

TOWN OF SUNNYVALE, TEXAS

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2011

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TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis (unaudited)	3-9
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements	
Balance Sheet - Governmental Funds	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Net Assets - Proprietary Fund	15
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund	16
Statement of Cash Flows - Proprietary Fund	17
Notes to the Financial Statements	18-37
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	39
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Sunnyvale 4A Development Corporation	40
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Sunnyvale 4B Development Corporation	41
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	44
Schedule of Revenues and Expenses - Budget and Actual - Enterprise Fund - Utility Operations Fund	46

Yeldell, Wilson & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS (A PROFESSIONAL CORPORATION)

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

Greer Yeldell, CPA / Glen D. Wilson, CPA

Mary E. Coile, CPA / Brooke Farmer, CPA / Glenda Valek, 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, 2011, 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, 2011, 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 9 and 38 through 41 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
Page 2

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.

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

June 29, 2012

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, 2011.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$21,104,486 (net assets). Of this amount, \$3,545,687 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$1,968,247.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balance of \$7,669,473. Over 29% of this total amount, \$2,267,770 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 \$1,748,156 or 33% 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 10-11 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, Sunnyvale 4A Development Corporation, Sunnyvale 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

The basic governmental fund financial statements can be found on pages 12-14 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 15-17 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 18-37 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 38-41 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 42-46 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 \$21,104,486 as of September 30, 2011.

A large portion of the Town's net assets (58%) 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	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 8,239,524	\$ 7,468,236	\$ 6,726,777	\$ 3,843,137	\$ 14,966,301	\$ 11,311,373
Capital assets	8,635,240	8,134,943	10,380,660	10,280,925	19,015,900	18,415,868
Total assets	16,874,764	15,603,179	17,107,437	14,124,062	33,982,201	29,727,241
Long term liabilities	5,236,780	5,493,474	7,031,921	4,307,023	12,268,701	9,800,497
Other liabilities	335,271	515,242	273,743	275,263	609,014	790,505
Total liabilities	5,572,051	6,008,716	7,305,664	4,582,286	12,877,715	10,591,002
Net assets:						
Invested in capital assets, net of related debt	4,496,865	3,748,238	7,741,287	8,101,933	12,238,152	11,850,171
Restricted	4,255,040	3,562,718	1,065,607	1,271,531	5,320,647	4,834,249
Unrestricted	2,550,808	2,283,507	994,879	168,312	3,545,687	2,451,819
Total net assets	\$ 11,302,713	\$ 9,594,463	\$ 9,801,773	\$ 9,541,776	\$ 21,104,486	\$ 19,136,239

An additional portion of the Town's net assets (25%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets \$3,545,687 may be used to meet the government's ongoing obligation to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets for the government as a whole.

Analysis of the Town's Operations. The following table provides a summary of the Town's operations for the year ended September 30, 2011. Governmental activities increased the Town's net assets by \$1,682,797. Business-type activities increased the Town's net assets by \$242,856.

TOWN OF SUNNYVALE'S CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 728,977	\$ 676,687	\$ 3,402,567	\$ 3,010,925	\$ 4,131,544	\$ 3,687,612
Operating grants and contributions	208,476	194,441	-	-	208,476	194,441
Capital grants and contributions	264,336	416,512	-	-	264,336	416,512
General revenues:						
Property tax	2,906,223	2,885,750	-	-	2,906,223	2,885,750
Sales tax	1,665,837	1,330,813	-	-	1,665,837	1,330,813
Franchise tax	914,799	814,312	-	-	914,799	814,312
Alcoholic beverage tax	-	1,437	-	-	-	1,437
Investment earnings	17,623	19,882	18,123	11,689	35,746	31,571
Miscellaneous	349,539	49,428	-	-	349,539	49,428
Total revenues	7,055,810	6,389,262	3,420,690	3,022,614	10,476,500	9,411,876
Expenses:						
General government	1,594,165	1,436,272	-	-	1,594,165	1,436,272
Public safety	1,967,396	1,920,850	-	-	1,967,396	1,920,850
Community services	1,399,123	1,348,711	-	-	1,399,123	1,348,711
Community development	460,552	935,833	-	-	460,552	935,833
Interest on long-term debt	213,247	225,028	-	-	213,247	225,028
Utility operations	-	-	2,873,770	2,562,480	2,873,770	2,562,480
Total expenses	5,634,483	5,866,694	2,873,770	2,562,480	8,508,253	8,429,174
Increase (decrease) in net assets before transfers	1,421,327	522,568	546,920	460,134	1,968,247	982,702
Transfers	286,923	25,000	(286,923)	(25,000)	-	-
Increase (decrease) in net asset	1,708,250	547,568	259,997	435,134	1,968,247	982,702
Net assets - beginning	9,594,463	9,046,895	9,541,776	9,106,642	19,136,239	18,153,537
Net assets - ending	\$ 11,302,713	\$ 9,594,463	\$ 9,801,773	\$ 9,541,776	\$ 21,104,486	\$ 19,136,239

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 \$7,669,473. Approximately 30% of this total amount (\$2,267,770) 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 public safety (\$34,192), debt service (\$72,645), capital projects (\$882,595) and infrastructure improvements (\$617,188) and assigned for public safety (\$4,061), infrastructure improvements (\$1,070,184), community services (\$264,068), and community development (\$2,456,770).

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 \$1,748,156. 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 33% of total general fund expenditures.

The fund balance of the Town's general fund increased \$454,263 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 2011 by \$259,997.

General Fund Budgetary Highlights. General fund actual revenues of \$5,665,728 exceeded budgeted revenues of \$4,866,669 by \$799,059. Following are the main components that experienced an increase or decrease of actual revenue compared to budgeted revenue:

- Higher than expected sales tax revenues exceeded budgeted revenues by \$112,922.
- Higher than expected franchise tax revenues exceeded budgeted revenues by \$68,977.
- Higher than expected fines revenues exceeded budgeted revenues by \$28,838.
- Higher than expected other revenues, which included a settlement of \$298,000, exceeded budgeted revenues by \$300,818.
- Higher than expected intergovernmental revenues exceeded budgeted revenues by \$271,980.

Actual general fund expenditures of \$5,323,329 exceeded budgeted expenditures of \$4,986,255 by \$337,074.

- The \$240,197 (39.78%) increase in town manager expenditures resulted primarily from an increase in legal fees related to a lawsuit which was settled.

- The \$227,644 (66.15%) increase in non-departmental expenditures resulted primarily from capital grant expenditures which were offset by grant revenue.
- The \$140,386 (9.48%) decrease in community services expenditures resulted primarily from less road maintenance expenditures than expected.

CAPITAL ASSETS

The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2011 amounts to \$19,015,900 (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 \$63,000.
- Machinery and equipment of approximately \$316,000 were purchased.
- Water and sewer system and infrastructure improvements of approximately \$814,000 were constructed.

Capital Assets at Year-End Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 963,894	\$ 963,894	\$ 99,425	\$ 36,000	\$ 1,063,319	\$ 999,894
Construction in progress	443,859	832,243	127,099	414,019	570,958	1,246,262
Buildings	3,929,679	4,046,290	1,255,223	1,293,007	5,184,902	5,339,297
Improvements	-	-	8,718,085	8,331,274	8,718,085	8,331,274
Machinery and equipment	415,217	251,680	180,828	206,625	596,045	458,305
Infrastructure	2,882,591	2,040,836	-	-	2,882,591	2,040,836
Total	\$ 8,635,240	\$ 8,134,943	\$ 10,380,660	\$ 10,280,925	\$ 19,015,900	\$ 18,415,868

Additional information on the Town of Sunnyvale's capital assets can be found in note 3 on pages 27-28 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the Town had total debt of \$12,101,199.

Outstanding Debt at Year End Bonds and Notes Payable

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Bonds payable	\$ 5,100,000	\$ 5,365,000	\$ 6,782,036	\$ 3,955,707	\$ 11,882,036	\$ 9,320,707
Notes payable	-	-	219,163	296,892	219,163	296,892
Total	\$ 5,100,000	\$ 5,365,000	\$ 7,001,199	\$ 4,252,599	\$ 12,101,199	\$ 9,617,599

Additional information on the Town of Sunnyvale's debt can be found in note 3 on pages 29-31 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

General Fund - Revenues for 2010-11 increased about \$482,000 from the previous year. Sales tax collections were up about 25%, or \$168,000, franchise fees increased about \$100,000, and court fines increased about \$46,000. These increases were offset by decreased property taxes and other fees. The Town did realize revenues within expected levels, however, residential and commercial building permits issued during the year totaled 29 as compared to prior year's 57. Expenditures increased in 2010-11 by about \$344,000. The largest contributors were legal fees that increased about \$195,000, unmatched road repair that increased about \$192,000, and contract police services that increased about \$61,000.

Water and Sewer Fund - 2010-11 water and sewer revenues increased about \$392,000 from the previous year due in part to a rate increase and increased usage due to drought conditions. Expenses subsequently increased about \$297,000 primarily due to rate increases for water purchases and sewer costs and usage.

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, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 5,827,985	\$ 708,646	\$ 6,536,631
Investments	961,625	-	961,625
Receivables (net of allowance for uncollectibles)	737,579	493,339	1,230,918
Due from other governments	319,841	-	319,841
Internal balances	351,517	(351,517)	-
Inventories	-	92,189	92,189
Restricted assets:			
Cash and cash equivalents	-	1,284,770	1,284,770
Investments	-	4,361,826	4,361,826
Deferred charges	40,977	137,524	178,501
Capital assets:			
Non-depreciable	1,407,753	226,524	1,634,277
Depreciable (net of accumulated depreciation)	7,227,487	10,154,136	17,381,623
Total assets	<u>16,874,764</u>	<u>17,107,437</u>	<u>33,982,201</u>
LIABILITIES			
Accounts payable and other current liabilities	300,648	134,141	434,789
Accrued payroll payable	8,748	2,409	11,157
Accrued interest payable	25,875	40,353	66,228
Customer deposits payable	-	96,840	96,840
Noncurrent liabilities:			
Due within one year	431,780	428,418	860,198
Due in more than one year	4,805,000	6,603,503	11,408,503
Total liabilities	<u>5,572,051</u>	<u>7,305,664</u>	<u>12,877,715</u>
NET ASSETS			
Invested in capital assets, net of related debt	4,496,865	7,741,287	12,238,152
Restricted for:			
Public safety	38,253	-	38,253
Community development	2,456,770	-	2,456,770
Debt service	72,645	-	72,645
Infrastructure improvements	1,687,372	1,065,607	2,752,979
Unrestricted	2,550,808	994,879	3,545,687
Total net assets	<u>\$ 11,302,713</u>	<u>\$ 9,801,773</u>	<u>\$ 21,104,486</u>

See accompanying notes to financial statements.

TOWN OF SUNNYVALE, TEXAS
STATEMENT OF ACTIVITIES
Year Ended September 30, 2011

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		Total
					Governmental Activities	Business Activities	
Primary government:							
Governmental activities:							
General government	\$ 1,594,165	\$ 132,788	\$ -	\$ -	\$ (1,461,377)	\$ -	\$ (1,461,377)
Public safety	1,967,396	556,500	7,075	3,504	(1,400,317)	-	(1,400,317)
Community services	1,399,123	39,689	201,401	260,832	(897,201)	-	(897,201)
Community development	460,552	-	-	-	(460,552)	-	(460,552)
Interest on long-term debt	213,247	-	-	-	(213,247)	-	(213,247)
Total governmental activities	5,634,483	728,977	208,476	264,336	(4,432,694)	-	(4,432,694)
Business-type activities:							
Utility operations	2,873,770	3,402,567	-	-	-	528,797	528,797
Total business-type activities	2,873,770	3,402,567	-	-	-	528,797	528,797
Total primary government	\$ 8,508,253	\$ 4,131,544	\$ 208,476	\$ 264,336	(4,432,694)	528,797	(3,903,897)
General revenues:							
Property tax					2,906,223	-	2,906,223
Sales tax					1,665,837	-	1,665,837
Franchise tax					914,799	-	914,799
Investment earnings					17,623	18,123	35,746
Miscellaneous					349,539	-	349,539
Transfers					286,923	(286,923)	-
Total general revenues and transfers					6,140,944	(268,800)	5,872,144
Change in net assets					1,708,250	259,997	1,968,247
Net assets - beginning					9,594,463	9,541,776	19,136,239
Net assets - ending					\$ 11,302,713	\$ 9,801,773	\$ 21,104,486

See accompanying notes to financial statements.

TOWN OF SUNNYVALE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2011

	General	Sunnyvale 4A Development Corporation	Sunnyvale 4B Development Corporation	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 1,448,280	\$ 2,064,475	\$ 1,032,645	\$ -	\$ 1,282,585	\$ 5,827,985
Investments	-	-	-	961,625	-	961,625
Receivables (net of allowance for uncollectibles)	547,696	81,512	81,512	-	26,859	737,579
Due from other governments	319,841	-	-	-	-	319,841
Due from other funds	430,547	-	-	-	178,938	609,485
Total assets	<u>\$ 2,746,364</u>	<u>\$ 2,145,987</u>	<u>\$ 1,114,157</u>	<u>\$ 961,625</u>	<u>\$ 1,488,382</u>	<u>\$ 8,456,515</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and other current liabilities	\$ 293,774	\$ 5,654	\$ 1,220	\$ -	\$ -	\$ 300,648
Accrued payroll payable	8,748	-	-	-	-	8,748
Due to other funds	178,938	-	-	79,030	-	257,968
Deferred revenue	192,989	-	-	-	26,689	219,678
Total liabilities	<u>674,449</u>	<u>5,654</u>	<u>1,220</u>	<u>79,030</u>	<u>26,689</u>	<u>787,042</u>
Fund balances:						
Restricted for:						
Public safety	-	-	-	-	34,192	34,192
Debt service	-	-	-	-	72,645	72,645
Capital projects	-	-	-	882,595	-	882,595
Infrastructure improvements	25,000	-	-	-	592,188	617,188
Assigned for:						
Public safety	-	-	-	-	4,061	4,061
Infrastructure improvements	273,684	796,500	-	-	-	1,070,184
Community services	25,075	-	-	-	238,993	264,068
Community development	-	1,343,833	1,112,937	-	-	2,456,770
Unassigned	1,748,156	-	-	-	519,614	2,267,770
Total fund balances	<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>
Total liabilities and fund balances	<u>\$ 2,746,364</u>	<u>\$ 2,145,987</u>	<u>\$ 1,114,157</u>	<u>\$ 961,625</u>	<u>\$ 1,488,382</u>	

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.	8,635,240
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.	(25,875)
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	219,678
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	\$ (431,780)
Due in more than one year	(4,805,000)
Deferred charges	<u>40,977</u>
Net assets of governmental activities	<u>\$11,302,713</u>

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, 2011

	General	Sunnyvale 4A Development Corporation	Sunnyvale 4B Development Corporation	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property	\$2,431,688	\$ -	\$ -	\$ -	\$ 382,967	\$ 2,814,655
Sales	832,922	416,458	416,458	-	-	1,665,838
Franchise	914,799	-	-	-	-	914,799
Licenses and permits	132,788	-	-	-	-	132,788
Fines and forfeitures	478,838	-	-	-	30,126	508,964
Charges for current services	48,408	-	-	-	38,817	87,225
Revenues from use of money	1,944	4,234	4,269	1,264	5,912	17,623
Other revenue	353,518	-	-	-	-	353,518
Intergovernmental	461,347	-	-	-	5,127	466,474
Contributions and donations	-	-	-	-	6,600	6,600
Total revenues	5,656,252	420,692	420,727	1,264	469,549	6,968,484
EXPENDITURES						
Current:						
General government	1,749,208	-	-	-	-	1,749,208
Public safety	1,974,452	-	-	-	17,137	1,991,589
Community services	1,340,269	-	-	2,577	7,042	1,349,888
Community development	259,248	109,018	158,517	-	-	526,783
Debt service:						
Principal retirement	-	-	-	-	265,000	265,000
Interest and fiscal charges	-	-	-	-	210,757	210,757
Total expenditures	5,323,177	109,018	158,517	2,577	499,936	6,093,225
Excess of revenues over expenditures	333,075	311,674	262,210	(1,313)	(30,387)	875,259
OTHER FINANCING SOURCES (USES)						
Transfers in	128,632	-	-	-	86,500	215,132
Transfers out	(7,444)	(69,132)	(146,000)	(1,392)	-	(223,968)
Total other financing sources and uses	121,188	(69,132)	(146,000)	(1,392)	86,500	(8,836)
Net change in fund balances	454,263	242,542	116,210	(2,705)	56,113	866,423
Fund balances - beginning	1,617,652	1,897,791	996,727	885,300	1,405,580	6,803,050
Fund balances - ending	\$2,071,915	\$ 2,140,333	\$ 1,112,937	\$882,595	\$ 1,461,693	\$ 7,669,473

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, 2011

Amounts reported for governmental activities in the statement of activities (page 11) are different because:

Net change in fund balance-total governmental funds (page 13) \$ 866,423

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. 799,515

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. (299,218)

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	\$ 265,000	
Amortization of deferred charges	<u>(3,870)</u>	261,130

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. (8,306)

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. 87,326

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. 1,380

Change in net assets of governmental activities (page 11) \$ 1,708,250

See accompanying notes to financial statements.

TOWN OF SUNNYVALE, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUND
September 30, 2011

	Business-type Activities - Enterprise (Utility Operations) Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 708,646
Receivables (net of allowance for uncollectibles)	493,339
Inventory	92,189
Total current assets	1,294,174
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	1,284,770
Investments	4,361,826
Total restricted assets	5,646,596
Deferred charges	137,524
Capital assets (net, where applicable of accumulated depreciation)	10,380,660
Total noncurrent assets	16,164,780
Total assets	17,458,954
LIABILITIES	
Current liabilities:	
Accounts payable and other current liabilities	134,141
Accrued payroll payable	2,409
Due to other funds	351,517
Compensated absences	30,722
Customer deposits payable	96,840
Bonds payable	340,000
Notes payable	57,696
Accrued interest payable	40,353
Total current liabilities	1,053,678
Noncurrent liabilities:	
Bonds payable	6,442,036
Notes payable	161,467
Total noncurrent liabilities	6,603,503
Total liabilities	7,657,181
NET ASSETS	
Invested in capital assets, net of related debt	7,741,287
Restricted for infrastructure improvements	1,065,607
Unrestricted	994,879
Total net assets	\$ 9,801,773

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, 2011

	Business-type Activities - Enterprise (Utility Operations) Fund
Operating revenues:	
Water revenue	\$ 2,058,096
Sewer revenue	948,375
Garbage collection fees	191,974
Impact fees	172,761
Tap fees	16,300
Other	15,061
Total operating revenues	3,402,567
Operating expenses:	
Costs of sales and services	2,477,007
Depreciation	295,185
Total operating expenses	2,772,192
Operating income	630,375
Nonoperating revenue (expenses):	
Investment earnings	18,123
Interest and fiscal charges	(89,299)
Bond issuance costs	(12,280)
Contribution	(295,758)
Total nonoperating revenue (expenses)	(379,214)
Income before transfers	251,161
Transfer in	8,836
Change in net assets	259,997
Total net assets - beginning	9,541,776
Total net assets - ending	\$ 9,801,773

See accompanying notes to financial statements.

TOWN OF SUNNYVALE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended September 30, 2011

	Business-type Activities - Enterprise (Utility Operations) Fund
Cash flows from operating activities:	
Receipts from customers and users	\$ 3,404,722
Payments to suppliers	(2,181,499)
Payments to employees	(462,143)
Net cash provided (used) by operating activities	761,080
Cash flows from noncapital financing activities:	
Repayment of advances from other funds	(180,826)
Transfers from other funds	8,836
Net cash provided (used) by noncapital financing activities	(171,990)
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(660,610)
Proceeds from sale of bonds	3,083,002
Bond issuance costs	(79,638)
Principal paid on capital debt	(328,790)
Interest paid on capital debt	(152,176)
Net cash provided (used) by capital and related financing activities	1,861,788
Cash flows from investing activities:	
Interest on investments	18,123
Net cash provided (used) by investing activities	18,123
Net change in cash and cash equivalents	2,469,001
Cash and cash equivalents at beginning of year	3,886,241
Cash and cash equivalents at end of year	\$ 6,355,242
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 630,375
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	295,185
(Increase) decrease in accounts receivable	(141,437)
(Increase) decrease in inventory	(28,795)
Increase (decrease) in accounts payable and accrued expenses	3,597
Net increase in customer deposits	2,155
Total adjustments	130,705
Net cash provided by operating activities	\$ 761,080

See accompanying notes to financial statements.

TOWN OF SUNNYVALE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

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, 2011

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, 2011

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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources, as they are needed.

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, 2011

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 thirty days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to .2 percent of outstanding property taxes at year end.

The Town's property tax is levied 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. The Town bills and collects its own property taxes, which are due October 1. Full payment can be made prior to the next January 31 to avoid penalty and interest charges. 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, 2011

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 \$164,618. Of this amount, \$69,709 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
Improvements	10-40
Machinery and equipment	3-5
Infrastructure	40-50

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, 2011

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 -

Beginning with fiscal year 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. 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.

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.

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.

TOWN OF SUNNYVALE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 General fund expenditures exceeded appropriations by \$337,074. This excess was funded by excess revenues in the amount of \$799,059.

The Utility Operations fund operating expenses exceeded appropriations by \$181,975. This excess was funded by excess operating revenues in the amount of \$664,100.

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 \$6,834,204. Of the bank balance, \$1,709,637 was covered by federal depository insurance and the remaining balance, \$5,124,567, was covered by collateral pledged in the City's name by the safekeeping department of the pledging bank's agent.

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.

TOWN OF SUNNYVALE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and investments (continued)

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>\$ 5,323,451</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.

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:

	<u>General</u>	<u>Sunnyvale 4A Development Corporation</u>	<u>Sunnyvale 4B Development Corporation</u>	<u>Nonmajor Governmental</u>	<u>Utility Operations</u>	<u>Total</u>
Receivables:						
Taxes	\$ 582,840	\$ 81,512	\$ 81,512	\$ 31,999	\$ -	\$ 777,863
Accounts	-	-	-	-	512,504	512,504
Other	3,381	-	-	-	-	3,381
Gross receivables	<u>586,221</u>	<u>81,512</u>	<u>81,512</u>	<u>31,999</u>	<u>512,504</u>	<u>1,293,748</u>
Less: allowance for uncollectibles	(38,525)	-	-	(5,140)	(19,165)	(62,830)
Net total receivables	<u>\$ 547,696</u>	<u>\$ 81,512</u>	<u>\$ 81,512</u>	<u>\$ 26,859</u>	<u>\$ 493,339</u>	<u>\$ 1,230,918</u>

TOWN OF SUNNYVALE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

B. Receivables (continued)

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:

	<u>Unavailable</u>
Delinquent property taxes receivable (general fund)	\$ 165,422
Delinquent property taxes receivable (other governmental funds)	26,689
Grant revenue (general fund)	<u>27,567</u>
Total deferred revenue for governmental funds	<u><u>\$ 219,678</u></u>

TOWN OF SUNNYVALE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

C. Capital assets

Capital asset activity for the year ended September 30, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 963,894	\$ -	\$ -	\$ 963,894
Construction in progress	832,243	192,875	(581,259)	443,859
Total capital assets not being depreciated	<u>1,796,137</u>	<u>192,875</u>	<u>(581,259)</u>	<u>1,407,753</u>
Capital assets being depreciated:				
Buildings	4,907,347	-	-	4,907,347
Machinery and equipment	2,931,034	310,882	-	3,241,916
Infrastructure	2,717,322	877,017	-	3,594,339
Totals capital assets being depreciated	<u>10,555,703</u>	<u>1,187,899</u>	<u>-</u>	<u>11,743,602</u>
Less accumulated depreciation for:				
Buildings	(861,057)	(116,611)	-	(977,668)
Machinery and equipment	(2,679,354)	(147,345)	-	(2,826,699)
Infrastructure	(676,486)	(35,262)	-	(711,748)
Total accumulated depreciation	<u>(4,216,897)</u>	<u>(299,218)</u>	<u>-</u>	<u>(4,516,115)</u>
Total capital assets, being depreciated, net	6,338,806	888,681	-	7,227,487
Governmental activities capital assets, net	<u>\$ 8,134,943</u>	<u>\$ 1,081,556</u>	<u>\$ (581,259)</u>	<u>\$ 8,635,240</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 36,000	\$ 63,425	\$ -	\$ 99,425
Construction in progress	414,019	621,253	(908,173)	127,099
Total capital assets not being depreciated	<u>450,019</u>	<u>684,678</u>	<u>(908,173)</u>	<u>226,524</u>
Capital assets being depreciated:				
Buildings	1,959,801	-	-	1,959,801
Improvements	11,000,067	612,415	-	11,612,482
Machinery and equipment	466,470	6,000	-	472,470
Total capital assets being depreciated	<u>13,426,338</u>	<u>618,415</u>	<u>-</u>	<u>14,044,753</u>
Less accumulated depreciation for:				
Buildings	(666,794)	(37,784)	-	(704,578)
Improvements	(2,668,793)	(225,604)	-	(2,894,397)
Machinery and equipment	(259,845)	(31,797)	-	(291,642)
Total accumulated depreciation	<u>(3,595,432)</u>	<u>(295,185)</u>	<u>-</u>	<u>(3,890,617)</u>
Total capital assets being depreciated, net	9,830,906	323,230	-	10,154,136
Business-type capital assets, net	<u>\$ 10,280,925</u>	<u>\$ 1,007,908</u>	<u>\$ (908,173)</u>	<u>\$ 10,380,660</u>

TOWN OF SUNNYVALE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

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		\$ 151,078
Public safety		37,104
Community services		111,036
Total depreciation expense - governmental activities		<u>\$ 299,218</u>
Business-type activities:		
Utility operations		<u>\$ 295,185</u>
Total depreciation expense - business-type activities		<u>\$ 295,185</u>

The construction in progress consists of infrastructure and utility system improvements.

Construction Commitments –

The Town has construction projects outstanding as of September 30, 2011. 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	<u>\$ 23,906</u>	<u>\$ 157,703</u>
	<u>\$ 23,906</u>	<u>\$ 157,703</u>

The utility system improvements project is a commitment of the Town's utility operations enterprise fund. 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	\$ 79,030
General	Utility operations	351,517
Nonmajor governmental funds	General	178,938
		<u>\$ 609,485</u>

TOWN OF SUNNYVALE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

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	Utility Operations	Nonmajor Governmental	
Transfer out:				
General	\$ -	\$ 7,444	\$ -	\$ 7,444
Sunnyvale 4A Development Corporation	32,632	-	36,500	69,132
Sunnyvale 4B Development Corporation	96,000	-	50,000	146,000
Capital Projects	-	1,392	-	1,392
	<u>\$ 128,632</u>	<u>\$ 8,836</u>	<u>\$ 86,500</u>	<u>\$ 223,968</u>

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 4B Development Corporation to General Fund for administrative services
- Sunnyvale 4B Development Corporation to Nonmajor Governmental for payment of bond
- Nonmajor Governmental Funds and Utility Operations to General Fund for grants and administrative services

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	2.75-4.25%	\$ 5,100,000
Business-type activities	3.00-6.50%	6,710,000
Total		<u>\$11,810,000</u>

TOWN OF SUNNYVALE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

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
2012	\$ 295,000	\$ 200,863	\$ 340,000	\$ 280,625
2013	325,000	187,985	385,000	232,615
2014	360,000	174,105	395,000	220,803
2015	390,000	159,141	410,000	208,290
2016	415,000	143,879	420,000	194,775
2017-2021	1,515,000	483,804	1,605,000	786,302
2022-2026	1,215,000	246,535	1,735,000	469,700
2027-2030	585,000	23,878	1,420,000	123,941
	<u>\$ 5,100,000</u>	<u>\$ 1,620,189</u>	<u>\$ 6,710,000</u>	<u>\$ 2,517,052</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, 2011 totaled \$99,496. The amount due within one year totals \$48,091.

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, 2011, no payments have been made. The amount of funds to be repaid as of September 30, 2011 totals \$192,100. The amount due within one year totals \$4,128.

TOWN OF SUNNYVALE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

E. Long-term liabilities (continued)

Changes in long-term liabilities –

Long-term liability activity for the year ended September 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Certificates of obligation	\$ 5,365,000	\$ -	\$ (265,000)	\$ 5,100,000	\$ 295,000
Compensated absences	128,474	132,896	(124,590)	136,780	136,780
Governmental activity					
Long-term liabilities	<u>\$ 5,493,474</u>	<u>\$ 132,896</u>	<u>\$ (389,590)</u>	<u>\$ 5,236,780</u>	<u>\$ 431,780</u>
Business-type activities:					
Certificates of obligation	\$ 3,925,000	\$ 3,035,000	\$ (250,000)	\$ 6,710,000	\$ 340,000
Less deferred amounts:					
For issuance premium	38,309	48,002	(7,759)	78,552	-
On refunding	(7,602)	-	1,086	(6,516)	-
Total certificates of obligation	3,955,707	3,083,002	(256,673)	6,782,036	340,000
Notes payable	370,386	-	(78,790)	291,596	57,696
Less discount on notes payable	(73,494)	-	1,061	(72,433)	-
Total notes payable	296,892	-	(77,729)	219,163	57,696
Compensated absences	54,424	8,843	(32,545)	30,722	30,722
Business-type activity					
Long-term liabilities	<u>\$ 4,307,023</u>	<u>\$ 3,091,845</u>	<u>\$ (366,947)</u>	<u>\$ 7,031,921</u>	<u>\$ 428,418</u>

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 obligations, notes payable and compensated absences issued for business-type activities are repaid from those activities.

F. Restricted assets

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

Revenue bond construction account	<u><u>\$5,646,596</u></u>
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TOWN OF SUNNYVALE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

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, 2012 with monthly payments of \$105,597. Payments under the previous agreement for the year ended September 30, 2011 totaled \$1,229,088.

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 2011 was \$2.21 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.

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, 2011

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.

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 2010	Plan Year 2011
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 remainder of the plan's 28-year amortization period. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

TOWN OF SUNNYVALE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

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)	\$	200,457
Interest on Net Pension Obligation		-
Adjustment to the ARC		-
Annual Pension Cost (APC)		200,457
Contributions Made		(200,457)
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)
2006	\$ 107,355	\$ 107,355	100%	\$ -
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%	-

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

TOWN OF SUNNYVALE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 4 – OTHER INFORMATION (continued)

D. Retirement plan (continued)

Valuation Date	12/31/2008	12/31/2009	12/31/10-prior to restructuring	12/31/10- Restructured
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	29.0 years; closed period	28.1 years; closed period	27.2 years; closed period	27.2 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years	30 years
Asset Valuation Method	Amortized Cost	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:				
Investment Rate of Return*	7.5%	7.5%	7.5%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.0%	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%	2.1%

In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS town rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

The funded stats as of December 31, 2010, under the two separate actuarial valuations, 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
12/31/2005	\$ 994,539	\$ 1,387,197	71.7%	\$ 392,658	\$ 849,500	46.2%
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 ¹	1,815,780	2,920,197	62.2%	1,104,417	1,432,981	77.1%
12/31/2010 ²	2,438,267	3,489,016	69.9%	1,050,749	1,432,981	73.3%

(1) Actuarial valuation performed under the original fund structure.

(2) Actuarial valuation performed under the new fund structure.

TOWN OF SUNNYVALE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 4 – OTHER INFORMATION (continued)

D. Retirement plan (continued)

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.

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.

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.

TOWN OF SUNNYVALE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE 4 – OTHER INFORMATION (continued)

E. Postemployment Benefits (continued)

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	Town's Contribution		Schedule of Contribution Rates As a Percentage of Covered Payroll		
	Annual Required Contribution	Actual Contribution Made	Annual Required Contribution	Actual Contribution Made	Percentage of ARC Contributed
	2006	\$ 2,718	\$ 2,718	0.32%	0.32%
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	0.26%	0.26%	100.0%
2011	4,425	4,425	0.31%	0.31%	100.0%

F. Subsequent event

Subsequent to the year end Sunnyvale 4B Development Corporation approved the purchase of equipment for the park in the amount of \$62,000.

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, 2011

	Budget Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget - Over (Under) Budget
	Original	Final				
REVENUES						
Taxes:						
Property	\$2,515,114	\$2,452,784	\$2,431,688	\$ 23,097	\$2,454,785	\$ 2,001
Sales	625,000	720,000	832,922	-	832,922	112,922
Franchise	777,000	845,822	914,799	-	914,799	68,977
Licenses and permits	93,500	111,617	132,788	-	132,788	21,171
Fines	378,014	450,000	478,838	-	478,838	28,838
Charges for current services	60,000	56,000	48,408	-	48,408	(7,592)
Revenues from use of money	2,000	2,000	1,944	-	1,944	(56)
Other revenue	20,500	27,700	353,518	(25,000)	328,518	300,818
Intergovernmental	213,313	200,746	461,347	11,379	472,726	271,980
Total revenues	<u>4,684,441</u>	<u>4,866,669</u>	<u>5,656,252</u>	<u>9,476</u>	<u>5,665,728</u>	<u>799,059</u>
EXPENDITURES						
Current:						
General government:						
Town manager	593,819	603,854	843,899	152	844,051	240,197
Town secretary	163,474	167,007	158,850	-	158,850	(8,157)
Finance	165,717	165,285	174,664	-	174,664	9,379
Non-departmental	330,955	344,151	571,795	-	571,795	227,644
Public safety:						
Fire and EMS	482,950	476,172	492,663	-	492,663	16,491
Municipal court	239,709	226,669	210,729	-	210,729	(15,940)
Patrol and police	1,275,758	1,275,098	1,271,060	-	1,271,060	(4,038)
Community services	1,433,375	1,480,655	1,340,269	-	1,340,269	(140,386)
Community development	238,592	247,364	259,248	-	259,248	11,884
Total expenditures	<u>4,924,349</u>	<u>4,986,255</u>	<u>5,323,177</u>	<u>152</u>	<u>5,323,329</u>	<u>337,074</u>
Excess of revenues over expenditures	<u>(239,908)</u>	<u>(119,586)</u>	<u>333,075</u>	<u>9,324</u>	<u>342,399</u>	<u>461,985</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	133,000	133,000	128,632	-	128,632	(4,368)
Transfers out	-	-	(7,444)	-	(7,444)	(7,444)
Total other financing sources and uses	<u>133,000</u>	<u>133,000</u>	<u>121,188</u>	<u>-</u>	<u>121,188</u>	<u>(11,812)</u>
Net change in fund balance	(106,908)	13,414	454,263	9,324	463,587	450,173
Fund balance - beginning	<u>1,342,467</u>	<u>1,617,652</u>	<u>1,617,652</u>	<u>-</u>	<u>1,617,652</u>	<u>-</u>
Fund balance - ending	<u>\$1,235,559</u>	<u>\$1,631,066</u>	<u>\$2,071,915</u>	<u>\$ 9,324</u>	<u>\$2,081,239</u>	<u>\$ 450,173</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, 2011

	Budget Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget - Over (Under) Budget
	Original	Final				
REVENUES						
Taxes:						
Sales	\$ 312,500	\$ 360,000	\$ 416,458	\$ -	\$ 416,458	\$ 56,458
Revenues from use of money	5,000	5,000	4,234	-	4,234	(766)
Total revenues	<u>317,500</u>	<u>365,000</u>	<u>420,692</u>	<u>-</u>	<u>420,692</u>	<u>55,692</u>
EXPENDITURES						
Current:						
Community development	650,900	1,208,700	109,018	-	109,018	(1,099,682)
Debt service:						
Principal retirement	-	-	-	8,128	8,128	8,128
Total debt service	-	-	-	8,128	8,128	8,128
Total expenditures	<u>650,900</u>	<u>1,208,700</u>	<u>109,018</u>	<u>8,128</u>	<u>117,146</u>	<u>(1,091,554)</u>
Excess of revenues over expenditures	<u>(333,400)</u>	<u>(843,700)</u>	<u>311,674</u>	<u>(8,128)</u>	<u>303,546</u>	<u>1,147,246</u>
OTHER FINANCING SOURCES (USES)						
Transfers out	<u>(48,500)</u>	<u>(48,500)</u>	<u>(69,132)</u>	<u>8,128</u>	<u>(61,004)</u>	<u>(12,504)</u>
Total other financing sources and uses	<u>(48,500)</u>	<u>(48,500)</u>	<u>(69,132)</u>	<u>8,128</u>	<u>(61,004)</u>	<u>(12,504)</u>
Net change in fund balance	(381,900)	(892,200)	242,542	-	242,542	1,134,742
Fund balance - beginning	<u>1,901,455</u>	<u>1,897,790</u>	<u>1,897,791</u>	<u>-</u>	<u>1,897,791</u>	<u>1</u>
Fund balance - ending	<u>\$1,519,555</u>	<u>\$1,005,590</u>	<u>\$2,140,333</u>	<u>\$ -</u>	<u>\$2,140,333</u>	<u>\$ 1,134,743</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, 2011

	Budget Amounts		Actual	Variance with Final Budget - Over (Under) Budget
	Original	Final		
REVENUES				
Taxes:				
Sales	\$ 312,500	\$ 312,500	\$ 416,458	\$ 103,958
Revenues from use of money	4,500	4,500	4,269	(231)
Total revenues	<u>317,000</u>	<u>317,000</u>	<u>420,727</u>	<u>103,727</u>
EXPENDITURES				
Current:				
Community development	421,800	421,800	158,517	(263,283)
Total expenditures	<u>421,800</u>	<u>421,800</u>	<u>158,517</u>	<u>(263,283)</u>
Excess of revenues over expenditures	<u>(104,800)</u>	<u>(104,800)</u>	<u>262,210</u>	<u>367,010</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(50,000)	(50,000)	(146,000)	(96,000)
Total other financing sources and uses	<u>(50,000)</u>	<u>(50,000)</u>	<u>(146,000)</u>	<u>(96,000)</u>
Net change in fund balance	(154,800)	(154,800)	116,210	271,010
Fund balance - beginning	<u>910,142</u>	<u>996,726</u>	<u>996,727</u>	<u>1</u>
Fund balance - ending	<u>\$ 755,342</u>	<u>\$ 841,926</u>	<u>\$ 1,112,937</u>	<u>\$ 271,011</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.

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, 2011

	Roadway Impact	Homestead Amenities	Special Revenue	Total Special Revenue	Debt Service	Total Nonmajor Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 528,096	\$ 682,014	\$ -	\$ 1,210,110	\$ 72,475	\$ 1,282,585
Receivables (net of allowance for uncollectibles)	-	-	-	-	26,859	26,859
Due from other funds	64,092	-	114,846	178,938	-	178,938
Total assets	\$ 592,188	\$ 682,014	\$ 114,846	\$ 1,389,048	\$ 99,334	\$ 1,488,382

LIABILITIES AND FUND BALANCES

Liabilities:						
Deferred revenue	\$ -	\$ -	\$ -	\$ -	\$ 26,689	\$ 26,689
Total liabilities	-	-	-	-	26,689	26,689

Fund balances:						
Restricted for:						
Public safety	-	-	34,192	34,192	-	34,192
Debt service	-	-	-	-	72,645	72,645
Infrastructure improvements	592,188	-	-	592,188	-	592,188
Assigned for:						
Public safety	-	-	4,061	4,061	-	4,061
Community services	-	162,400	76,593	238,993	-	238,993
Unassigned	-	519,614	-	519,614	-	519,614
Total fund balances	592,188	682,014	114,846	1,389,048	72,645	1,461,693
Total liabilities and fund balances	\$ 592,188	\$ 682,014	\$ 114,846	\$ 1,389,048	\$ 99,334	\$ 1,488,382

TOWN OF SUNNYVALE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
 Year Ended September 30, 2011

	Roadway Impact	Homestead Amenities	Special Revenue	Total Special Revenue	Debt Service	Total Nonmajor Governmental Funds
REVENUES						
Taxes:						
Property	\$ -	\$ -	\$ -	\$ -	\$ 382,967	\$ 382,967
Fines	-	-	30,126	30,126	-	30,126
Charges for current services	38,817	-	-	38,817	-	38,817
Revenues from use of money	2,411	3,075	-	5,486	426	5,912
Intergovernmental	-	-	5,127	5,127	-	5,127
Contributions and donations	-	-	6,600	6,600	-	6,600
Total revenues	41,228	3,075	41,853	86,156	383,393	469,549
EXPENDITURES						
4 Current:						
Public safety	-	-	17,137	17,137	-	17,137
Community services	-	-	7,042	7,042	-	7,042
Debt service:						
Principal retirement	-	-	-	-	265,000	265,000
Interest and fiscal charges	-	-	-	-	210,757	210,757
Total expenditures	-	-	24,179	24,179	475,757	499,936
Excess (deficiency) of revenues over (under) expenditures	41,228	3,075	17,674	61,977	(92,364)	(30,387)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	86,500	86,500
Total other financing sources (uses)	-	-	-	-	86,500	86,500
Net change in fund balances	41,228	3,075	17,674	61,977	(5,864)	56,113
Fund balances - beginning	550,960	678,939	97,172	1,327,071	78,509	1,405,580
Fund balances - ending	\$ 592,188	\$ 682,014	\$ 114,846	\$ 1,389,048	\$ 72,645	\$ 1,461,693

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, 2011

	Budget Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Over (Under) Budget
	Original	Final				
Operating revenues:						
Water revenue	\$ 1,510,000	\$ 1,510,000	\$ 2,058,096	\$ (10,186)	\$ 2,047,910	\$ 537,910
Sewer revenue	792,000	792,000	948,375	(2,203)	946,172	154,172
Garbage collection fees	184,500	184,500	191,974	(578)	191,396	6,896
Impact fees	250,000	190,000	172,761	-	172,761	(17,239)
Tap fees	30,000	30,000	16,300	-	16,300	(13,700)
Other	19,000	19,000	15,061	-	15,061	(3,939)
Total operating revenues	<u>2,785,500</u>	<u>2,725,500</u>	<u>3,402,567</u>	<u>(12,967)</u>	<u>3,389,600</u>	<u>664,100</u>
Operating expenses:						
Costs of sales and services	2,378,792	2,377,792	2,477,007	29,022	2,506,029	128,237
Depreciation	241,000	241,000	295,185	(447)	294,738	53,738
Total operating expenses	<u>2,619,792</u>	<u>2,618,792</u>	<u>2,772,192</u>	<u>28,575</u>	<u>2,800,767</u>	<u>181,975</u>
Operating income	<u>165,708</u>	<u>106,708</u>	<u>630,375</u>	<u>(41,542)</u>	<u>588,833</u>	<u>482,125</u>
Nonoperating revenue (expenses):						
Investment earnings	7,050	7,050	18,123	250	18,373	11,323
Principal, interest and fiscal charges	(401,689)	(401,689)	(89,299)	(381,855)	(471,154)	(69,465)
Bond issuance costs	-	-	(12,280)	(104)	(12,384)	(12,384)
Contribution	-	-	(295,758)	295,758	-	-
Total nonoperating revenue (expenses)	<u>(394,639)</u>	<u>(394,639)</u>	<u>(379,214)</u>	<u>(85,951)</u>	<u>(465,165)</u>	<u>(70,526)</u>
Income before transfers	<u>(228,931)</u>	<u>(287,931)</u>	<u>251,161</u>	<u>(127,493)</u>	<u>123,668</u>	<u>411,599</u>
Transfer in	-	-	8,836	(8,129)	707	(707)
Transfer out	<u>(25,000)</u>	<u>(14,445)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,445)</u>
Net change in net assets after transfers	<u>(253,931)</u>	<u>(302,376)</u>	<u>259,997</u>	<u>(135,622)</u>	<u>124,375</u>	<u>396,447</u>
Bond proceeds	-	3,000,000	-	3,035,000	3,035,000	35,000
Note principal	(64,000)	(78,790)	-	(78,790)	(78,790)	-
Capital expenses	<u>(1,770,449)</u>	<u>(848,332)</u>	<u>-</u>	<u>(507,988)</u>	<u>(507,988)</u>	<u>340,344</u>
Change in net assets	<u><u>\$ (2,088,380)</u></u>	<u><u>\$ 1,770,502</u></u>	<u><u>\$ 259,997</u></u>	<u><u>\$ 2,312,600</u></u>	<u><u>\$ 2,572,597</u></u>	<u><u>\$ 771,791</u></u>