

***TOWN OF SUNNYVALE, TEXAS***

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2012

**TOWN OF SUNNYVALE, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
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# Yeldell, Wilson & Co., P.C.

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CERTIFIED PUBLIC ACCOUNTANTS (A PROFESSIONAL CORPORATION)

Members of American Institute of Certified Public Accountants / Members of Private Companies Practice Section

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Greer Yeldell, CPA / Glen D. Wilson, CPA  
Mary E. Coile, CPA / Brooke Farmer, CPA / Joyce Reeve, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the Town Council  
Town of Sunnyvale, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Sunnyvale, Texas, as of and for the year ended September 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Sunnyvale, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Sunnyvale, Texas, as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 40 through 43 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.

Mayor and Members of the Town Council  
Town of Sunnyvale, Texas  
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Sunnyvale, Texas' financial statements as a whole. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Yeldell, Wilson & Co., P.C.  
*Certified Public Accountants*

March 15, 2013

# **TOWN OF SUNNYVALE, TEXAS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Sunnyvale, Texas, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2012.

### **FINANCIAL HIGHLIGHTS**

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$23,039,880 (net assets).
- The Town's total net assets increased by \$1,894,756.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balance of \$8,783,279. Over 28% of this total amount, \$2,521,642 is unassigned and available for use within the Town's designation and policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,521,642 or 54% of the total general fund expenditures.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements.

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

The Statement of Net Assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from 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 Town include general government, public safety, community services and community development. The business-type activities of the Town include utility operations.

The government-wide financial statements can be found on pages 11-12 of this report.

**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 Town, 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 Town can be divided into two categories—governmental funds and proprietary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses 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 statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains eight individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General fund, Sunnyside 4A Development Corporation, Sunnyside 4B Development Corporation, and Capital Projects, all of which are considered to be major funds. Data from the other four funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 13-15 of this report.

**Proprietary Funds.** The Town maintains one type of proprietary fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the enterprise fund to account for its utility operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility Operations fund, which is considered to be a major fund of the Town.

The basic proprietary fund financial statements can be found on pages 16-18 of this report.

**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. The notes to the financial statements can be found on pages 19-39 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's budgetary comparison information. Required supplementary information may be found on page 40-43 of this report.

This report also presents combining statements referred to earlier in connection with non-major governmental funds. Combining and individual statements can be found on pages 44-48 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$23,039,880 as of September 30, 2012.

A large portion of the Town's net assets (75%) reflects its investments in capital assets (e.g., land, construction in progress, buildings, improvements, machinery and equipment and infrastructure), less any debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the Town'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 be used to liquidate these liabilities.

### TOWN OF SUNNYVALE'S NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 9,313,269	\$ 8,239,524	\$ 7,043,181	\$ 6,726,777	\$ 16,356,450	\$ 14,966,301
Capital assets	8,647,411	8,635,240	10,369,611	10,421,298	19,017,022	19,056,538
Total assets	17,960,680	16,874,764	17,412,792	17,148,075	35,373,472	34,022,839
Long term liabilities	4,938,185	5,236,780	6,649,817	7,031,921	11,588,002	12,268,701
Other liabilities	375,862	335,271	369,728	273,743	745,590	609,014
Total liabilities	5,314,047	5,572,051	7,019,545	7,305,664	12,333,592	12,877,715
Net assets:						
Invested in capital assets, net of related debt	4,805,132	4,496,865	12,482,792	7,741,287	17,287,924	12,238,152
Restricted	5,158,721	4,255,040	1,072,987	1,065,607	6,231,708	5,320,647
Unrestricted	2,682,780	2,550,808	(3,162,532)	1,035,517	(479,752)	3,586,325
Total net assets	\$ 12,646,633	\$ 11,302,713	\$ 10,393,247	\$ 9,842,411	\$ 23,039,880	\$ 21,145,124

Certain reclassifications have been made to the prior year data to conform with the current year presentation.

An additional portion of the Town's net assets (27%) represents resources that are subject to external restriction on how they may be used.

**Analysis of the Town's Operations.** The following table provides a summary of the Town's operations for the year ended September 30, 2012. Governmental activities increased the Town's net assets by \$1,343,920. Business-type activities increased the Town's net assets by \$550,836.

**TOWN OF SUNNYVALE'S CHANGES IN NET ASSETS**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 889,319	\$ 728,977	\$ 3,310,713	\$ 3,402,567	\$ 4,200,032	\$ 4,131,544
Operating grants and contributions	14,678	208,476	-	-	14,678	208,476
Capital grants and contributions	45,733	264,336	-	-	45,733	264,336
General revenues:						
Property tax	3,017,460	2,906,223	-	-	3,017,460	2,906,223
Sales tax	2,007,188	1,665,837	-	-	2,007,188	1,665,837
Franchise tax	903,025	914,799	-	-	903,025	914,799
Investment earnings	11,262	17,623	4,923	18,123	16,185	35,746
Miscellaneous	12,583	349,539	-	-	12,583	349,539
Total revenues	<u>6,901,248</u>	<u>7,055,810</u>	<u>3,315,636</u>	<u>3,420,690</u>	<u>10,216,884</u>	<u>10,476,500</u>
Expenses:						
General government	1,626,724	1,594,165	-	-	1,626,724	1,594,165
Public safety	1,954,257	1,967,396	-	-	1,954,257	1,967,396
Community services	1,048,309	1,399,123	-	-	1,048,309	1,399,123
Community development	510,051	460,552	-	-	510,051	460,552
Interest on long-term debt	203,199	213,247	-	-	203,199	213,247
Utility operations	-	-	2,979,588	2,833,132	2,979,588	2,833,132
Total expenses	<u>5,342,540</u>	<u>5,634,483</u>	<u>2,979,588</u>	<u>2,833,132</u>	<u>8,322,128</u>	<u>8,467,615</u>
Increase in net assets before transfers	1,558,708	1,421,327	336,048	587,558	1,894,756	2,008,885
Transfers	(214,788)	286,923	214,788	(286,923)	-	-
Increase in net assets	<u>1,343,920</u>	<u>1,708,250</u>	<u>550,836</u>	<u>300,635</u>	<u>1,894,756</u>	<u>2,008,885</u>
Net assets - beginning	11,302,713	9,594,463	9,842,411	9,541,776	21,145,124	19,136,239
Net assets - ending	<u>\$ 12,646,633</u>	<u>\$ 11,302,713</u>	<u>\$ 10,393,247</u>	<u>\$ 9,842,411</u>	<u>\$ 23,039,880</u>	<u>\$ 21,145,124</u>

Certain reclassifications have been made to the prior year data to conform with the current year presentation.

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$8,783,279. Approximately 29% of this total amount (\$2,521,642) constitutes unassigned fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been restricted for general government (\$8,456), community development (\$2,508,190), public safety (\$41,689), debt service (\$90,463), capital projects (\$870,425) and infrastructure improvements (\$679,075), committed for infrastructure improvements (\$162,400), and assigned for public safety (\$67,494), infrastructure improvements (\$1,771,810), and community services (\$61,635).

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,521,642. 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 54% of total general fund expenditures.

The fund balance of the Town's general fund increased \$646,551 during the current fiscal year.

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

Net assets increased in 2012 by \$550,836.

**General Fund Budgetary Highlights.** Significant differences between the original budget and final amended budget can be briefly summarized as follows:

- \$115,708 increase in sales tax revenue
- \$51,245 decrease in franchise tax revenue
- \$47,367 increase in fines revenue
- \$254,892 increase in town manager expenditures

General fund actual revenues of \$5,217,979 exceeded budgeted revenues of \$4,689,111 by \$528,868. Following are the main components that experienced an increase or decrease of actual revenue compared to budgeted revenue:

- Higher than expected property tax revenues exceeded budgeted revenues by \$40,279.
- Higher than expected sales tax revenues exceeded budgeted revenues by \$167,886.
- Higher than expected franchise tax revenues exceeded budgeted revenues by \$99,843.
- Higher than expected licenses and permits revenues exceeded budgeted revenues by \$125,088.
- Higher than expected intergovernmental revenues exceeded budgeted revenues by \$67,234.

Budgeted general fund expenditures of \$4,816,899 exceeded actual expenditures of \$4,705,324 by \$111,575.

- The \$110,218 (34.16%) increase in non-departmental expenditures resulted primarily from road repairs expenditures related to Stoney Creek improvements.
- The \$42,684 (9.98%) decrease in fire and EMS expenditures resulted primarily from a decrease in wages and savings in utilities expenditures.
- The \$144,469 (12.78%) decrease in community services expenditures resulted primarily from reduced road repairs and maintenance, savings in utilities and various contract expenditures.

## CAPITAL ASSETS

The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2012 amounts to \$19,017,023 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment and infrastructure.

Major capital asset events during the current fiscal year included the following:

- Land additions of approximately \$13,000.
- Construction in progress additions of approximately \$242,000.
- Machinery and equipment of approximately \$79,000 were purchased.
- Water and sewer system and infrastructure improvements of approximately \$218,000 were constructed.

### Capital Assets at Year-End Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 963,894	\$ 963,894	\$ 112,225	\$ 99,425	\$ 1,076,119	\$ 1,063,319
Construction in progress	-	443,859	402,298	167,737	402,298	611,596
Buildings	3,813,068	3,929,679	1,217,439	1,255,223	5,030,507	5,184,902
Improvements	-	-	8,484,316	8,718,085	8,484,316	8,718,085
Machinery and equipment	416,282	415,217	153,333	180,828	569,615	596,045
Infrastructure	3,454,167	2,882,591	-	-	3,454,167	2,882,591
Total	\$ 8,647,411	\$ 8,635,240	\$ 10,369,611	\$ 10,421,298	\$ 19,017,022	\$ 19,056,538

Certain reclassifications have been made to prior year data to conform with current year presentation.

Additional information on the Town of Sunnyvale's capital assets can be found in note 3 on pages 28-29 of this report.

## DEBT ADMINISTRATION

At the end of the current fiscal year, the Town had total debt of \$11,425,415.

**Outstanding Debt at Year End  
Bonds and Notes Payable**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Bonds payable	\$ 4,805,000	\$ 5,100,000	\$ 6,435,364	\$ 6,782,036	\$ 11,240,364	\$ 11,882,036
Notes payable	-	-	185,051	219,163	185,051	219,163
Total	\$ 4,805,000	\$ 5,100,000	\$ 6,620,415	\$ 7,001,199	\$ 11,425,415	\$ 12,101,199

Additional information on the Town of Sunnyside's debt can be found in note 3 on pages 30-32 of this report.

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

**General Fund** - Revenues for 2011-12 decreased about \$410,000 from the previous year. Most of the decrease related to the following: miscellaneous revenue decreased by \$532,277 versus the previous year. This included the Stoney Creek insurance settlement of \$298,000, a sidewalk construction contribution of \$25,000, and the Dallas County 50% road match program for \$196,000. The road match program was discontinued in the 2011-2012 budget year. The decrease in grant revenue of \$198,000 resulted from prior year grant receipts of \$157,422 for Marazzi Tile road repairs, \$96,000 for a brush truck grant, and \$23,000 for SECO grant. Sales tax receipts increased 21%, or \$170,671, and building, construction, and developer fees increased 87%, or \$116,613.

Expenditures decreased in 2011-12 by about \$622,000. The largest contributors were road repairs that decreased approximately \$302,000, payroll costs that decreased \$103,000, legal fees that decreased \$58,000, capital outlays decreased \$40,000, and code mowing and contract portables decreased \$32,000 from the previous year. Grant expenditures decreased approximately \$195,000. Stoney Creek expenditures totaled \$130,935 for the current year.

In the 2012-2013 budget, General Fund revenues are budgeted to decrease by 3.07% versus the 2011-2012 budget year, with general property taxes making up about 49% of general fund budgeted revenues and sales taxes making up about 18% of general fund budgeted revenues. These budgeted amounts reflect a lower ad valorem tax rate, flat property values, and conservative sales tax expectations.

In the 2012-2013 budget, General Fund expenditures are budgeted to increase by 5.89% versus the 2011-2012 budget year, which includes a 50% increase in road replacement and maintenance expenditures. The 2012-2013 year end fund balance of the general fund is projected to decrease approximately \$427,300 to about \$2,082,000, which will provide for 149 days of operating expenditures, well above the commonly used benchmark of 90 days, and maintains a level that supports sound and conservative fund management.

**Water and Sewer Fund** - 2011-12 water and sewer revenues decreased about \$151,000 from the previous year due to prolonged Stage 2 water restrictions and less intense drought conditions from the previous year. Expenses increased about \$104,000 primarily due to increased water purchase and sewer costs, increased debt service of \$28,000, and increased water system maintenance costs of \$38,000.

In the 2012-2013 budget, water and sewer revenues are budgeted at \$2,872,059 and expenses are budgeted at \$2,835,681 for a projected increase to fund balance of \$36,378.

### **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Town Secretary, 127 Collins Road, Sunnyvale, Texas 75182.

**TOWN OF SUNNYVALE, TEXAS**  
**STATEMENT OF NET ASSETS**  
September 30, 2012

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,470,862	\$ 1,601,987	\$ 7,072,849
Investments	2,206,513	-	2,206,513
Receivables (net of allowance for uncollectibles)	755,765	444,945	1,200,710
Due from other governments	9,854	-	9,854
Internal balances	833,169	(833,169)	-
Inventories	-	79,339	79,339
Restricted assets:			
Cash and cash equivalents	-	1,258,037	1,258,037
Investments	-	4,366,798	4,366,798
Deferred charges	37,107	125,244	162,351
Capital assets:			
Non-depreciable	963,894	514,523	1,478,417
Depreciable (net of accumulated depreciation)	7,683,517	9,855,088	17,538,605
Total assets	<u>17,960,680</u>	<u>17,412,792</u>	<u>35,373,472</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	342,666	237,227	579,893
Accrued payroll payable	8,855	2,391	11,246
Accrued interest payable	24,341	29,805	54,146
Customer deposits payable	-	100,305	100,305
Noncurrent liabilities:			
Due within one year	458,185	477,821	936,006
Due in more than one year	4,480,000	6,171,996	10,651,996
Total liabilities	<u>5,314,047</u>	<u>7,019,545</u>	<u>12,333,592</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	4,805,132	12,482,792	17,287,924
Restricted for:			
Public safety	109,183	-	109,183
Community development	2,508,190	-	2,508,190
Debt service	90,463	-	90,463
Infrastructure improvements	2,450,885	1,072,987	3,523,872
Unrestricted	2,682,780	(3,162,532)	(479,752)
Total net assets	<u>\$ 12,646,633</u>	<u>\$ 10,393,247</u>	<u>\$ 23,039,880</u>

See accompanying notes to financial statements.

**TOWN OF SUNNYVALE, TEXAS**  
**STATEMENT OF ACTIVITIES**  
Year Ended September 30, 2012

Function/Program Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,626,724	\$ 247,301	\$ -	\$ -	\$ (1,379,423)	\$ -	\$ (1,379,423)
Public safety	1,954,257	580,392	14,678	45,733	(1,313,454)	-	(1,313,454)
Community services	1,048,309	61,626	-	-	(986,683)	-	(986,683)
Community development	510,051	-	-	-	(510,051)	-	(510,051)
Interest on long-term debt	203,199	-	-	-	(203,199)	-	(203,199)
Total governmental activities	<u>5,342,540</u>	<u>889,319</u>	<u>14,678</u>	<u>45,733</u>	<u>(4,392,810)</u>	<u>-</u>	<u>(4,392,810)</u>
Business-type activities:							
Utility operations	2,979,588	3,310,713	-	-	-	331,125	331,125
Total business-type activities	<u>2,979,588</u>	<u>3,310,713</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>331,125</u>	<u>331,125</u>
12 Total primary government	<u>\$ 8,322,128</u>	<u>\$ 4,200,032</u>	<u>\$ 14,678</u>	<u>\$ 45,733</u>	<u>(4,392,810)</u>	<u>331,125</u>	<u>(4,061,685)</u>
General revenues:							
Property tax					3,017,460	-	3,017,460
Sales tax					2,007,188	-	2,007,188
Franchise tax					903,025	-	903,025
Investment earnings					11,262	4,923	16,185
Miscellaneous					12,583	-	12,583
Transfers					(214,788)	214,788	-
Total general revenues and transfers					<u>5,736,730</u>	<u>219,711</u>	<u>5,956,441</u>
Change in net assets					<u>1,343,920</u>	<u>550,836</u>	<u>1,894,756</u>
Net assets - beginning, as restated					<u>11,302,713</u>	<u>9,842,411</u>	<u>21,145,124</u>
Net assets - ending					<u>\$ 12,646,633</u>	<u>\$ 10,393,247</u>	<u>\$ 23,039,880</u>

See accompanying notes to financial statements.

**TOWN OF SUNNYVALE, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
September 30, 2012

	General	Sunnyvale 4A Development Corporation	Sunnyvale 4B Development Corporation	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,890,934	\$ 969,268	\$ 1,193,871	\$ -	\$ 1,416,789	\$ 5,470,862
Investments	-	1,243,792	-	962,721	-	2,206,513
Receivables (net of allowance for uncollectibles)	511,126	105,439	105,439	-	33,761	755,765
Due from other governments	9,854	-	-	-	-	9,854
Due from other funds	925,465	-	-	-	145,743	1,071,208
<b>Total assets</b>	<b><u>\$ 3,337,379</u></b>	<b><u>\$ 2,318,499</u></b>	<b><u>\$ 1,299,310</u></b>	<b><u>\$ 962,721</u></b>	<b><u>\$ 1,596,292</u></b>	<b><u>\$ 9,514,201</u></b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and other current liabilities	\$ 336,747	\$ 5,639	\$ 280	\$ -	\$ -	\$ 342,666
Accrued payroll payable	8,855	-	-	-	-	8,855
Due to other funds	145,743	-	-	92,296	-	238,039
Deferred revenue	127,568	-	-	-	13,794	141,362
<b>Total liabilities</b>	<b><u>618,913</u></b>	<b><u>5,639</u></b>	<b><u>280</u></b>	<b><u>92,296</u></b>	<b><u>13,794</u></b>	<b><u>730,922</u></b>
<b>Fund balances:</b>						
<b>Restricted for:</b>						
General government	-	-	-	-	8,456	8,456
Community development	-	1,209,160	1,299,030	-	-	2,508,190
Public safety	-	-	-	-	41,689	41,689
Debt service	-	-	-	-	90,463	90,463
Capital projects	-	-	-	870,425	-	870,425
Infrastructure improvements	25,000	-	-	-	654,075	679,075
<b>Committed for:</b>						
Infrastructure improvements	-	-	-	-	162,400	162,400
<b>Assigned for:</b>						
Public safety	-	-	-	-	67,494	67,494
Infrastructure improvements	146,749	1,103,700	-	-	521,361	1,771,810
Community services	25,075	-	-	-	36,560	61,635
Unassigned	2,521,642	-	-	-	-	2,521,642
<b>Total fund balances</b>	<b><u>2,718,466</u></b>	<b><u>2,312,860</u></b>	<b><u>1,299,030</u></b>	<b><u>870,425</u></b>	<b><u>1,582,498</u></b>	<b><u>8,783,279</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 3,337,379</u></b>	<b><u>\$ 2,318,499</u></b>	<b><u>\$ 1,299,310</u></b>	<b><u>\$ 962,721</u></b>	<b><u>\$ 1,596,292</u></b>	

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	8,647,411
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds balance sheet.	(24,341)
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	141,362
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	
Due within one year	\$ (458,185)
Due in more than one year	(4,480,000)
Deferred charges	37,107
<b>Net assets of governmental activities</b>	<b><u>\$ 12,646,633</u></b>

See accompanying notes to financial statements.

**TOWN OF SUNNYVALE, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
Year Ended September 30, 2012

	General	Sunnyvale 4A Development Corporation	Sunnyvale 4B Development Corporation	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes:						
Property	\$2,428,463	\$ -	\$ -	\$ -	\$ 649,600	\$ 3,078,063
Sales	1,003,594	501,797	501,797	-	-	2,007,188
Franchise	894,420	-	-	-	8,605	903,025
Licenses and permits	247,301	-	-	-	-	247,301
Fines and forfeitures	497,790	-	-	-	33,977	531,767
Charges for current services	49,797	-	-	-	60,454	110,251
Revenues from use of money	1,173	2,974	2,453	1,096	3,566	11,262
Other revenue	12,583	-	-	-	-	12,583
Intergovernmental	67,234	-	-	-	-	67,234
Contributions and donations	-	-	-	-	10,890	10,890
Total revenues	<u>5,202,355</u>	<u>504,771</u>	<u>504,250</u>	<u>1,096</u>	<u>767,092</u>	<u>6,979,564</u>
<b>EXPENDITURES</b>						
Current:						
General government	1,554,741	-	-	-	149	1,554,890
Public safety	1,904,518	-	-	-	13,970	1,918,488
Community services	985,872	-	-	13,266	-	999,138
Community development	260,193	250,190	172,157	-	51	682,591
Debt service:						
Principal retirement	-	-	-	-	295,000	295,000
Interest and fiscal charges	-	-	-	-	200,863	200,863
Total expenditures	<u>4,705,324</u>	<u>250,190</u>	<u>172,157</u>	<u>13,266</u>	<u>510,033</u>	<u>5,650,970</u>
Excess of revenues over expenditures	<u>497,031</u>	<u>254,581</u>	<u>332,093</u>	<u>(12,170)</u>	<u>257,059</u>	<u>1,328,594</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	149,520	-	-	-	90,734	240,254
Transfers out	-	(82,054)	(146,000)	-	(226,988)	(455,042)
Total other financing sources and uses	<u>149,520</u>	<u>(82,054)</u>	<u>(146,000)</u>	<u>-</u>	<u>(136,254)</u>	<u>(214,788)</u>
Net change in fund balances	646,551	172,527	186,093	(12,170)	120,805	1,113,806
Fund balances - beginning	<u>2,071,915</u>	<u>2,140,333</u>	<u>1,112,937</u>	<u>882,595</u>	<u>1,461,693</u>	<u>7,669,473</u>
Fund balances - ending	<u><u>\$2,718,466</u></u>	<u><u>\$ 2,312,860</u></u>	<u><u>\$ 1,299,030</u></u>	<u><u>\$870,425</u></u>	<u><u>\$1,582,498</u></u>	<u><u>\$ 8,783,279</u></u>

See accompanying notes to financial statements.

**TOWN OF SUNNYVALE, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
Year Ended September 30, 2012

Amounts reported for governmental activities in the statement of activities (page 12) are different because:

Net change in fund balance-total governmental funds (page 14) \$ 1,113,806

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay recorded as capital assets in the current period plus assets contributed from the enterprise fund. 302,638

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds. (290,467)

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 assets. Also, governmental funds report the effect of issuance costs, 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	\$ 295,000	
Amortization of deferred charges	<u>(3,870)</u>	291,130

Payment of compensated absences is reported as expenditures in the governmental funds when actually paid. However, on the government-wide statement of changes in net assets compensated absences are expensed as they are accrued. Change in the compensated absences liability. 3,595

Some revenues will not be collected for several months after the city's fiscal year end. These are not considered "available" revenues in the governmental funds until received. Change in amount deferred on Fund statements. (78,315)

Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. Change in accrued interest. 1,533

Change in net assets of governmental activities (page 12) \$ 1,343,920

See accompanying notes to financial statements.

**TOWN OF SUNNYVALE, TEXAS**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
September 30, 2012

	Business-type Activities - Enterprise (Utility Operations) Fund
	Fund
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,601,987
Receivables (net of allowance for uncollectibles)	444,945
Inventory	79,339
Total current assets	2,126,271
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	1,258,037
Investments	4,366,798
Total restricted assets	5,624,835
Deferred charges	125,244
Capital assets (net, where applicable of accumulated depreciation)	10,369,611
Total noncurrent assets	16,119,690
Total assets	18,245,961
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and other current liabilities	237,227
Accrued payroll payable	2,391
Due to other funds	833,169
Compensated absences	29,402
Customer deposits payable	100,305
Bonds payable	385,000
Notes payable	63,419
Accrued interest payable	29,805
Total current liabilities	1,680,718
Noncurrent liabilities:	
Bonds payable	6,050,364
Notes payable	121,632
Total noncurrent liabilities	6,171,996
Total liabilities	7,852,714
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	12,482,792
Restricted for infrastructure improvements	1,072,987
Unrestricted	(3,162,532)
Total net assets	\$ 10,393,247

See accompanying notes to financial statements.

**TOWN OF SUNNYVALE, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
Year Ended September 30, 2012

	Business-type Activities - Enterprise (Utility Operations) Fund
Operating revenues:	
Water revenue	\$ 1,798,918
Sewer revenue	951,221
Garbage collection fees	218,326
Impact fees	240,338
Tap fees	66,472
Other	35,438
Total operating revenues	3,310,713
Operating expenses:	
Costs of sales and services	2,554,226
Depreciation	300,598
Total operating expenses	2,854,824
Operating income	455,889
Nonoperating revenue (expenses):	
Investment earnings	4,923
Interest and fiscal charges	(112,484)
Bond issuance costs	(12,280)
Total nonoperating revenue (expenses)	(119,841)
Income before transfers	336,048
Transfer in	239,788
Transfer out	(25,000)
Change in net assets	550,836
Total net assets - beginning, as restated	9,842,411
Total net assets - ending	\$ 10,393,247

See accompanying notes to financial statements.

**TOWN OF SUNNYVALE, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
Year Ended September 30, 2012

	Business-type Activities - Enterprise (Utility Operations) Fund
Cash flows from operating activities:	
Receipts from customers and users	\$ 3,314,178
Payments to suppliers	(1,995,607)
Payments to employees	(395,626)
Net cash provided (used) by operating activities	922,945
Cash flows from noncapital financing activities:	
Repayment of advances from other funds	481,652
Transfers from other funds	239,788
Net cash provided (used) by noncapital financing activities	721,440
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(83,853)
Principal paid on capital debt	(388,081)
Interest paid on capital debt	(288,467)
Net cash provided (used) by capital and related financing activities	(760,401)
Cash flows from investing activities:	
Interest on investments	4,923
Net cash provided (used) by investing activities	4,923
Net change in cash and cash equivalents	888,907
Cash and cash equivalents at beginning of year	6,355,242
Cash and cash equivalents at end of year	\$ 7,244,149
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 455,889
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	300,598
(Increase) decrease in accounts receivable	48,394
(Increase) decrease in inventory	12,850
Increase (decrease) in accounts payable and accrued expenses	101,749
Net increase in customer deposits	3,465
Total adjustments	467,056
Net cash provided by operating activities	\$ 922,945

See accompanying notes to financial statements.

**TOWN OF SUNNYVALE, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The Town of Sunnyvale, Texas (the "Town") was incorporated in 1953. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

*Blended Component Units.* Following are descriptions of legally separate component units for which the Town is financially accountable that are blended with the Town.

The Sunnyvale 4A Development Corporation is responsible for collecting and disbursing the one-half of one percent sales tax to be used for economic development within the Town. The members of the Corporation's board are appointed by the Town. The Corporation is presented as a governmental fund type and has a September 30 year-end.

The Sunnyvale 4B Development Corporation is responsible for collecting and disbursing the one-half on one percent sales tax to be used for economic development within the Town. The members of the Corporation's board are appointed by the Town. The Corporation is presented as a governmental fund type and has a September 30 year-end.

Separate financial statements for the component units are not issued.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information of the primary government. 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 support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**TOWN OF SUNNYVALE, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, inventories of materials and supplies are considered expenditures when used and debt service expenditures, as well as expenditures related to accumulated unpaid vacation pay, are recorded only when payment is due.

Property taxes, when levied for, intergovernmental revenues, when eligibility requirements are met, and interest associated with the current fiscal year are all considered to be susceptible to accrual (measurable) and so have been recognized as revenues of the current fiscal period, if available. Available has been defined as received within sixty days of the fiscal year end. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Sunnyvale 4A Development Corporation fund* is responsible for collecting and disbursing the one-fourth cent sales tax to be used for economic development within the Town.

The *Sunnyvale 4B Development Corporation fund* is responsible for collecting and disbursing the one-fourth cent sales tax to be used for economic development within the Town.

The *Capital Projects fund* accounts for improvements to infrastructure from issuance of certificates of obligation.

**TOWN OF SUNNYVALE, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

The Town reports the following major proprietary fund:

The *utility operations fund* accounts for the activities of trash collection, and water and wastewater operations that are intended to be self-supporting through user charges.

Private-sector standards of accounting and financial reporting issued on or before November 30, 1989, generally are followed in the government-wide governmental and business type activities to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Town has elected not to apply private-sector guidance issued after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the Town's utility operations and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility operations enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund includes the cost of sales and services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, and net assets or equity

Deposits and Investments -

For purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition and money market accounts.

**TOWN OF SUNNYVALE, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net assets or equity (continued)

Investments for the Town are reported at fair value.

Receivables and payables -

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivables in excess of sixty days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to .2 percent of taxes levied each year.

The Town's property tax is levied and due each October 1 on the assessed value listed as of the prior January 1 for all real and personal property. Appraised values are established by the Dallas Central Appraisal District as market value and assessed at 100% of appraised value. Property taxes attach as an enforceable lien on property as of January 1. Full payment can be made prior to the next January 31 to avoid penalty and interest charges. The Dallas County Tax Assessor/Collector bills and collects the Town's property taxes. Over time substantially all property taxes are collected.

Inventory -

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Restricted assets –

Certain proceeds of the Town's enterprise fund revenue bonds are classified as restricted assets on the statement of net assets because they are maintained in a separate bank account and their use is limited by applicable bond covenants. The "revenue bond construction" account is used to report those proceeds of revenue bond issuances that are restricted for use in construction.

**TOWN OF SUNNYVALE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net assets or equity (continued)

Capital assets -

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period. The total interest expense incurred by the utility operations fund during the current fiscal year was \$270,077. Of this amount, \$165,058 was included as part of the cost of capital assets under construction.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Improvements	10-50
Machinery and equipment	5-40
Infrastructure	15-50

Compensated absences –

It is the government's policy to permit employees to accumulate earned but unused vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**TOWN OF SUNNYVALE, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net assets or equity (continued)

Long-term obligations -

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

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

Fund Equity -

The governmental fund financials present fund balance categorized based on the nature and extent of the constraints placed on the specific purposes for which a government's funds may be spent. The following classifications describe the relative strength of the spending constraints:

*Restricted fund balance*—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

*Committed fund balance*—amounts constrained to specific purposes by the Town itself, using its highest level of decision-making authority (i.e., Town Council). To be reported as committed, amounts cannot be used for any other purpose unless the Town takes the same highest level action to remove or change the constraint.

*Assigned fund balance*—amounts the Town intends to use for a specific purpose. Intent can be expressed by the Town Council or by an official or body to which the Town Council delegates the authority.

**TOWN OF SUNNYVALE, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net assets or equity (continued)

*Unassigned fund balance*—amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Other governmental funds might report a negative balance in this classification, as a result of overspending for specific purposes for which amounts had been restricted, committed, or assigned. Positive balances are reported only in the general fund.

When both restricted and unrestricted resources are available for use, it is the government's policy to use externally restricted resources first, then unrestricted resources - committed, assigned, and unassigned, in order as needed.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end. The legal level of budgetary control is the fund level.

B. Excess of expenditures over appropriations in individual funds

The Sunnyvale 4A Development Corporation fund expenditures exceeded appropriations by \$81,290. This excess was funded by excess revenues in the amount of \$139,771.

C. Compliance with finance related legal and contractual provisions

The Town has no material violations of finance related legal and contractual provisions, including the Texas Public Funds Investment Act.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. At year end, the bank balance of the Town's deposits was \$8,349,834. Of the bank balance, \$4,745,264 was covered by federal depository insurance, and the remaining balance of \$3,604,570 was covered by collateral pledged in the City's name by the safekeeping department of the pledging bank's agent and had a fair value of approximately \$5,210,000.

**TOWN OF SUNNYVALE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and investments (continued)

Investments – Public funds of the Town of Sunnyvale, Texas may be invested in the following: (1) Local Government Investment Pools TexSTAR or TexPool, (2) money market accounts with the depository bank, and (3) bank collateralized certificates of deposit not greater than one year maturity.

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. Presented below is the minimum rating required by the Public Funds Investment Act, and the actual rating as of year end.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
Tex Star	<u>\$6,573,311</u>	N/A	AAAm

The local government investment pool, Tex Star, is managed conservatively to provide safe, efficient and liquid investments to Texas governmental entities. The pool seeks to maintain a \$1 value per share as required by the Texas Public Funds Investment Act. Although the pool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. GASB 31 allows 2a7-like pools to use amortized cost (which excludes unrealized gains and losses) rather than market value to report net assets to compute share price. The fair value of the Town’s position in the pool is the same as the value of pool’s shares.

Tex Star is co-administered by First Southwest Asset Management, Inc. and JPMorgan Chase, who provide investment services, participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by JP Morgan Chase Bank and/or its subsidiary J.P. Morgan Investor Services Co.

**TOWN OF SUNNYVALE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

B. Receivables

Receivables as of year end for the government’s individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Sunnyvale 4A Development Corporation	Sunnyvale 4B Development Corporation	Nonmajor Governmental	Utility Operations	Total
Receivables:						
Taxes	\$ 507,302	\$ 105,439	\$ 105,439	\$ 38,809	\$ -	\$ 756,989
Accounts	-	-	-	-	462,371	462,371
Other	40,901	-	-	-	-	40,901
Gross receivables	<u>548,203</u>	<u>105,439</u>	<u>105,439</u>	<u>38,809</u>	<u>462,371</u>	<u>1,260,261</u>
Less: allowance for uncollectibles	(37,077)	-	-	(5,048)	(17,426)	(59,551)
Net total receivables	<u>\$ 511,126</u>	<u>\$ 105,439</u>	<u>\$ 105,439</u>	<u>\$ 33,761</u>	<u>\$ 444,945</u>	<u>\$ 1,200,710</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

Delinquent property taxes receivable (general fund)	<u>\$ 117,714</u>
Delinquent property taxes receivable (other governmental funds)	13,794
Grant revenue (general fund)	<u>9,854</u>
Total deferred revenue for governmental funds	<u>\$ 141,362</u>

**TOWN OF SUNNYVALE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

C. Capital assets

Capital asset activity for the year ended September 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 963,894	\$ -	\$ -	\$ 963,894
Construction in progress	443,859	6,982	(450,841)	-
Total capital assets not being depreciated	<u>1,407,753</u>	<u>6,982</u>	<u>(450,841)</u>	<u>963,894</u>
Capital assets being depreciated:				
Buildings	4,907,347	-	-	4,907,347
Machinery and equipment	3,241,916	78,044	-	3,319,960
Infrastructure	3,594,339	668,453	-	4,262,792
Totals capital assets being depreciated	<u>11,743,602</u>	<u>746,497</u>	<u>-</u>	<u>12,490,099</u>
Less accumulated depreciation for:				
Buildings	(977,668)	(116,611)	-	(1,094,279)
Machinery and equipment	(2,826,699)	(76,979)	-	(2,903,678)
Infrastructure	(711,748)	(96,877)	-	(808,625)
Total accumulated depreciation	<u>(4,516,115)</u>	<u>(290,467)</u>	<u>-</u>	<u>(4,806,582)</u>
Total capital assets, being depreciated, net	<u>7,227,487</u>	<u>456,030</u>	<u>-</u>	<u>7,683,517</u>
Governmental activities capital assets, net	<u>\$ 8,635,240</u>	<u>\$ 463,012</u>	<u>\$ (450,841)</u>	<u>\$ 8,647,411</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 99,425	\$ 12,800	\$ -	\$ 112,225
Construction in progress	167,737	234,561	-	402,298
Total capital assets not being depreciated	<u>267,162</u>	<u>247,361</u>	<u>-</u>	<u>514,523</u>
Capital assets being depreciated:				
Buildings	1,959,801	-	-	1,959,801
Improvements	11,612,482	-	-	11,612,482
Machinery and equipment	472,470	1,550	-	474,020
Total capital assets being depreciated	<u>14,044,753</u>	<u>1,550</u>	<u>-</u>	<u>14,046,303</u>
Less accumulated depreciation for:				
Buildings	(704,578)	(37,784)	-	(742,362)
Improvements	(2,894,397)	(233,769)	-	(3,128,166)
Machinery and equipment	(291,642)	(29,045)	-	(320,687)
Total accumulated depreciation	<u>(3,890,617)</u>	<u>(300,598)</u>	<u>-</u>	<u>(4,191,215)</u>
Total capital assets being depreciated, net	<u>10,154,136</u>	<u>(299,048)</u>	<u>-</u>	<u>9,855,088</u>
Business-type capital assets, net	<u>\$ 10,421,298</u>	<u>\$ (51,687)</u>	<u>\$ -</u>	<u>\$ 10,369,611</u>

Certain reclassifications have been made to prior year data to conform with current year presentation.

**TOWN OF SUNNYVALE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

C. Capital assets (continued)

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

Governmental activities:	
General government	\$ 115,568
Public safety	58,197
Community services	116,702
Total depreciation expense - governmental activities	<u>\$ 290,467</u>
Business-type activities:	
Utility operations	\$ 300,598
Total depreciation expense - business-type activities	<u>\$ 300,598</u>

The construction in progress consists of utility system improvements.

Construction Commitments –

The Town has construction projects outstanding as of September 30, 2012. These projects are evidenced by contractual commitments with contractors and include:

<u>Project</u>	<u>Spent-to-date</u>	<u>Commitment</u>
		<u>Remaining</u>
Utility system improvements	\$ 108,371	\$ 82,479
	<u>\$ 108,371</u>	<u>\$ 82,479</u>

The utility system improvements project is a commitment of the Town's 4A development corporation fund and utility operations enterprise funds. This project is being funded by certificates of obligation.

D. Interfund receivables, payables and transfers

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital projects	\$ 92,296
General	Utility operations	833,169
Nonmajor governmental funds	General	145,743
		<u>\$1,071,208</u>

**TOWN OF SUNNYVALE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

D. Interfund receivables, payables and transfers (continued)

These balances resulted from the lag time between the dates that transactions are recorded in the accounting system and payments between funds are made.

Interfund transfers:

	Transfer In:			Total
	General	Nonmajor Governmental	Utility Operations	
Transfer out:				
Sunnyvale 4A Development Corporation	\$ 28,520	\$ 40,734	\$ 12,800	\$ 82,054
Sunnyvale 4B Development Corporation	96,000	50,000	-	146,000
Nonmajor Governmental	-	-	226,988	226,988
Utility Operations	25,000	-	-	25,000
	\$ 149,520	\$ 90,734	\$ 239,788	\$ 480,042

Transfers are used to:

- Sunnyvale 4A Development Corporation to General Fund for administrative services
- Sunnyvale 4A Development Corporation to Nonmajor Governmental for payment of bond
- Sunnyvale 4A Development Corporation to Utility Operations for payment of bond
- Sunnyvale 4B Development Corporation to General Fund for administrative services
- Sunnyvale 4B Development Corporation to Nonmajor Governmental for payment of bond
- Nonmajor Governmental to Utility Operations for payment of bond
- Utility Operations to General Fund for operating expenses

E. Long-term liabilities

Certificates of Obligation -

The Town issues certificates of obligation to provide fund for the acquisition and construction of major capital facilities. Certificates of obligation have been issued for both governmental and business-type activities. Certificates of obligation are direct obligations and pledge the full faith and credit of the government and are further secured by and payable from a pledge of the surplus net revenues derived from the operation of the Town's utility operations.

Certificates of obligation currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental activities	3.90-4.25%	\$ 4,805,000
Business-type activities	2.00-4.25%	6,370,000
Total		\$ 11,175,000

**TOWN OF SUNNYVALE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

E. Long-term liabilities (continued)

Annual debt service requirements to maturity for certificates of obligation bonds are as follows:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 325,000	\$ 233,610	\$ 385,000	\$ 232,615
2014	360,000	212,298	395,000	220,803
2015	390,000	189,828	410,000	208,290
2016	415,000	165,462	420,000	194,775
2017	455,000	138,958	440,000	180,459
2018-2022	1,275,000	431,593	1,485,000	727,070
2023-2027	1,285,000	196,160	1,810,000	398,518
2028-2030	300,000	6,045	1,025,000	73,895
	<u>\$ 4,805,000</u>	<u>\$ 1,573,954</u>	<u>\$ 6,370,000</u>	<u>\$ 2,236,425</u>

Notes Payable -

Notes payable currently outstanding and reported as a liability of the Town's business-type activities is:

In fiscal year 2004, the Town executed an infrastructure repayment agreement with a developer. Under the terms of the agreement the Town agreed to repay the developer for costs incurred to improve the sanitary sewer system in the amount of \$738,582. The note is noninterest bearing. However, to reflect the time value of money, the liability recorded in the financial statements reflects future payments discounted at an imputed interest rate of 5.00%. The Town makes payment annually in an amount equal to the sewer impact fees collected. The amount of funds to be repaid at September 30, 2012 totaled \$51,415. The amount due within one year totals \$51,415.

In fiscal year 2007, the Town executed an infrastructure repayment agreement with the Texas Department of Agriculture's Rural Economic Development Division. Under the terms of agreement the Town agreed to repay program income to the Texas Department of Agriculture an amount up to \$192,100. The note is noninterest bearing. However, to reflect the time value of money, the liability recorded in the financial statements reflects future payments discounted at an imputed interest rate of 5.00%. Payments will be made in no more than two hundred forty equal monthly installments beginning the first (1st) day of the third (3rd) month following the completion date or occupancy by the beneficiary, whichever comes first. As of September 30, 2012, no payments have been made. The amount of funds to be repaid as of September 30, 2012 totals \$192,061. The amount due within one year totals \$12,004.

**TOWN OF SUNNYVALE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

E. Long-term liabilities (continued)

Annual debt service requirements to maturity for notes payable are as follows:

Year Ending September 30	Business-type Activities	
	Principal	Interest
2013	\$ 63,419	\$ 5,926
2014	12,004	6,193
2015	12,004	5,896
2016	12,004	5,583
2017	12,004	5,255
2018-2022	60,020	20,726
2023-2027	60,018	9,592
2028	12,004	319
	\$ 243,477	\$ 59,490

Changes in long-term liabilities –

Long-term liability activity for the year ended September 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Certificates of obligation	\$ 5,100,000	\$ -	\$ (295,000)	\$ 4,805,000	\$ 325,000
Compensated absences	136,780	70,262	(73,857)	133,185	133,185
Governmental activity					
Long-term liabilities	\$ 5,236,780	\$ 70,262	\$ (368,857)	\$ 4,938,185	\$ 458,185
Business-type activities:					
Certificates of obligation	\$ 6,710,000	\$ -	\$ (340,000)	\$ 6,370,000	\$ 385,000
Less deferred amounts:					
For issuance premium	78,552	-	(7,758)	70,794	-
On refunding	(6,516)	-	1,086	(5,430)	-
Total certificates of obligation	6,782,036	-	(346,672)	6,435,364	385,000
Notes payable	291,596	-	(48,119)	243,477	63,419
Less discount on notes payable	(72,433)	-	14,007	(58,426)	-
Total notes payable	219,163	-	(34,112)	185,051	63,419
Compensated absences	30,722	34,516	(35,836)	29,402	29,402
Business-type activity					
Long-term liabilities	\$ 7,031,921	\$ 34,516	\$ (416,620)	\$ 6,649,817	\$ 477,821

Certificates of obligation issued for governmental activity purposes are liquidated by the debt service fund. Governmental compensated absences will be liquidated by the General Fund. Certificates of obligation, notes payable and compensated absences issued for business-type activities are repaid from those activities.

**TOWN OF SUNNYVALE, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

F. Restricted assets

The balances of the restricted asset accounts in the enterprise funds are as follows:

Utility systems improvements	\$ 1,258,037
Revenue bond construction account	<u>4,366,798</u>
	<u><u>\$ 4,366,798</u></u>

NOTE 4 – OTHER INFORMATION

A. Risk management

The Town 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. The Town maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

B. Commitments

The Town has entered into an agreement with Dallas County Sheriff's office to provide police services for the Town. The agreement is for a one year term ending September 30, 2013 with monthly payments of \$105,922. Payments under the previous agreement for the year ended September 30, 2012 totaled \$1,267,164.

The Town entered into a contract for a period of thirty years with the North Texas Municipal Water District ("NTMWD") on June 10, 2002. The City agreed to take or pay for the highest total amount withdrawn from the NTMWD's system by the Town during any previous year or 227,674,000 gallons of water annually, whichever is greater, at a rate 5 cents above the rates established for member cities of the district, but in no event less than fifty cents per thousand gallons. The rate charged in 2012 was \$1.54 per thousand gallons. The contract shall continue in force and effect until March 2027.

The Town entered into an agreement with VCZ Development, LLC (Developer) on May 26, 2011. The Town agreed to advance the sum of \$180,000 as a temporary construction and development loan to the Developer, with a maximum term of five years at an interest rate equal to the Mid Term Applicable Federal Rate (AFR) in effect on the effective date of the Agreement. The loan will be repaid in equal annual installments of principal and accrued interest on the unpaid balance, with the first payment due one year from date of execution of the deed of trust. As of September 30, 2012 no amount has been loaned under the agreement.

**TOWN OF SUNNYVALE, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2012

NOTE 4 – OTHER INFORMATION (continued)

B. Commitments (continued)

Sunnyvale 4A Development Corporation (Corporation) entered into an agreement with RKS Sunnyvale II Inc. (Developer) on April 30, 2012. The Corporation agreed to reimburse the Developer an amount not to exceed the lesser of the following: (1) \$1,500,000, (2) the total cost spent for the construction of infrastructure improvements, or (3) fifty percent of the total cost spent for the construction of qualified expenditures for infrastructure improvements. The agreement will be effective until all obligations of the Developer and the Corporation have been performed in full, or until June 30, 2023, whichever is later; provided however, if the obligations of the Developer have not been completed as of June 30, 2023, the terms of the agreement shall automatically be extended until June 30, 2027. As of September 30, 2012 there are no amounts due under the agreement.

C. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. 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, cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The Town is a party to a number of various types of lawsuits, many of which normally recur in governmental operations. The ultimate outcome of the actions is not determinable, however, Town officials believe that the outcome of these proceedings, either singularly or in the aggregate, will not have a materially adverse effect on the accompanying financial statements.

**TOWN OF SUNNYVALE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2012

NOTE 4 – OTHER INFORMATION (continued)

D. Retirement plan

Plan Description -

The Town 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 Town are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at [www.TMRS.com](http://www.TMRS.com).

The plan provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS. Plan provisions for the Town were as follows:

	Plan Year 2011	Plan Year 2012
Employee deposit rate	6.0%	6.0%
Matching ratio (Town to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions -

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. 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.

**TOWN OF SUNNYVALE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2012

NOTE 4 – OTHER INFORMATION (continued)

D. Retirement plan (continued)

The Town contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the Town make contributions monthly. Since the Town 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. The annual pension cost and net pension obligation/(asset) are as follows:

Annual Required Contribution (ARC)	\$	167,615
Interest on Net Pension Obligation		-
Adjustment to the ARC		-
Annual Pension Cost (APC)		167,615
Contributions Made		(167,615)
Increase (decrease) in net pension obligation		-
Net Pension Obligation/(Asset), beginning of year		-
Net Pension Obligation/(Asset), end of year	\$	-

Six-year trend information is as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2007	\$ 104,160	\$ 104,160	100%	\$ -
2008	140,154	140,154	100%	-
2009	177,151	177,151	100%	-
2010	192,915	192,915	100%	-
2011	200,457	200,457	100%	-
2012	167,615	167,615	100%	-

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

**TOWN OF SUNNYVALE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2012

**NOTE 4 – OTHER INFORMATION (continued)**

**D. Retirement plan (continued)**

Valuation Date	12/31/2009	12/31/2010	12/31/2011
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	28.1 years; closed period	27.2 years; closed period	26.2 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.5%	7.0%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

Funded Status and Funding Progress - The funded status as of December 31, 2011, the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2006	\$ 1,037,412	\$ 1,485,390	69.8%	\$ 447,978	\$ 869,822	51.5%
12/31/2007	1,255,609	2,058,351	61.0%	802,742	1,130,264	71.0%
12/31/2008	1,371,176	2,361,100	58.1%	989,924	1,283,928	77.1%
12/31/2009	1,475,686	2,553,930	57.8%	1,078,244	1,406,223	76.7%
12/31/2010	2,438,267	3,489,016	69.9%	1,050,749	1,432,981	73.3%
12/31/2011	2,771,176	3,750,414	73.9%	979,238	1,402,854	69.8%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectation and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

**TOWN OF SUNNYVALE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2012

NOTE 4 – OTHER INFORMATION (continued)

E. Postemployment Benefits

Program Description:

The Town also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The Town elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The Town may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at [www.TMRS.com](http://www.TMRS.com).

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The Town contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. The Town's contributions to the TMRS SDBF and schedule of contribution rates are as follows:

Plan / Calendar Year	Schedule of Contribution Rates				
	Town's Contribution		As a Percentage of Covered Payroll		
	Annual Required Contribution	Actual Contribution Made	Annual Required Contribution	Actual Contribution Made	Percentage of ARC Contributed
2007	\$ 2,783	\$ 2,783	0.32%	0.32%	100.0%
2008	3,617	3,617	0.32%	0.32%	100.0%
2009	4,109	4,109	0.32%	0.32%	100.0%
2010	3,656	3,656	0.32%	0.32%	100.0%
2011	3,711	3,711	0.26%	0.26%	100.0%
2012	3,086	3,086	0.22%	0.22%	100.0%

**TOWN OF SUNNYVALE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2012

NOTE 4 – OTHER INFORMATION (continued)

F. Subsequent event

Subsequent to the year end Sunnyvale 4B Development Corporation approved funding a project for park improvements in the amount of \$139,965 and awarded a bid in the amount of approximately \$55,000 for landscaping improvements.

Subsequent to the year end the Town awarded a bid for a comprehensive plan update in the amount of \$53,000.

G. Prior Period Adjustment

Corrections have been made to the business-type activities beginning net assets in the government wide financial statements and to the net assets in the fund financial statements due to errors in classification and recording of financial transactions in the prior period, resulting in an understatement of assets and net assets, of the prior year. The change to the beginning net assets as of October 1, 2011 is summarized as follows:

	Government-wide and Fund Financial Statements
	Business-type Activities and Utility Operations
As previously recorded, October 1, 2011	\$ 9,801,773
Correct understatement of construction in progress	40,638
Restated, October 1, 2011	\$ 9,842,411
 Effect of restatement on operations for the year ended September 30, 2011	 \$ 40,638

## REQUIRED SUPPLEMENTARY INFORMATION

### Major Governmental Funds

This supplementary schedule is included to supplement the basic financial statements as required by Governmental Accounting Standards Board.

**TOWN OF SUNNYVALE, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
Year Ended September 30, 2012

	Budget Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget - Over (Under) Budget
	Original	Final				
<b>REVENUES</b>						
Taxes:						
Property	\$2,391,808	\$2,403,808	\$2,428,463	\$ 15,624	\$2,444,087	\$ 40,279
Sales	720,000	835,708	1,003,594	-	1,003,594	167,886
Franchise	845,822	794,577	894,420	-	894,420	99,843
Licenses and permits	88,000	122,213	247,301	-	247,301	125,088
Fines	425,000	472,367	497,790	-	497,790	25,423
Charges for current services	46,000	47,578	49,797	-	49,797	2,219
Revenues from use of money	2,000	2,000	1,173	-	1,173	(827)
Other revenue	27,700	10,860	12,583	-	12,583	1,723
Intergovernmental	-	-	67,234	-	67,234	67,234
Total revenues	<u>4,546,330</u>	<u>4,689,111</u>	<u>5,202,355</u>	<u>15,624</u>	<u>5,217,979</u>	<u>528,868</u>
<b>EXPENDITURES</b>						
Current:						
General government:						
Town manager	605,416	860,308	856,666	-	856,666	(3,642)
Town secretary	166,328	143,163	129,876	-	129,876	(13,287)
Finance	165,141	140,560	135,332	-	135,332	(5,228)
Non-departmental	338,200	322,649	432,867	-	432,867	110,218
Public safety:						
Fire and EMS	436,343	427,557	384,873	-	384,873	(42,684)
Municipal court	212,112	223,154	209,593	-	209,593	(13,561)
Patrol and police	1,313,924	1,312,852	1,310,052	-	1,310,052	(2,800)
Community services	1,144,638	1,130,341	985,872	-	985,872	(144,469)
Community development	294,157	256,315	260,193	-	260,193	3,878
Total expenditures	<u>4,676,259</u>	<u>4,816,899</u>	<u>4,705,324</u>	<u>-</u>	<u>4,705,324</u>	<u>(111,575)</u>
Excess of revenues over expenditures	<u>(129,929)</u>	<u>(127,788)</u>	<u>497,031</u>	<u>15,624</u>	<u>512,655</u>	<u>640,443</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	133,000	133,000	149,520	-	149,520	16,520
Total other financing sources and uses	<u>133,000</u>	<u>133,000</u>	<u>149,520</u>	<u>-</u>	<u>149,520</u>	<u>16,520</u>
Net change in fund balance	<u>\$ 3,071</u>	<u>\$ 5,212</u>	<u>\$ 646,551</u>	<u>\$ 15,624</u>	<u>\$ 662,175</u>	<u>\$ 656,963</u>

**TOWN OF SUNNYVALE, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**SUNNYVALE 4A DEVELOPMENT CORPORATION**  
Year Ended September 30, 2012

	Original and Final Budget Amounts	Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget - Over (Under) Budget
<b>REVENUES</b>					
Taxes:					
Sales	\$ 360,000	\$ 501,797	\$ -	\$ 501,797	\$ 141,797
Revenues from use of money	5,000	2,974	-	2,974	(2,026)
Total revenues	<u>365,000</u>	<u>504,771</u>	<u>-</u>	<u>504,771</u>	<u>139,771</u>
<b>EXPENDITURES</b>					
Current:					
Community development	198,220	250,190	29,320	279,510	81,290
Total expenditures	<u>198,220</u>	<u>250,190</u>	<u>29,320</u>	<u>279,510</u>	<u>81,290</u>
Excess of revenues over expenditures	<u>166,780</u>	<u>254,581</u>	<u>(29,320)</u>	<u>225,261</u>	<u>58,481</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	(52,734)	(82,054)	29,320	(52,734)	-
Total other financing sources and uses	<u>(52,734)</u>	<u>(82,054)</u>	<u>29,320</u>	<u>(52,734)</u>	<u>-</u>
Net change in fund balance	<u>\$ 114,046</u>	<u>\$ 172,527</u>	<u>\$ -</u>	<u>\$ 172,527</u>	<u>\$ 58,481</u>

**TOWN OF SUNNYVALE, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**SUNNYVALE 4B DEVELOPMENT CORPORATION**  
Year Ended September 30, 2012

	Original and Final Budget Amounts	Actual	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget - Over (Under) Budget
<b>REVENUES</b>					
Taxes:					
Sales	\$ 336,000	\$ 501,797	\$ -	\$ 501,797	\$ 165,797
Revenues from use of money	4,000	2,453	-	2,453	(1,547)
Total revenues	<u>340,000</u>	<u>504,250</u>	<u>-</u>	<u>504,250</u>	<u>164,250</u>
<b>EXPENDITURES</b>					
Current:					
Community development	768,700	172,157	96,000	268,157	(500,543)
Total expenditures	<u>768,700</u>	<u>172,157</u>	<u>96,000</u>	<u>268,157</u>	<u>(500,543)</u>
Excess of revenues over expenditures	<u>(428,700)</u>	<u>332,093</u>	<u>(96,000)</u>	<u>236,093</u>	<u>664,793</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	<u>(50,000)</u>	<u>(146,000)</u>	<u>96,000</u>	<u>(50,000)</u>	<u>-</u>
Total other financing sources and uses	<u>(50,000)</u>	<u>(146,000)</u>	<u>96,000</u>	<u>(50,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ (478,700)</u>	<u>\$ 186,093</u>	<u>\$ -</u>	<u>\$ 186,093</u>	<u>\$ 664,793</u>

## Nonmajor Governmental Funds

### SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

The *Roadway Impact* fund is used to account for funds received from an impact fee assessed through new building permits and is used to make improvements to our roadways.

The *Homestead Amenities* fund is used to account for funds associated with a developer agreement for the Homestead subdivision. Revenues are collected based on platted lots.

The *Special Revenue* fund is used to better identify and record revenues received that have special requirements/criteria for their use and the related expenditure.

The *PEG Capital* fund is used to account for funds associated with franchise tax revenues to be used for local radio and television stations in the future.

### DEBT SERVICE FUND

The *Debt Service* fund accounts for the accumulation of resources for the payment of general debt principal, interest and related costs. The revenue source is principally ad valorem taxes levied by the Town.

**TOWN OF SUNNYVALE, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
September 30, 2012

	Roadway Impact	Homestead Amenities	Special Revenue	PEG Capital	Total Special Revenue	Debt Service	Total Nonmajor Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 654,075	\$ 683,761	\$ -	\$ 6,644	\$ 1,344,480	\$ 72,309	\$ 1,416,789
Receivables (net of allowance for uncollectibles)	-	-	-	1,813	1,813	31,948	33,761
Due from other funds	-	-	145,743	-	145,743	-	145,743
Total assets	<u>\$ 654,075</u>	<u>\$ 683,761</u>	<u>\$ 145,743</u>	<u>\$ 8,456</u>	<u>\$ 1,492,035</u>	<u>\$ 104,257</u>	<u>\$ 1,596,292</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Deferred revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,794	\$ 13,794
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,794</u>	<u>13,794</u>
<b>Fund balances:</b>							
<b>Restricted for:</b>							
General government	-	-	-	8,456	8,456	-	8,456
Public safety	-	-	41,689	-	41,689	-	41,689
Debt service	-	-	-	-	-	90,463	90,463
Infrastructure improvements	654,075	-	-	-	654,075	-	654,075
<b>Committed for:</b>							
Infrastructure improvements	-	162,400	-	-	162,400	-	162,400
<b>Assigned for:</b>							
Public safety	-	-	67,494	-	67,494	-	67,494
Infrastructure improvements	-	521,361	-	-	521,361	-	521,361
Community services	-	-	36,560	-	36,560	-	36,560
Total fund balances	<u>654,075</u>	<u>683,761</u>	<u>145,743</u>	<u>8,456</u>	<u>1,492,035</u>	<u>90,463</u>	<u>1,582,498</u>
Total liabilities and fund balances	<u>\$ 654,075</u>	<u>\$ 683,761</u>	<u>\$ 145,743</u>	<u>\$ 8,456</u>	<u>\$ 1,492,035</u>	<u>\$ 104,257</u>	<u>\$ 1,596,292</u>

**TOWN OF SUNNYVALE, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
Year Ended September 30, 2012

	Roadway Impact	Homestead Amenities	Special Revenue	PEG Capital	Total Special Revenue	Debt Service	Total Nonmajor Governmental Funds
<b>REVENUES</b>							
Taxes:							
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 649,600	\$ 649,600
Franchise	-	-	-	8,605	8,605	-	8,605
Fines	-	-	33,977	-	33,977	-	33,977
Charges for current services	60,454	-	-	-	60,454	-	60,454
Revenues from use of money	1,484	1,747	-	-	3,231	335	3,566
Contributions and donations	-	-	10,890	-	10,890	-	10,890
Total revenues	<u>61,938</u>	<u>1,747</u>	<u>44,867</u>	<u>8,605</u>	<u>117,157</u>	<u>649,935</u>	<u>767,092</u>
<b>EXPENDITURES</b>							
Current:							
46 General government	-	-	-	149	149	-	149
Public safety	-	-	13,970	-	13,970	-	13,970
Community development	51	-	-	-	51	-	51
Debt service:							
Principal retirement	-	-	-	-	-	295,000	295,000
Interest and fiscal charges	-	-	-	-	-	200,863	200,863
Total expenditures	<u>51</u>	<u>-</u>	<u>13,970</u>	<u>149</u>	<u>14,170</u>	<u>495,863</u>	<u>510,033</u>
Excess (deficiency) of revenues over (under) expenditures	<u>61,887</u>	<u>1,747</u>	<u>30,897</u>	<u>8,456</u>	<u>102,987</u>	<u>154,072</u>	<u>257,059</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	-	-	-	90,734	90,734
Transfers out	-	-	-	-	-	(226,988)	(226,988)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(136,254)</u>	<u>(136,254)</u>
Net change in fund balances	61,887	1,747	30,897	8,456	102,987	17,818	120,805
Fund balances - beginning	<u>592,188</u>	<u>682,014</u>	<u>114,846</u>	<u>-</u>	<u>1,389,048</u>	<u>72,645</u>	<u>1,461,693</u>
Fund balances - ending	<u>\$ 654,075</u>	<u>\$ 683,761</u>	<u>\$ 145,743</u>	<u>\$ 8,456</u>	<u>\$ 1,492,035</u>	<u>\$ 90,463</u>	<u>\$ 1,582,498</u>

Proprietary Fund

Enterprise Fund

The *Utility Operations* fund was established to account for the activities of trash collection, and water and wastewater operations. It is operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including debt) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

**TOWN OF SUNNYVALE, TEXAS**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**ENTERPRISE FUND - UTILITY OPERATIONS FUND**  
Year Ended September 30, 2012

	Original and Final Budget Amounts	Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Over (Under) Budget
Operating revenues:					
Water revenue	\$ 1,700,000	\$1,798,918	\$ 6,280	\$1,805,198	\$ 105,198
Sewer revenue	831,000	951,221	2,406	953,627	122,627
Garbage collection fees	191,000	218,326	(155)	218,171	27,171
Impact fees	250,000	240,338	-	240,338	(9,662)
Tap fees	20,000	66,472	-	66,472	46,472
Other	18,875	35,438	-	35,438	16,563
Total operating revenues	<u>3,010,875</u>	<u>3,310,713</u>	<u>8,531</u>	<u>3,319,244</u>	<u>308,369</u>
Operating expenses:					
Costs of sales and services	2,629,243	2,554,226	(11,302)	2,542,924	(86,319)
Depreciation	241,000	300,598	(5,413)	295,185	54,185
Total operating expenses	<u>2,870,243</u>	<u>2,854,824</u>	<u>(16,715)</u>	<u>2,838,109</u>	<u>(32,134)</u>
Operating income	<u>140,632</u>	<u>455,889</u>	<u>25,246</u>	<u>481,135</u>	<u>340,503</u>
Nonoperating revenue (expenses):					
Investment earnings	5,350	4,923	3,756	8,679	3,329
Principal, interest and fiscal charges	(171,825)	(112,484)	(168,310)	(280,794)	(108,969)
Bond issuance costs	-	(12,280)	12,280	-	-
Total nonoperating revenue (expenses)	<u>(166,475)</u>	<u>(119,841)</u>	<u>(152,274)</u>	<u>(272,115)</u>	<u>(105,640)</u>
Income (loss) before transfers	<u>(25,843)</u>	<u>336,048</u>	<u>(127,028)</u>	<u>209,020</u>	<u>234,863</u>
Transfer in	-	239,788	(37,800)	201,988	(201,988)
Transfer out	<u>(247,500)</u>	<u>(25,000)</u>	<u>25,000</u>	<u>-</u>	<u>(247,500)</u>
Net change in net assets after transfers	<u>(273,343)</u>	<u>550,836</u>	<u>(139,828)</u>	<u>411,008</u>	<u>(214,625)</u>
Note principal	<u>-</u>	<u>-</u>	<u>(48,081)</u>	<u>(48,081)</u>	<u>(48,081)</u>
Change in net assets	<u>\$ (273,343)</u>	<u>\$ 550,836</u>	<u>\$ (187,909)</u>	<u>\$ 362,927</u>	<u>\$ (262,706)</u>