1.98%
26,389,382	3	1.57%
21,175,000	4	1.26%
19,791,205	5	1.18%
15,192,011	7	0.91%
10,672,040	8	0.64%
6,993,414	9	0.42%
5,353,008	10	0.32%
$ 184,013,659		10.98%

TABLE 8

CITY OF THE COLONY, TEXAS
AD VALOREM TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	$ 12,443,540	$ 12,313,623	98.96%	$ 248,509	$ 12,562,132	100.95%
2006	12,794,771	12,621,521	98.65%	153,057	12,774,578	99.84%
2007	13,390,390	13,270,624	99.11%	156,959	13,427,583	100.28%
2008	13,953,264	13,664,674	97.93%	293,432	13,958,106	100.03%
2009	14,429,083	14,198,198	98.40%	312,506	14,510,704	100.57%
2010	14,712,417	14,381,516	97.75%	234,240	14,615,756	99.34%
2011	14,357,020	14,170,540	98.70%	295,778	14,466,318	100.76%
2012	14,725,447	14,671,313	99.63%	-	14,671,313	99.63%
2013	14,749,221	14,770,162	100.14%	225,340	14,995,502	101.67%
2014	15,630,270	15,648,851	100.12%	56,388	15,705,239	100.48%

Source: Denton County Tax Assessor and Collector

TABLE 9

CITY OF THE COLONY, TEXAS
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS (UNAUDITED)

	Governmental Activities			Business-Type Activities				
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Other Obligations	Water and Sewer Revenue Bonds	Other Obligations	Total Primary Government	Percentage of Personal Income[a]	Per Capita[a]
2005	$ 6,046,175	$ 37,080,739	$ -	$ 23,540,000	$ 3,415,594	$ 70,082,508	8.39%	1,923
2006	15,317,798	29,849,940	-	23,215,000	19,949,433	88,332,171	10.32%	2,363
2007	15,103,742	34,751,340	-	22,875,000	26,903,660	99,633,742	8.83%	2,595
2008	15,040,000	31,269,761	-	21,445,000	26,544,760	94,299,521	6.42%	2,366
2009	14,420,000	28,784,840	-	20,000,000	26,170,860	89,375,700	6.12%	2,229
2010	18,215,000	34,450,254	-	18,810,000	29,292,011	100,767,265	6.32%	2,254
2011	22,603,800	26,650,000	-	17,565,000	28,159,259	94,978,059	6.48%	2,083
2012	23,505,550	24,097,222	-	14,545,000	-	62,147,772	4.05%	1,360
2013	23,778,250	21,256,051	-	990,000	38,840,699	84,865,000	5.17%	1,835
2014	21,585,733	19,320,803	-	-	39,107,883	80,014,419	2.41%	1,778

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

[a]See Table 14 for personal income and population data.

TABLE 10

CITY OF THE COLONY, TEXAS
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS (UNAUDITED)

	General Bonded Debt Outstanding				
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Total	Percentage of Actual Taxable Value of Property[a]	Per Capita[b]
2005	$ 6,046,175	$ 37,080,739	$ 43,126,914	2.57%	1,183
2006	15,317,798	29,849,940	45,167,738	2.62%	1,208
2007	15,103,742	34,751,340	49,855,082	2.76%	1,298
2008	15,040,000	31,269,761	46,309,761	2.40%	1,162
2009	14,420,000	28,784,840	43,204,840	2.10%	1,077
2010	18,215,000	34,450,254	52,665,254	2.45%	1,178
2011	22,603,800	26,650,000	49,253,800	2.35%	1,080
2012	23,505,550	24,097,222	47,602,772	2.21%	1,042
2013	23,778,250	21,256,051	45,034,301	2.07%	974
2014	21,585,733	19,320,803	40,906,536	1.77%	909

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

[a]See Table 5 for property value data.

[b]See Table 14 for population data.

TABLE 11

CITY OF THE COLONY, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Tax Rate Limit	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50
Current Tax Rate	0.720	0.720	0.715	0.698	0.690	0.688	0.686	0.683	0.680	0.678
Available Tax Rate	$ 1.78	$ 1.78	$ 1.79	$ 1.80	$ 1.81	$ 1.81	$ 1.81	$ 1.82	$ 1.82	$ 1.82

Note: The City Charter of the City of The Colony, Texas does not provide for a debt limit. Under provisions of state law, the maximum tax rate is limited to $2.50 per $100 assessed valuation. No direct bond debt limitation is imposed on the City under current state law or the City's Charter.

TABLE 12

CITY OF THE COLONY, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2014 (UNAUDITED)

Governmental Unit	Gross Bonded Debt	Estimated Percentage Applicable[a]	The Colony Share of Overlapping Debt
Lewisville I.S.D.	$ 1,269,009,631	12.23%	$ 155,199,878
Little Elm I.S.D.	290,863,852	5.33%	15,503,043
Denton County	614,975,000	1.70%	10,454,575
	2,174,848,483		181,157,496
City of The Colony (direct debt)	92,225,000	100.00%	92,225,000
Total direct and overlapping debt	$ 2,267,073,483		$ 273,382,496

Source: Assessed value data used to estimate applicable percentages provided by Denton Central Appraisal District. Debt outstanding data provided by each governmental unit.

[a] The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

TABLE 13

CITY OF THE COLONY, TEXAS
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS (UNAUDITED)

	Water and Sewer System Revenue Bonds				
Fiscal Year	Total Revenues[a]	Less: Operating Expenses[b]	Net Available Revenue	Annual Requirement[c]	Times Coverage
2005	11,588,097	6,007,165	5,580,932	4,253,379	1.31
2006	16,785,357	6,646,074	10,139,283	4,265,099	2.38
2007	13,608,712	7,074,256	6,534,456	4,412,163	1.48
2008	14,199,852	7,990,876	6,208,976	4,012,879	1.55
2009	14,268,870	7,971,554	6,297,316	3,914,859	1.61
2010	13,796,686	7,963,716	5,832,970	4,416,029	1.32
2011	14,989,707	8,139,958	6,849,749	4,721,414	1.45
2012	13,925,260	8,660,247	5,265,013	1,630,663	3.23
2013	13,925,260	8,660,247	5,265,013	1,630,663	3.23
2014	15,013,195	9,871,033	5,142,162	1,630,805	3.15

Note: [a] Includes operating and non-operating revenues.
[b] Includes operating expenses minus depreciation.
[c] Includes Principal and Interest.

TABLE 14

CITY OF THE COLONY, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS (UNAUDITED)

Year	Estimated Population[a]	Personal Income	Per Capita Personal Income[b]	Median Age[b]	Median Household Income[b]	School Enrollment[c]	Unemployment Rate[d]
2005	36,450	834,814,350	22,903	32	74,852	6,670	3.9%
2006	37,386	856,251,558	22,903	32	79,071	6,609	3.8%
2007	38,400	1,128,691,200	29,393	32	80,827	6,703	4.0%
2008	39,850	1,469,428,900	36,874	33	88,804	6,584	4.8%
2009	40,100	1,460,843,000	36,430	33	90,162	6,536	7.7%
2010	44,704	1,594,189,344	35,661	33	92,104	6,476	7.1%
2011	45,600	1,466,450,400	32,159	30	62,738	6,435	7.8%
2012	45,700	1,535,657,100	33,603	33	76,663	6,472	7.0%
2013	46,248	1,639,954,080	35,460	30	62,738	6,688	7.0%
2014	45,000	3,322,890,000	73,842	33	73,842	6,714	5.5%

Sources: [a] Estimated Population - City of The Colony

[b] Per Capital Income, Median Age & Median Household Income - Community Sourcebook of ZIP Code Demographics

[c] School enrollment - Texas Education Agency

[d] Unemployment - Texas Workforce Commission

Note: Personal income is calculated by multiplying estimated population by per capita personal income.

TABLE 15

CITY OF THE COLONY, TEXAS
PRINCIPAL EMPLOYERS
CURRENT AND FIVE YEARS AGO (UNAUDITED)

	2014			2009		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Nebraska Furniture Mart	1,000	1	4.60%			
Lewisville ISD	690	2	3.17%	690	1	N/A
Top Golf	450	3	2.07%			
City of The Colony	387	4	1.78%	353	3	N/A
Wal-Mart	353	5	1.62%	387	2	N/A
Hawaiian Falls	200	7	0.92%	200	4	N/A
Williams-Sonoma	170	6	0.78%			
Home Depot	112	8	0.51%	110	5	N/A
Edward Don & Company	105	9	0.48%	105	6	N/A
Tribute	100	10	0.46%	60	9	N/A
Austin Ranch	-		-	82	7	N/A
Kroger	-		-	70	8	N/A
Texas Roadhouse	-		-	46	10	N/A
	3,567		16.39%	2,103		

Source: City of The Colony Economic Development Corporation
Note: Data for 2005 was not available at the time.

TABLE 16

CITY OF THE COLONY, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT
EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government	25	24	31	30	30	29	33	43	43	44
Public safety	106	112	120	133	133	138	140	140	140	141
Public works	46	37	40	40	48	48	47	37	37	36
Culture and recreation	37	31	33	34	34	70	38	38	38	39
Water/wastewater/ Utilites	51	50	49	52	44	42	28	28	28	28
Total	265	254	273	289	289	327	286	286	286	288

Sources: City of The Colony Budget Document

THE COLONY

City by the Lake

CITY OF THE COLONY, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year		
Function/Program	**2005**	**2006**	**2007**
Police			
Number of police officers	46	46	53
Number of violations (citations)	10,646	10,646	13,451
Municipal Court			
Number of traffic cases	12,035	12,546	13,126
Number of city ordinance cases	773	1,046	693
Fire			
Number of fire fighters	39	39	39
Number of emergency fire responses	431	512	410
Number of medical emergencies	1,392	1,466	1,581
Development Services			
Total number of building permits[a]	40	71	126
Estimated valuation[a]	$ 10,583,729	$ 84,677,147	$ 44,399,931
Parks and Recreation			
Number of acres	983	983	983
Number of recreation center participants	67,679	67,679	73,031
Library			
Volumes in collection[b]	95,205	96,079	97,727
Number of library cardholders		18,576	19,088
Water and wastewater			
Number of water accounts	11,154	11,162	11,317
Average daily water consumption (millions of gallons)	4.29	4.80	3.75
Average daily effluent (millions of gallons)	2.23	2.11	2.35

Sources: City Departments

Notes: [a] Includes residential and commerical permits

[b] Includes books and media.

TABLE 17

2008	2009	2010	2011	2012	2013	2014
53	53	53	53	53	53	53
11,129	10,521	10,386	13,935	11,619	11,619	12,839
11,927	10,743	9,480	13,460	11,532	11,532	12,980
626	480	520	492	467	467	327
47	49	49	52	50	50	51
418	487	581	735	568	568	720
1,548	1,657	1,831	1,926	1,774	1,774	1,856
2,093	2,191	206	2,042	2,508	2,508	3,982
$ 144,948,333	$ 97,973,276	$ 43,743,748	$ 80,964,772	$ 59,077,321	$ 59,077,321	$ 198,981,751
983	983	983	983	983	983	983
73,031	34,633	33,589	39,166	43,083	43,083	43,083
91,468	86,994	81,659	85,129	89,385	89,385	111,077
19,186	19,450	16,960	19,479	20,453	20,453	19,175
11,467	11,686	11,723	11,661	11,881	11,881	12,213
4.30	3.84	3.86	4.50	4.57	4.57	4.28
2.34	3.84	2.28	2.16	2.34	2.34	2.89

TABLE 18

CITY OF THE COLONY, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year									
Function/Program	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Public Safety										
Fire Stations	2	2	2	2	3	3	3	3	3	3
Police Stations	1	1	1	1	1	1	1	1	1	1
Culture and Recreation										
Parks and Recreation										
Number of parks	27	27	27	27	27	27	27	27	27	27
Number of baseball diamonds	11	11	11	11	11	11	11	11	11	11
Number of soccer/football fields	16	16	16	16	16	16	16	16	16	16
Public swimming pools	2	2	2	2	2	2	2	2	2	2
Community centers		1	1	1	1	1	1	1	1	1
Library	1	1	1	1	1	1	1	1	1	1
Water and wastewater										
Water mains (miles)	165	173	175	177	177	179	193	197	197	209
Sanitary sewer mains (miles)	193	200	202	203	203	206	206	207	207	207
Fire hydrants	1,179	1,273	1,305	1,333	1,339	1,367	1,391	1,420	1,420	1,536

Sources: City Departments

Notes: [a] Includes residential and commerical permits

[b] Includes books and media.