

Comprehensive Annual Financial Report



City of Cedar Hill, Texas
For Year Ended September 30, 2012

CITY OF CEDAR HILL, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2012

Prepared by the
CITY OF CEDAR HILL
FINANCE DEPARTMENT
Martin Avila, Director

Kim Johnson, Accounting Manager

CITY COUNCIL

Robert K. Franke, Mayor

Chris Parvin, Mayor Pro Tem
Jami McCain, Council Member
Wallace Swayze, Council Member

Daniel C. Haydin Jr., Council Member
Stephen Mason, Council Member
Clifford R. Shaw, Council Member

CITY MANAGER

Alan E. Sims



City of Cedar Hill
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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INTRODUCTORY SECTION



September 20 , 2013

***To the Honorable Mayor and City Council
City of Cedar Hill, Texas***

Submitted herewith is the Comprehensive Annual Financial Report (CAFR) of the City of Cedar Hill (the "City") for the fiscal year ended September 30, 2012. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects. The data is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. To enable the reader to gain an understanding of the City's financial activities, all necessary disclosures have been included.

The CAFR is prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America established by the Government Accounting Standards Board (GASB). The CAFR is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, the City's organizational chart, a list of principal officials and the Government Finance Officer's Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the City's 2011 report. The financial section includes the management's discussion and analysis (MD&A), the government-wide and fund financial statements, notes to basic financial statements, required supplemental information, other supplemental information, as well as the independent auditors' report on the basic financial statements. The statistical section includes selected financial and demographic information which is presented on a multi-year basis.

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

THE REPORTING ENTITY

The City of Cedar Hill was incorporated in 1938 under the general laws of the State of Texas. The City operates under a council-manager form of government. The City provides a full range of municipal services authorized by statute or charter. These services include police and fire protection, water and wastewater services, the construction and maintenance of streets, infrastructure and other related facilities, code enforcement, building inspection, parks and recreation, library, public improvements, planning and zoning, economic development, and general administrative services.

The accompanying CAFR includes all funds of the City. This report includes all government activities, organizations and functions for which the City is financially accountable. The criteria used in determining activities to be reported within the City's basic financial statements are based upon and consistent with those set forth by the GASB. Based upon these criteria, the

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Community Development Corporation (CDC) and the Economic Development Corporation (EDC) are included as discretely presented component units.

THE CITY OF CEDAR HILL

Cedar Hill, the oldest organized community in Dallas County, has grown from a small rural town of 6,850 in 1980 to a suburban city with approximately 46,829 in 2012. The City of Cedar Hill is located on U.S. Highway 67, in the southwest quadrant of Dallas County and a small portion of northern Ellis County. The City covers an area of 36 square miles and is approximately 18 miles from downtown Dallas. With easy access to I-20 and I-35 from U.S. Highway 67, Cedar Hill is home to many residents who commute to and from employment in the Dallas-Fort Worth (DFW) metropolitan area. One of the City's most visited attractions, Joe Pool Lake, offers 7,500 acres of water for fishing, sailing and waterskiing, drawing visitors from all over the United States. Adjoining Joe Pool Lake is Cedar Hill State Park, which offers more than 1,800 acres of parkland and is one of the most visited state parks in Texas. Cedar Hill also has 31 City parks on approximately 707 acres of parkland. Park facilities include a recreation center, a senior center, softball fields, baseball fields, soccer fields, tennis courts, a municipal swimming pool, football fields, playground equipment, picnic pavilions, basketball courts, an amphitheatre, fishing ponds, paved trails and nature preserves. This variety of amenities is an asset to our community and a point of character and identity, adding to the charm of Cedar Hill. The inclusion of neighborhood parks and the preservation of green space will remain a priority as the City expands.

ECONOMIC CONDITION AND OUTLOOK

Optimism is the best way to describe the overall feeling in commercial real estate in the Metroplex. From meetings focused on retail development to those focused on industrial development, the tone is positive. Cedar Hill is no exception to the increasingly positive business climate and continuing recovery. In 2012, there were 104 commercial certificates of occupancy awarded in Cedar Hill and there were 415 building permits issued with a total valuation of \$19,898,000.

A classic example of the positive business climate is the growth in the industrial sector; growth in the Cedar Hill Business Park on Mt. Lebanon Road. Siddons-Martin, a fire apparatus maintenance company, is completing construction of a 12,000 square foot building, Dallas Aeronautical Services purchased one lot and has a 51,000 square foot building under construction; PD Transportation is purchasing 2 lots; all new investment and new jobs for the City. In another industrial area, BP Enterprises purchased a green lot on Grigsby Way to locate in Cedar Hill.

The newest ground breaking in Cedar Hill is a high end, urban style multi-family complex of 355 units. This 13 acre complex, consists of garden-style luxury buildings and first floor spaces convertible to mixed use office or retail. Community amenities include an upscale clubhouse, extensive landscaping, park, executive business center, resort-style swimming pool, state of the art fitness facility, internet café, game room and theatre. In the complex, they will participate in a green building program that focuses on reducing energy and water consumption. Key features

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include efficient building practices combined with the preservation of environmental features, such as native landscaping.

The retail market remains strong in Cedar Hill. Uptown Village at Cedar Hill continues to add stores and improve sales. Simply Mac, an exclusive retailer of Apple products, opened in 2013 and is the first of its kind in Texas! Lids, Massage Envy, and Avocados Restaurant are a few of the other new offerings. It has been estimated that up to 80% of the sales in Uptown Village are from customers who reside outside of Cedar Hill. Chipotle, 5 Guys Burgers and DSW Shoe Warehouse are new in the Plaza Shopping Center.

The office sector continues to grow. In 2007, a 25,000 square foot building by Methodist Health Group opened, and in 2008 a 12,000 square foot office building anchored by Baylor Health Group opened. The Baylor office building is fully occupied with Baylor Imaging and Children's Medical offices as well as Baylor offices. In 2009, Sandler Southwest completed construction of a 70,000 square foot Class A office building, 610 Uptown Blvd. Strayer University occupies the 3rd floor. This year the owners began the finish out of the 4th floor for occupancy. A 12,000 square foot, multiple doctor, complete eye care facility opened at the beginning of 2012 in the Uptown District. While medical office continues to do well in the City, 2013 has also seen HRO Architects open their doors.

Use of hotel space in the City continues to grow and helps to support the City's effort to develop tourism. La Quinta opened a 60-room hotel in 2008, followed by a 70-room Holiday Inn Express in 2009. The national Audubon Society opened a 250-acre national preserve with interpretive center late summer of 2011 that is anticipated to draw several thousand visitors per year. This center, in conjunction with Cedar Hill State Park, Cedar Mountain Preserve and other adjacent City and institutional open space, represents one of the largest masses of urban preserve in the region.

The City continues to have a significant presence in the higher education market. Northwood University, a private university offering undergraduate and postgraduate studies, has been located in the city since the 1960's. Northwood University is expanding the dorm and classroom space on campus as well as expanding its educational programs. In the fall of 2009, Northwood began offering an MBA program. In the Fall of 2011, Northwood's new dorm opened. Adding to the education offerings in the City is Strayer University in 610 Uptown Blvd, and Cedar Valley College which offers workforce development and continuing education classes in conjunction with the Small Business Development Center at the Cannady location in Cedar Hill.

New and varied offerings in K-12 are springing up in the City. While the ISD continues to thrive as a Recognized District and is adding gardens on campuses, other education offerings are also springing up. Village Tech, a new charter school, will open in Cedar Hill the fall of 2013. Crossroads Academy, another charter school in the City, announced an expansion this year. In the past few years Trinity Christian School has continued to grow and added students as well as facilities.

Opportunity for growth continues to exist, as the city is approximately 50% developed.

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The fiscal year 2013 budget was developed based upon a decrease in taxable assessed valuation of 1.95%. The property tax rate was increased from 68.588 to 69.569 cents per \$100 to maintain the current service levels provided to citizens. This increase in the property tax rate is projected to generate approximately \$27,000 in additional revenues when compared to fiscal year 2012. The budget also included anticipated growth in sales tax of 1.2%. The General Fund expenditure budget for fiscal year 2013 increased by approximately \$650,000 to include a one-time lump sum payment to City employees due to no salary increases over the last four budget years, and a 5% raise for all sworn public safety personnel. The City continues to remain financially strong and stable by adjusting expenditures to available revenues.

FINANCIAL PLANNING AND FISCAL POLICIES

The City continues to update several master plans to guide the City's long-term growth and financial planning. Significant master planning activity includes: 1) a comprehensive water and wastewater system master plan update 2) parks, open space and trails vision plan 3) a transit oriented development-city center plan, and 4) a strategic plan for the Economic Development Corporation. Utilizing these plans, the City annually updates a five-year capital improvement plan, including the timing and amounts of debt to be issued to fund the plan.

The City also maintains a police department staffing plan and a fire department staffing plan. The City completes a benchmarking survey of budgets, staffing and selected activity measurements of thirteen similar cities as part of the annual budget process. These plans and the survey are used as an aid in determining budget allocations to the various departments and activities of the City.

The City's fiscal management policies require minimum fund balances for numerous funds. Each of the funds with minimum fund balance requirements meets or exceeds these requirements. There were no significant impacts on the current year's operations as a result of the fiscal management policies.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

City management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse. Management must also ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is

designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework.

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The City's accounting records for general governmental operations are maintained on a modified accrual basis, with revenues recognized when measurable and available, and expenditures recorded when the liability is incurred. Proprietary operations are maintained on a full accrual basis.

The objective of budgetary controls is to ensure compliance with legal provisions contained in the annual budget approved by the City Council. Activities of the general fund, special revenue funds and debt service fund are included in the annual budget. The budget is developed and controlled at the department level, although appropriations are set at the fund level, and encumbrances are entered at the time a purchase order is issued. Outstanding encumbrances lapse at fiscal year-end and the subsequent year's budget must absorb the expenditures when incurred. Separate multi-year budgets are developed for the capital project funds.

OTHER INFORMATION

Independent Audit:

The City Charter requires an annual audit of the books of account, financial records, and transactions of all administrative departments of the City. The City Charter specifies that such audit be conducted by independent auditors selected by the City Council. Crowe Horwath LLP was selected by the City Council to conduct this year's audit. The independent auditors' report on the basic financial statements is included in the financial section of this report.

Certificate of Achievement:

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cedar Hill for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2011. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such CAFR must satisfy both GAAP and applicable legal requirements.


A Certificate of Achievement is valid for a period of one year. The City has received the Certificate of Achievement for twenty-two years consecutively (fiscal years ended 1990 - 2011). We believe our current report continues to conform to the Certificate of Achievement program requirements, and are submitting the 2012 CAFR to the GFOA.

Acknowledgements:

The preparation of this report could not be accomplished without the efficient and dedicated services of the Administrative Department staff and the Finance Department staff. We would like to express our appreciation to all employees who assisted and contributed to its presentation.

We would also like to thank the members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible manner.

Respectfully submitted,



Alan E. Sims, City Manager



Martin Avila, Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cedar Hill
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Moine

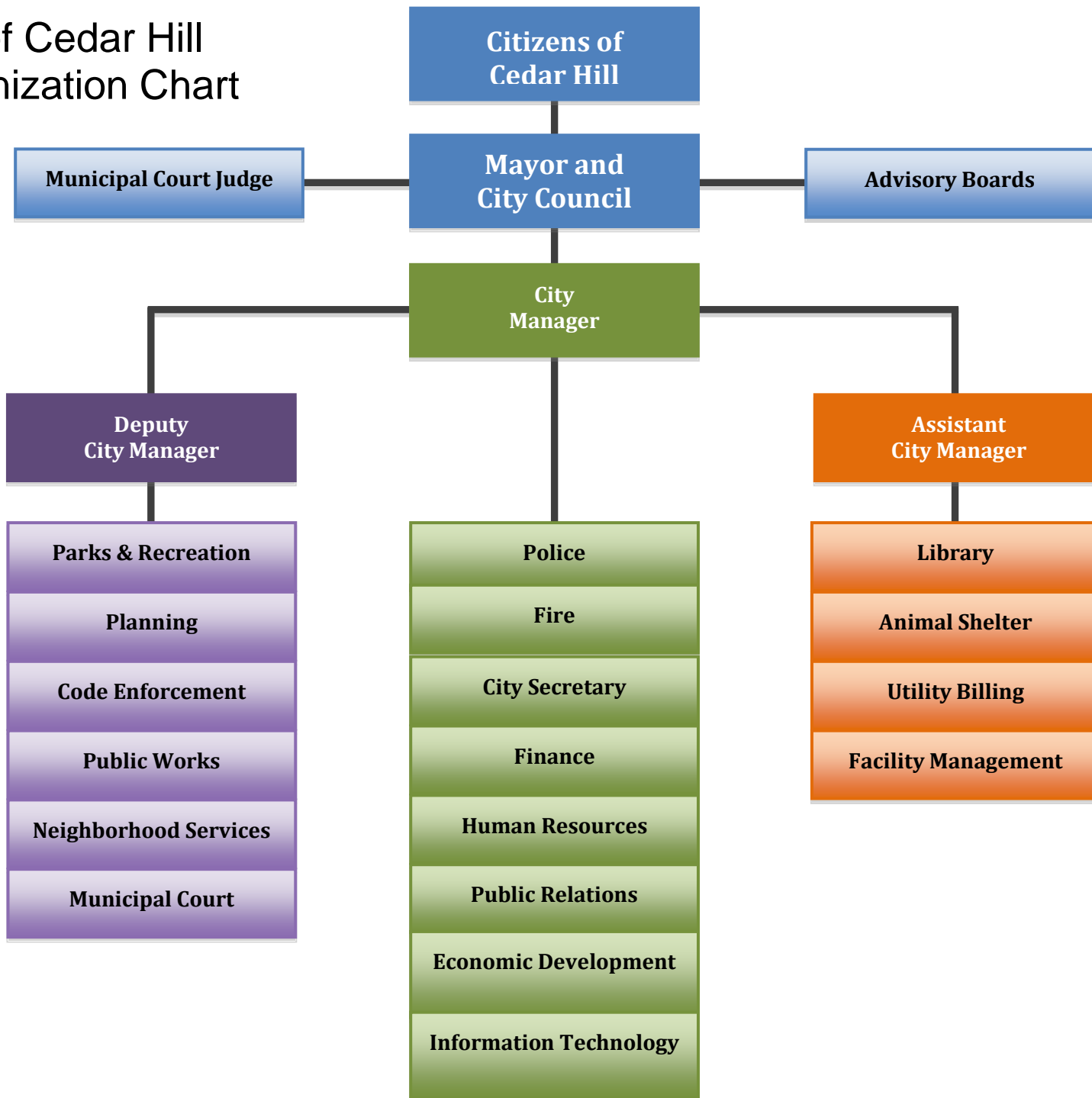
President

Jeffrey R. Enen

Executive Director



City of Cedar Hill Organization Chart



**CITY OF CEDAR HILL
List of Principal Officials
at September 30, 2012**

Elected Officials

Title	Name
Mayor	Robert K. Franke
Mayor Pro-Tem	Chris Parvin
Councilmember	Daniel C. Haydin Jr.
Councilmember	Wallace Swayze
Councilmember	Jami McCain
Councilmember	Stephen Mason
Councilmember	Clifford R. Shaw

Appointed Officials

City Manager	Alan E. Sims
Deputy City Manager	Greg Porter
Assistant City Manager	Melissa Stephens
City Secretary	Lyn Hill
Finance Director	Martin Avila
Police Chief	Steve Rhodes
Fire Chief	John Ballard
Economic Development Director	Allison Thompson
Building Official	Johnny Kendro
Library Manager	Toni Simmons
Parks & Recreation Director	Rhoda Savage
Planning Director	Rod Tyler
Public Works Director	Elias Sassoon
Information Technology Manager	Earl Shipman
Tri-City Animal Shelter Manager	Alissa Prelis
Municipal Court Judge	Michael Petty



FINANCIAL SECTION

Report of Independent Auditors

Honorable Mayor and Members of
The City Council
City of Cedar Hill, Texas

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cedar Hill, as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2013, on our consideration of the City of Cedar Hill's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Funding Progress – TMRS Plan, the Schedule of Funding Progress – Reserve Police Department Plan, Other Post Employment Benefits Plan Analysis of Funding Progress, and Budgetary Comparison Schedules – General Fund and Joe Pool fund as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cedar Hill's financial statements. The introductory section, combining and individual non-major fund financial statements, budgetary comparison schedules, and statistical tables listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The combining and individual non-major fund financial statements and budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 combining and individual non-major fund financial statements and budgetary comparison schedules, are fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.


Crowe Horwath LLP

Irving, Texas
September 20, 2013

**CITY OF CEDAR HILL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

The City of Cedar Hill offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2012. We encourage readers to consider the information presented here in conjunction with our letter of transmittal in the introductory section and the financial reports that follow in this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Cedar Hill exceeded its liabilities at the close of the fiscal year ended September 30, 2012, by \$151,808,830 (net assets). Of this amount, \$19,572,307 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City of Cedar Hill's total net assets increased by \$402,594.
- As of September 30, 2012, the City's governmental funds reported combined ending fund balances of \$80,150,257. \$72,089,157 of this fund balance is subject to various commitments such as construction projects. Approximately 10% of this amount, or \$8,061,100, is unassigned and available for use within the City's designation and policies.
- At the end of the fiscal year on September 30, 2012, unassigned fund balance for the general fund was \$8,061,100, or 29%, of the total general fund expenditures. The fund balance of the general fund increased \$862,429. The anticipated use of fund balance was lower than expected.
- The Joe Pool Fund's fund balance increased by \$5,421,620, resulting from transfers from the Water and Sewer Fund of \$1,800,000 and General Fund of \$50,000 and interest earnings on investments of \$3,571,620. This fund is dedicated to accumulating resources to retire the amount due for the City's share of the water rights to Joe Pool Lake.
- The City issued the following debt during the fiscal year: \$9,040,000 in General Obligation Refunding Bonds to refund the General Obligation Bond Series 2003A and General Obligation Refunding Bonds to refund the General Obligation Bond Series 2004. The refund was undertaken to reduce total debt service payments by \$1,217,748 that will result in an economic gain of \$1,072,334.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Cedar Hill's basic financial statements. The City of Cedar Hill'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. This report also contains other supplementary information in addition to the basic financial statements themselves.

**CITY OF CEDAR HILL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

Government-Wide Financial Statements—The government-wide financial statements are intended to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The main goal is to ascertain whether the City of Cedar Hill is in a better financial position at the end of the current fiscal year compared to the previous year. The government-wide financial statements report information about the City as a whole and about its activities in a way that helps to determine this relative position. Other non-financial factors should also be taken into consideration to assess the overall health or financial condition of the City. Examples include but are not limited to changes in the City's property tax base, sales tax receipts and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm and sewer lines, etc.).

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. The statement combines and consolidates government funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave). Both of the government-wide financial statements are prepared utilizing the accrual basis of accounting.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from the functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities include most of the City's basic services such as police, fire, code compliance, parks and recreation, community services, library, and public works. The business-type activities of the City include water, sewer, and solid waste services.

The government-wide financial statements include not only the City itself (primary government) but also the Community Development Corporation (CDC) and the Economic Development Corporation (EDC), which are component units. These component units are legal, separate entities for which the City is financially accountable.

The government-wide financial statements can be found on pages 14-16 of this report.

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

**CITY OF CEDAR HILL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

Governmental Funds—Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. 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.

The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. By comparing information presented for governmental funds with the governmental activities in the government-wide statements, readers may better understand the long-term impact of the government's near-term financing decisions. The governmental funds' balance sheet and the governmental fund statement of revenues, expenditures, and changes in the fund balances provide a reconciliation to facilitate the comparison between the governmental funds and the governmental activities.

The City maintains twenty-two governmental funds. Information is presented separately for the City's major funds in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Debt Service Fund, Joe Pool Fund, General Obligation Bond Fund and Capital Recovery Fund, which are considered major funds. Data from the remaining seventeen funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major funds is provided in the form of combining statements and are presented elsewhere in this report.

The basic governmental fund financial statements can be found on pages 17-22 of this report.

Proprietary Funds—The City of Cedar Hill maintains two types of proprietary funds. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide statements. The City uses an enterprise fund to account for its water and sewer activities. The internal service fund is utilized to report activities that provide supplies and services among the City's various functions and activities. The City uses its internal service fund to account for equipment purchased and leased to governmental funds and component units. Because these services benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds statements provide the same type of information found in the business-type activities in the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 23-26 of this report.

Fiduciary Funds—The City has one fiduciary fund, pension trust fund. This fund is used to account for police reserve pension benefits.

The basic fiduciary fund financial statements can be found on pages 27-28 of this report.

CITY OF CEDAR HILL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FISCAL YEAR ENDED SEPTEMBER 30, 2012

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 29-63 of this report.

Other Information—In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information of the City's budget to actual variance and schedules of funding progress for retirement plans. Required supplemental information can be found on pages 64-69 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and budget to actual variance schedules for non-major governmental funds is presented following the required supplemental information. These combining and individual statements and schedules can be found on pages 70-88 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, the net assets may serve as a useful indicator of a government's financial position. The City of Cedar Hill's net assets exceeded liabilities by \$151,808,830 as of September 30, 2012 as shown in the table below.

Condensed Statement of Net Assets
At September 30, 2012 and 2011

	Governmental Activities		Business-Type Activities		Total	
	FY2012	FY2011	FY2012	FY2011	FY2012	FY2011
Current and other assets	\$ 87,949,769	\$ 87,477,439	\$ 14,261,587	\$ 15,640,512	\$ 102,211,356	\$ 103,117,951
Capital assets	165,348,259	164,972,511	50,379,540	50,555,571	215,727,799	215,528,082
Total assets	253,298,028	252,449,950	64,641,127	66,196,083	317,939,155	318,646,033
Noncurrent liabilities	150,386,581	151,245,659	11,486,058	12,153,846	161,872,639	163,399,505
Other liabilities	3,039,744	2,511,062	1,217,942	1,329,230	4,257,686	3,840,292
Total liabilities	153,426,325	153,756,721	12,704,000	13,483,076	166,130,325	167,239,797
Net assets:						
Invested in capital assets—net of related debt	72,238,826	72,596,207	45,886,988	45,512,376	118,125,814	118,108,583
Restricted	10,973,051	11,378,549	3,137,658	3,510,291	14,110,709	14,888,840
Unrestricted	16,659,826	14,718,473	2,912,481	3,690,340	19,572,307	18,408,813
Total net assets	\$ 99,871,703	\$ 98,693,229	\$ 51,937,127	\$ 52,713,007	\$ 151,808,830	\$ 151,406,236

The largest portion of the City's net assets (78%) reflects its investment in capital assets (e.g., land, buildings, equipment, improvements, construction in progress, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF CEDAR HILL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FISCAL YEAR ENDED SEPTEMBER 30, 2012

An additional portion of the City's net assets (9%) represents resources that are subject to external restriction on how they may be utilized. The remaining balance of unrestricted net assets (13%) may be used to meet the government's ongoing obligation to citizens and creditors.

Total net assets of the City increased \$402,594, or 0.3%, in fiscal year 2012. Total net assets of governmental activities increased by \$1,178,474 or 1.2%. The overall change in net assets of governmental activities can be explained by evaluating the changes in governmental funds and then evaluating the conversion of the governmental funds from the modified accrual basis of accounting to the accrual basis of accounting used in governmental activities. Financial resources of governmental funds increased by \$420,597. This increase is the result of the changes in fund balance of the following funds: the General Fund increased \$862,429, the Debt Service Fund declined \$100,859, the Joe Pool Fund increased \$5,421,620, the General Obligation Bond Fund declined \$4,853,204, the Capital Recovery Fund declined \$603,447 and the nonmajor funds declined \$305,942. The increase in the fund balance in the General Fund was primarily due to management's efforts to monitor spending resulting in actuals expenditures incurred below budgeted amounts. The decline in fund balance of the Debt Service Funds was a budgeted decline. The Joe Pool Fund is accumulating the resources to retire the Joe Pool Lake water rights liability. The declines in the General Obligation Bond Fund and the nonmajor funds were the expenditure of funds to construct capital assets. The decline in the Capital Recovery Fund was the result of the budgeted transfer to the Debt Service Fund. Capital assets of the governmental activity funds increase \$375,748 due to depreciation exceeding assets obtained through construction and donation of assets. The liability for the Joe Pool water rights increased \$3,564,276 and changes in other long-term liabilities totaled a decline of \$4,423,354.

Total net assets of business-type activities decreased by \$775,880 or 1%. These decreases resulted from lower than expected water sales and sewer charges and declines in capital grants and contributions by developers.

Analysis of the City's Operations—The following table provides a summary of the City's operations for the year ended September 30, 2012. The increased in net assets for the governmental activities totaled \$1,178,474. Total revenues for these activities declined \$619,391 compared to the previous year. Property tax revenue increased \$172,518 due to increase in new development. Capital grants and contributions provided by developers also declined \$283,352. General governmental expenses increased \$289,323, public safety expenses declined \$37,865, public works expenses declined \$2,891 and community service expenses declined \$306,460. Investment earnings decreased by \$530,119.

**CITY OF CEDAR HILL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

Total net assets of business-type activities decreased by \$775,880 or 1%. These decreases resulted from lower than expected water sales and sewer charges and declines in capital grants and contributions by developers.

**Changes in Net Assets
For the Years Ended September 30, 2012 and 2011**

	Governmental Activities		Business-Type Activities		Total	
	FY2012	FY2011	FY2012	FY2011	FY2012	FY2011
Revenues:						
Program revenues:						
Charges for services	\$ 7,468,436	\$ 6,681,657	\$ 15,977,792	\$ 16,691,383	\$ 23,446,228	\$ 23,373,040
Operating grants/contributions	1,979,785	3,112,884	-	-	1,979,785	3,112,884
Capital grants/contributions	714,235	997,587	526,269	354,169	1,240,504	1,351,756
General revenues:						
Sales and use taxes	6,365,835	6,111,207	-	-	6,365,835	6,111,207
Property taxes	19,328,492	19,155,974	-	-	19,328,492	19,155,974
Hotel/motel taxes	161,997	135,676	-	-	161,997	135,676
Franchise taxes	3,457,821	3,284,583	-	-	3,457,821	3,284,583
Investment earnings	4,005,347	4,535,466	119,897	125,261	4,125,244	4,660,727
Gain on disposal	-	41,859	-	-	-	41,859
Miscellaneous	167,267	211,713	74,167	62,077	241,434	273,790
Total revenues	43,649,215	44,268,606	16,698,125	17,232,890	60,347,340	61,501,496
Expenses:						
General government	5,280,221	4,990,898	-	-	5,280,221	4,990,898
Public safety	19,105,202	19,143,067	-	-	19,105,202	19,143,067
Public works	6,572,399	6,575,290	-	-	6,572,399	6,575,290
Community services	6,388,243	6,694,703	-	-	6,388,243	6,694,703
Water and sewer	-	-	15,674,005	16,374,985	15,674,005	16,374,985
Interest and fiscal charges	6,924,676	7,178,521	-	-	6,924,676	7,178,521
Total expenses	44,270,741	44,582,479	15,674,005	16,374,985	59,944,746	60,957,464
Increase and decrease in net assets before transfers	(621,526)	(313,873)	1,024,120	857,905	402,594	544,032
Transfers	1,800,000	1,800,000	(1,800,000)	(1,800,000)	-	-
Increase and decrease in net assets	1,178,474	1,486,127	(775,880)	(942,095)	402,594	544,032
Net assets—beginning	98,693,229	97,207,102	52,713,007	53,655,102	151,406,236	150,862,204
Net assets—ending	<u>\$ 99,871,703</u>	<u>\$ 98,693,229</u>	<u>\$ 51,937,127</u>	<u>\$ 52,713,007</u>	<u>\$ 151,808,830</u>	<u>\$ 151,406,236</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Government Funds—The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial requirements. Specifically, unassigned fund balance may serve as a useful measure of a government's net resources at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$80,150,257. Approximately 10% or \$8,061,100 of this total amount constitutes unassigned fund balance which is available for any public use. Approximately 29% of the total fund balance or \$23,432,399 represent restricted fund balance and is constrained by creditors, grantors, contributors or laws and regulations. The committed fund balance of \$48,546,697 or 61% of fund balance has self-imposed limitations placed on its use by parties with the highest level of decision making within the City (the City Council). The remainder of the fund balance is considered non-spendable to indicate that it is not available for new spending because of its form and includes prepaid expenses and inventory.

**CITY OF CEDAR HILL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

The General Fund revenues exceeded expenditures and transfers by \$862,429. The City had budgeted a reduction in Fund Balance of \$733,680. The expected year-end fund balance would meet the City's policy of 20% of budgeted expenditures. Expenditures were \$1,213,519 less than anticipated and revenues were above expectations by \$382,590, resulting in a lower than expected use of fund balance. The year-end fund balance totals 29% of actual expenditures, leaving the fund in a better than anticipated position and arriving at the City's goal for fund balance.

The Debt Service Fund's fund balance declined by \$100,859. The adopted budget anticipated a decline of \$574,980 which would have maintained fund balance at the City's policy of 15% of budgeted expenditures. The fund outperformed the budget by \$474,121.

The Joe Pool Fund accounts for the resources accumulated to pay for the City's water rights in Joe Pool Lake as discussed in Note 6. The fund accumulated additional resources of \$5,421,620. \$1,850,000 of the increase was the result of transfers from the Water and Sewer Fund (\$1,800,000) and General Fund (\$50,000) with the remaining \$3,571,620 of investment earnings.

The General Obligation Bond Fund accounts for funds to construct streets and several building renovations. The fund received \$128,721 in investment earnings during the fiscal year and incurred expenditures of \$4,981,925 for capital projects.

The Capital Recovery Fund accounts for the street impact fees. The fund received \$372,999 in fees and \$71,594 in investment earnings during the fiscal year. The fund transferred a net amount of \$991,000 to the Debt Service Fund to assist in the payments of debt issued for qualifying street projects.

The fund balances of the nonmajor governmental funds decreased by \$305,942. The primary reason for this decline is the expenditure of bond funds.

Proprietary Funds—The City has two proprietary funds, a water and sewer (enterprise) fund and equipment (internal service) fund. The enterprise fund financial statements provide similar information found in the government-wide financial statements but includes more detail. Unrestricted net assets of the enterprise fund were \$2,912,481. The internal service fund accounts for equipment purchased and leased to governmental funds and component units. Because these services benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

General Fund Budgetary Highlights—Actual General Fund expenditures totaled \$28,079,221 or \$1,213,519 less than the \$29,292,740 budget. Expenditures represent 95.9% of the authorized budget. General Fund revenues totaled \$28,086,650 or \$382,590 above budget.

**CITY OF CEDAR HILL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

CAPITAL ASSETS

The City's investment in capital assets for its government-wide activities as of September 30, 2012 amounts to \$215,727,799 (net of accumulated depreciation). The investment in capital assets includes land, buildings, equipment, improvements, construction-in-progress (CIP), water rights, master studies and infrastructure.

Major capital assets events during the current fiscal year include the following:

Lake Ridge Parkway Phase II	\$2,517,597
Pleasant Run 4	\$1,991,225
TRA Ten Mile Creek Bee Branch Phase I	\$ 402,068
Lake Ridge Lift Station & 10" Force Main	\$ 383,087
Uptown Boulevard	\$ 205,988

**Capital Assets at September 30, 2012 and 2011
Net of Accumulated Depreciation**

	Governmental Activities		Business-Type Activities		Total	
	FY2012	FY2011	FY2012	FY2011	FY2012	FY2011
Land	\$ 15,748,398	\$ 15,748,398	\$ 367,764	\$ 367,764	\$ 16,116,162	\$ 16,116,162
Construction-in-progress (CIP)	7,343,435	3,080,884	573,055	252,694	7,916,490	3,333,578
Buildings/facilities and improvements	39,291,629	40,689,701	127,649	156,796	39,419,278	40,846,497
Water system	-	-	31,833,544	32,380,474	31,833,544	32,380,474
Sewer system	-	-	16,936,719	16,837,482	16,936,719	16,837,482
Equipment	3,137,223	2,555,690	540,809	554,028	3,678,032	3,109,718
Infrastructure	88,741,374	91,436,245	-	-	88,741,374	91,436,245
Water rights	10,971,347	11,460,775	-	-	10,971,347	11,460,775
Master studies	114,853	818	-	6,333	114,853	7,151
Total	<u>\$ 165,348,259</u>	<u>\$ 164,972,511</u>	<u>\$ 50,379,540</u>	<u>\$ 50,555,571</u>	<u>\$ 215,727,799</u>	<u>\$ 215,528,082</u>

Additional information on the City's capital assets can be found in Note 4 to the financial statements.

DEBT ADMINISTRATION

Debt—At the fiscal year-end of September 30, 2012, the City had \$59,092,275 in General Obligation Bonds and \$20,880,000 in Certificates of Obligations, along with \$9,325,000 in Water and Sewer Revenue Bonds outstanding. The general obligation bonds and \$9,290,000 of the certificates are pledged by and will be funded by future property tax receipts. The Economic Development Corporation has a contractual obligation to provide the funds for debt service for an additional \$11,590,000 of the certificates of obligations although future property tax receipts are the ultimate pledge for repayment of this debt.

The City of Cedar Hill, together with the Cities of Grand Prairie and Duncanville and the Midlothian Water District, executed a contract with the Trinity River Authority of Texas to purchase water conservatory rights from Joe Pool Lake. As of September 30, 2012, the City's 43.21% share of the contract amounted to a \$66,282,488 liability. The City has chosen to defer diverting water from the reservoir. As a result of this decision, the liability will accrue interest at 5.683%. The City has set aside funds since the 1995 fiscal year to pay this obligation.

CITY OF CEDAR HILL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FISCAL YEAR ENDED SEPTEMBER 30, 2012

At September 30, 2012, the amount accumulated in the Joe Pool Fund for the retirement of this debt is \$44,607,884. The present plan is to set aside \$1,850,000 each year to allow full payment of the obligation within a maximum of fifty years.

Additional long-term obligations include compensated absences totaling \$3,900,164 for government activities, compensated absences totaling \$347,894 for business-type activities, an OPEB liability of \$226,478, Pension trust liability of \$24,102, a liability to a developer for utility line construction of \$72,572, a lease liability of \$20,829 and \$6,210 of accrued arbitrage liability.

Outstanding Noncurrent liabilities at September 30, 2012 and 2011

	Governmental Activities		Business-Type Activities		Totals	
	FY2012	FY2011	FY2012	FY2011	FY2012	FY2011
General Obligation	\$ 59,092,275	\$ 62,666,620	\$ 1,702,725	\$ 1,938,380	\$ 60,795,000	\$ 64,605,000
Certificate of Obligation	20,880,000	21,670,000	-	-	20,880,000	21,670,000
Waterworks & Sewer System Revenue	-	-	9,325,000	9,795,000	9,325,000	9,795,000
Other Obligations	66,282,488	62,718,212	-	-	66,282,488	62,718,212
Reacquisition cost of refunded bonds	(1,241,365)	(748,061)	(4,566)	(6,068)	(1,245,931)	(754,129)
Unamortized premiums and discount (net)	1,195,400	918,887	42,433	47,447	1,237,833	966,334
Compensated absences	3,900,164	3,725,040	347,894	308,606	4,248,058	4,033,646
OPEB	226,478	201,952	-	-	226,478	201,952
Arbitrage	6,210	10,245	-	-	6,210	10,245
Police pension liability	24,102	22,764	-	-	24,102	22,764
Other long-term liabilities	20,829	-	72,572	70,481	93,401	70,481
Contingent liability for litigation	-	60,000	-	-	-	60,000
Total	<u>\$ 150,386,581</u>	<u>\$ 151,245,659</u>	<u>\$ 11,486,058</u>	<u>\$ 12,153,846</u>	<u>\$ 161,872,639</u>	<u>\$ 163,399,505</u>

During the fiscal year, the City issued \$9,040,000 of General Obligation Refunding Bonds to refund the General Obligation Bond Series 2003A, and General Obligation Bond Series 2004. The refund was undertaken to reduce total debt service payments by \$1,217,748 that will result in an economic gain of \$1,072,334.

Bond Ratings— The City bond ratings are presented in the following table:

	Standard & Poor's	Moody's Investor Services
General obligation bonds	AA	Aa2
Certificate of Obligation	AA	Aa2
Waterworks & Sewer System	AA-	Aa2
Community Development Corp.—Sales Tax Revenue	A+	Aa3

Additional information on the City's long-term debt can be found in Note 7 to the basic financial statements.

**CITY OF CEDAR HILL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

COMPONENT UNITS

The City has two component units, each funded by a one-half cent sales tax. The Community Development Corporation (CDC) is a legally separate entity that develops and operates community recreational facilities. The CDC did not develop any new assets during the fiscal year and increased its net assets by \$1,538,461 to \$5,956,651. These net assets will be used in the future to develop additional recreational facilities. The CDC incurred \$2,664,261 in expenses and earned \$916,037 in program revenues, primarily for the operation of Cedar Hill Recreation Center and Valley Ridge Park. The Economic Development Corporation (EDC) is a legally separate entity that promotes (a) existing business enterprise expansion and retention and (b) new business enterprise development and attraction.

The EDC increased its net assets by \$924,155 to \$10,486,018 during the fiscal year. The corporation incurred \$2,310,348 in expenses during the fiscal year. The EDC made \$1,159,396 of contractually required payments to the City for debt service and incurred approximately \$1,140,000 in administrative costs.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Due to the economy, the City experienced its fourth consecutive decline in taxable values after fourteen consecutive years of increasing valuations.

Taxable values declined approximately \$53.6 million, or 1.95%. The values of existing properties on the tax roll declined by approximately \$67 million; compared to \$62 million in the previous budget year. This decline was offset by new properties added to the tax roll totaling approximately \$13 million. The City anticipates a flat or declining tax base until the real estate market recovers.

The general fund's largest single revenue source is property taxes, followed by sales taxes. The property tax rate for Fiscal Year 2013 increased to \$0.69569 cents from \$0.68588 per \$100 valuation. The property tax is budgeted to generate \$13,747,000 for the General Fund. This amount represents about 58 percent of all general fund operating revenues. General Fund property tax revenue for Fiscal Year 2013 is projected to increase by \$33,335 or .24% when compared to Fiscal Year 2012 budgeted revenues.

The City's portion of the sales tax rate is two percent, which includes a voter approved referendum to have two one-half cent sales taxes for economic development and community development purposes. One percent of the sales tax rate is received by the General Fund. The Economic Development Corporation (EDC) and the Community Development Corporation (CDC) each receive one-half of one percent. Sales tax revenue growth for the General Fund for Fiscal Year 2012 is now projected to grow approximately 1.5% to \$6.225 million based on trends over the last twelve months. In November 2012, voters approved the creation of a Crime Control and Prevention District (CCPD) and authorized the re-allocation of one-eighth cent from the EDC to the CCPD. The State Comptroller began collecting the adjusted sales tax rates beginning July 1, 2013.

**CITY OF CEDAR HILL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

Expenditures budgets have been adjusted to reflect the decline in revenues.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need additional financial information, contact the Finance Department, City of Cedar Hill, 285 Uptown Blvd., Bldg. 100, Cedar Hill, Texas 75104, or call (972) 291-5100.

BASIC FINANCIAL STATEMENTS



**CITY OF CEDAR HILL, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

EXHIBIT A-1

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Community Development Corporation	Economic Development Corporation
ASSETS					
Equity in pooled cash and cash equivalents	\$ 47,855,567	\$ 1,775,489	\$ 49,631,056	\$ 5,557,420	\$ 7,735,804
Investments	33,851,534	-	33,851,534	-	277,544
Receivables (net of allowances for uncollectible):					
Taxes	2,044,495	-	2,044,495	538,767	538,767
Franchise taxes	695,870	-	695,870	-	-
Accounts	-	2,359,084	2,359,084	-	-
Miscellaneous	1,414,627	-	1,414,627	-	-
Interest	146,140	-	146,140	3,157	3,384
Inventory	32,288	-	32,288	-	-
Prepaid and other items	77,773	25,366	103,139	16,458	29,170
Deferred issuance costs	1,289,583	221,121	1,510,704	20,170	-
Restricted assets:					
Restricted for debt service:					
Equity in pooled cash and cash equivalents	-	636,187	636,187	12,056	-
Investments	-	944,934	944,934	261,472	-
Interest receivable	-	11,408	11,408	-	-
Restricted capital recovery fee funds—equity in pooled cash and investments	-	954,310	954,310	-	-
Restricted for deposits—equity in pooled cash and investments	-	391,422	391,422	-	-
Restricted pro rata funds—equity in pooled cash and investments	-	296,654	296,654	-	-
Restricted bond proceeds—equity in pooled cash and investments	-	6,645,612	6,645,612	-	-
Capital assets:					
Nondepreciable	23,091,833	940,819	24,032,652	285,092	1,757,544
Depreciable—net of accumulated depreciation	142,256,426	49,438,721	191,695,147	-	212,969
Other assets	541,892	-	541,892	-	-
TOTAL ASSETS	253,298,028	64,641,127	317,939,155	6,694,592	10,555,182
LIABILITIES					
Accounts payable	1,539,969	458,224	1,998,193	75,652	29,205
Accrued liabilities	1,051,768	95,862	1,147,630	44,751	7,966
Unearned revenue	51,513	-	51,513	-	-
Customer deposits	-	391,422	391,422	14,850	-
Interest payable	396,494	6,939	403,433	2,317	-
Payable from restricted assets-current	-	265,495	265,495	-	-
Noncurrent liabilities:					
Due within one year	6,082,118	897,518	6,979,636	293,663	11,096
Due in more than one year	144,304,463	10,588,540	154,893,003	306,708	20,897
TOTAL LIABILITIES	153,426,325	12,704,000	166,130,325	737,941	69,164
NET ASSETS					
Invested in capital assets—net of related debt	72,238,826	45,886,988	118,125,814	(235,211)	1,970,513
Restricted for:					
Debt service	1,357,434	2,187,838	3,545,272	276,685	-
Construction	8,005,488	949,820	8,955,308	-	-
Animal shelter	41,427	-	41,427	-	-
Dispatch center	541,892	-	541,892	-	-
Other	1,026,810	-	1,026,810	-	-
Unrestricted	16,659,826	2,912,481	19,572,307	5,915,177	8,515,505
TOTAL NET ASSETS	\$ 99,871,703	\$ 51,937,127	\$ 151,808,830	\$ 5,956,651	\$ 10,486,018

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

**CITY OF CEDAR HILL, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
SEPTEMBER 30, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 5,280,221	\$ 353,812	\$ 1,627	\$ 65,335
Public safety	19,105,202	3,936,093	259,712	11,605
Public works	6,572,399	463,247	57,122	520,495
Community services	6,388,243	2,715,284	36,558	116,800
Interest and fiscal charges	6,924,676	-	1,624,766	-
Total governmental activities	44,270,741	7,468,436	1,979,785	714,235
BUSINESS-TYPE ACTIVITIES:				
Water and sewer	15,674,005	15,977,792	-	526,269
Total business-type activities	15,674,005	15,977,792	-	526,269
TOTAL PRIMARY GOVERNMENT	\$ 59,944,746	\$ 23,446,228	\$ 1,979,785	\$ 1,240,504
COMPONENT UNITS:				
Community Development Corporation	2,664,261	771,183	144,854	-
Economic Development Corporation	2,310,348	-	-	-
TOTAL COMPONENT UNITS	\$ 4,974,609	\$ 771,183	\$ 144,854	\$ -
GENERAL REVENUES:				
Taxes:				
Sales taxes				
Property taxes				
Hotel/motel taxes				
Franchise taxes				
Investment earnings				
Miscellaneous				
TRANSFERS				
Total general revenues and transfers				
CHANGE IN NET ASSETS				
NET ASSETS—Beginning				
NET ASSETS—Ending				

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

EXHIBIT A-2

Net (Expenses) Revenues and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Community Development	Economic Development
\$ (4,859,447)	\$ -	\$ (4,859,447)	\$ -	\$ -
(14,897,792)	-	(14,897,792)	-	-
(5,531,535)	-	(5,531,535)	-	-
(3,519,601)	-	(3,519,601)	-	-
(5,299,910)	-	(5,299,910)	-	-
(34,108,285)	-	(34,108,285)	-	-
-	830,056	830,056	-	-
-	830,056	830,056	-	-
\$ (34,108,285)	\$ 830,056	\$ (33,278,229)	\$ -	\$ -
-	-	-	(1,748,224)	-
-	-	-	-	(2,310,348)
-	-	-	(1,748,224)	(2,310,348)
6,365,835	-	6,365,835	3,149,279	3,149,279
19,328,492	-	19,328,492	-	-
161,997	-	161,997	-	-
3,457,821	-	3,457,821	-	-
4,005,347	119,897	4,125,244	50,199	83,282
167,267	74,167	241,434	87,207	1,942
1,800,000	(1,800,000)	-	-	-
35,286,759	(1,605,936)	33,680,823	3,286,685	3,234,503
1,178,474	(775,880)	402,594	1,538,461	924,155
98,693,229	52,713,007	151,406,236	4,418,190	9,561,863
\$ 99,871,703	\$ 51,937,127	\$ 151,808,830	\$ 5,956,651	\$ 10,486,018

CITY OF CEDAR HILL, TEXAS
BALANCE SHEET-GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	General	Debt Service Fund	Joe Pool Fund
ASSETS			
EQUITY IN POOLED CASH AND CASH EQUIVALENTS	\$ 8,006,683	\$ 1,086,327	\$ 10,610,210
INVESTMENTS	-	-	33,851,534
RECEIVABLES (NET, WHERE APPLICABLE, OF ALLOWANCES FOR UNCOLLECTIBLES):			
Taxes	1,785,624	258,871	-
Franchise taxes	695,870	-	-
Miscellaneous	947,830	12,236	-
Interest	-	-	146,140
DUE FROM OTHER FUNDS	101,446	-	-
PREPAID ITEMS	76,598	-	-
INVENTORY	32,288	-	-
TOTAL ASSETS	<u>\$ 11,646,339</u>	<u>\$ 1,357,434</u>	<u>\$ 44,607,884</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 518,910	\$ -	\$ -
Accrued liabilities	981,894	-	-
Due to other funds	-	-	-
Deferred revenue	1,934,122	243,645	-
Total liabilities	<u>3,434,926</u>	<u>243,645</u>	<u>-</u>
FUND BALANCES:			
Nonspendable			
Prepaid and inventory	108,886	-	-
Restricted for:			
Construction	-	-	-
PID use	-	-	-
Tourism	-	-	-
Police	-	-	-
Debt service	-	1,113,789	-
Animal shelter	41,427	-	-
Committed for:			
Library	-	-	-
Landscaping	-	-	-
Construction	-	-	-
Building maintenance	-	-	-
Joe pool	-	-	44,607,884
Unassigned	8,061,100	-	-
Total fund balances	<u>8,211,413</u>	<u>1,113,789</u>	<u>44,607,884</u>
TOTAL	<u>\$ 11,646,339</u>	<u>\$ 1,357,434</u>	<u>\$ 44,607,884</u>

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

EXHIBIT B-1

<u>General Obligation Bond Fund</u>	<u>Capital Recovery Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 11,353,875	\$ 6,750,757	\$ 8,805,842	\$ 46,613,694
-	-	-	33,851,534
-	-	-	2,044,495
-	-	-	695,870
-	-	454,561	1,414,627
-	-	-	146,140
-	-	-	101,446
-	-	1,175	77,773
-	-	-	32,288
<u>\$ 11,353,875</u>	<u>\$ 6,750,757</u>	<u>\$ 9,261,578</u>	<u>\$ 84,977,867</u>
\$ 638,339	\$ 436	\$ 324,810	\$ 1,482,495
16,432	-	53,442	1,051,768
-	-	101,446	101,446
-	-	14,134	2,191,901
<u>654,771</u>	<u>436</u>	<u>493,832</u>	<u>4,827,610</u>
-	-	1,175	110,061
10,699,104	6,750,321	3,615,978	21,065,403
-	-	264,048	264,048
-	-	590,841	590,841
-	-	356,891	356,891
-	-	-	1,113,789
-	-	-	41,427
-	-	75,740	75,740
-	-	1,477,075	1,477,075
-	-	1,564,353	1,564,353
-	-	821,645	821,645
-	-	-	44,607,884
-	-	-	8,061,100
<u>10,699,104</u>	<u>6,750,321</u>	<u>8,767,746</u>	<u>80,150,257</u>
<u>\$ 11,353,875</u>	<u>\$ 6,750,757</u>	<u>\$ 9,261,578</u>	<u>\$ 84,977,867</u>

**CITY OF CEDAR HILL, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

EXHIBIT B-2

TOTAL FUND BALANCES—Governmental funds	\$ 80,150,257
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (including internal service fund assets of \$2,392,498).	165,348,259
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The regional dispatch center is not reported at the fund level.	541,892
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Certain receivables are not available to pay for current-period expenditures and are therefore deferred in the funds.	2,140,388
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Bond issue costs are expensed in the fund level financials but capitalized and amortized over the life of the bonds in the government-wide statements.	1,289,583
--	-----------

Bond interest is not payable with current financial resources and is therefore not accrued at the fund level.	(395,482)
---	-----------

Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported in the funds. Long-term liabilities consist of:	
General obligation bonds	(59,092,275)
Certificates of obligation	(20,880,000)
Unamortized premiums	(1,195,400)
Unamortized loss on refunded bonds	1,241,365
Compensated absences	(3,900,164)
Arbitrage liability	(6,210)
OPEB liability	(226,478)
Police pension liability	(24,102)
Other obligation	(66,282,488)

Internal service funds are used by management to charge the costs of various services to individual funds. The assets and liabilities of the internal service funds are included with governmental activities. Amount represents net assets excluding capital assets included above.	1,162,558
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TOTAL NET ASSETS—Governmental activities	\$ 99,871,703
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CITY OF CEDAR HILL, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	General	Debt Service Fund	Joe Pool Fund
REVENUES:			
Taxes	\$ 20,116,992	\$ 5,120,327	\$ -
Franchise taxes	3,374,770	-	-
License and permits	526,399	-	-
Intergovernmental	321,920	1,624,766	-
Charges for services	2,547,349	103,346	-
Fines and forfeitures	821,471	-	-
Investment earnings	98,031	20,636	3,571,620
Miscellaneous	279,718	-	-
Total revenues	28,086,650	6,869,075	3,571,620
EXPENDITURES:			
Current:			
General government	4,411,188	-	-
Public works	1,976,400	-	-
Public safety	18,169,535	-	-
Community services	3,459,598	-	-
Debt service:			
Principal retirement	-	4,524,345	-
Interest and fiscal charges	-	3,444,741	-
Capital outlay			
General administration	62,500	-	-
Public works	-	-	-
Public safety	-	-	-
Community services	-	-	-
Total expenditures	28,079,221	7,969,086	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,429	(1,100,011)	3,571,620
OTHER FINANCING SOURCES (USES):			
Transfer in	905,000	991,000	1,850,000
Transfer out	(50,000)	-	-
Premiums on issuance of debt	-	474,838	-
Issuance of refunding bonds	-	9,040,000	-
Payments to refunded bond escrow agent	-	(9,506,686)	-
Total other financing sources (uses)	855,000	999,152	1,850,000
CHANGE IN FUND BALANCES	862,429	(100,859)	5,421,620
FUND BALANCES—Beginning	7,348,984	1,214,648	39,186,264
FUND BALANCES—Ending	\$ 8,211,413	\$ 1,113,789	\$ 44,607,884

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

EXHIBIT B-3

General Obligation Bond Fund	Capital Recovery Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 575,302	\$ 25,812,621
-	-	56,755	3,431,525
-	-	-	526,399
-	-	277,809	2,224,495
-	-	2,018,971	4,669,666
-	-	550,931	1,372,402
128,721	71,594	98,663	3,989,265
-	372,999	224,869	877,586
<u>128,721</u>	<u>444,593</u>	<u>3,803,300</u>	<u>42,903,959</u>
-	-	500	4,411,688
79,906	-	-	2,056,306
-	-	391,301	18,560,836
-	-	2,018,416	5,478,014
-	-	-	4,524,345
-	-	-	3,444,741
-	-	-	62,500
4,797,546	57,040	481,960	5,336,546
104,473	-	-	104,473
-	-	312,065	312,065
<u>4,981,925</u>	<u>57,040</u>	<u>3,204,242</u>	<u>44,291,514</u>
<u>(4,853,204)</u>	<u>387,553</u>	<u>599,058</u>	<u>(1,387,555)</u>
-	-	-	3,746,000
-	(991,000)	(905,000)	(1,946,000)
-	-	-	474,838
-	-	-	9,040,000
-	-	-	(9,506,686)
<u>-</u>	<u>(991,000)</u>	<u>(905,000)</u>	<u>1,808,152</u>
(4,853,204)	(603,447)	(305,942)	420,597
<u>15,552,308</u>	<u>7,353,768</u>	<u>9,073,688</u>	<u>79,729,660</u>
<u>\$ 10,699,104</u>	<u>\$ 6,750,321</u>	<u>\$ 8,767,746</u>	<u>\$ 80,150,257</u>

CITY OF CEDAR HILL, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT B-4

NET CHANGE IN FUND BALANCES—Total governmental funds	\$ 420,597
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount does not include \$1,133,843 of capital assets acquired by the internal service fund.	5,815,584
Depreciation expense on capital assets is reported in the government-wide statements 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 expenditures in the governmental funds. This amount does not include \$523,910 in depreciation expense recorded in the internal service fund.	(6,388,922)
Governmental funds do not recognize assets contributed by developers. However, in the statement of activities the fair market value of those assets are recognized as revenue, then allocated over their estimated useful lives and reported as depreciation expense.	401,184
The net decrease in equity of the regional dispatch center joint venture is not reported at the fund level; however, it is reported at the government-wide level.	(81,705)
Bond issuance costs are expenditures in the fund financial statements when debt is issued, but are amortized over the term of the bond in the government-wide financial statements.	27,348
Change in the pension assets and liabilities are not reported at the fund level; however, they are reported at the government-wide level.	(1,338)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements an interest expenditure is reported when due.	45,044
Additions to vacation and sick liabilities are not shown in the fund financial statements. The net effect of the current year increase is to decrease net assets.	(175,124)
Additions to OPEB liabilities are not shown in the fund financial statements. The net effect of the current year increase is to decrease net assets.	(24,526)
Current year bond proceeds are other financing sources in the fund financial statements but are shown as an increase in the liabilities in the government-wide financial statements.	(9,040,000)
Current year bond refundings are other financing uses in the fund financial statements but are shown as a decrease in the liabilities in the government-wide financial statements.	9,506,686
Current year long-term debt principal payments on contractual obligations, bonds payable, and capital leases are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	4,524,345
Change in water rights obligation are only reported at the government-wide level.	(3,564,276)
Premiums and discounts are recognized in the fund financial statements as other financing sources or uses, but they are amortized over the term of the bonds in the government-wide financial statements.	(342,288)
Amortization of deferred refunding amounts is not recognized in the governmental funds. The effect of recording current year's amortization is to decrease net assets.	(126,546)
Certain liabilities are accrued in the government-wide financial statements but not at the fund level. This represents the change in the accrual during the period.	60,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	327,990
Arbitrage liability is accrued in the government-wide financial statements but not at the fund level. This represents the change in the accrual during the period.	4,035
Change of capital assets not reported at fund levels decrease due to duplicate asset removed	(62,031)
Internal service funds are used by management to charge the costs of equipment services to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	(35,955)
Funds provided by the City to bond escrows as part of a refunding are recorded as expenditures at the fund level but are recorded as part of the deferred loss on refunding on the government wide statements.	(111,628)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 1,178,474

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

**CITY OF CEDAR HILL , TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012**

EXHIBIT C-1

	Business-Type Activities Enterprise Funds Water and Sewer Fund	Governmental Activities Internal Service Funds
ASSETS:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 1,775,489	\$ 1,241,873
Receivables (net, where applicable, of allowances for uncollectibles):		
Accounts	2,359,084	-
Prepaid expenses	25,366	-
Restricted assets:		
Restricted for debt service:		
Equity in pooled cash and cash equivalents	636,187	-
Investments	944,934	-
Interest Receivable	11,408	-
Restricted—customer deposits	391,422	-
Restricted—capital recovery fee funds—equity in pooled cash and cash equivalents	954,310	-
Restricted—pro rata funds—equity in pooled cash and cash equivalents	296,654	-
Restricted—bond proceeds—equity in pooled cash and cash equivalents	6,645,612	-
Total current assets	14,040,466	1,241,873
Noncurrent assets:		
Deferred issuance costs	221,121	-
Capital assets:		
Nondepreciable	940,819	-
Depreciable—net of accumulated depreciation	49,438,721	2,392,498
Total noncurrent assets	50,600,661	2,392,498
Total assets	64,641,127	3,634,371
LIABILITIES:		
Current liabilities:		
Payable from current assets:		
Accounts and contracts payable	458,224	57,474
Accrued liabilities	95,862	-
Other obligations-current	23,782	6,512
Compensated absences—current	141,151	-
Total payable from current assets	719,019	63,986
Payable from restricted assets:		
Accounts and contracts payable	265,495	-
Accrued interest	6,939	1,012
Customer deposits	391,422	-
General obligation bonds payable	242,585	-
Revenue bonds payable	490,000	-
Total payable from restricted assets	1,396,441	1,012
Total current liabilities	2,115,460	64,998
Noncurrent liabilities:		
Other obligations	48,790	14,317
General obligation bonds payable	1,460,140	-
Revenue bonds payable	8,877,433	-
Compensated absences	206,743	-
Loss on refunding	(4,566)	-
Total noncurrent liabilities	10,588,540	14,317
Total liabilities	12,704,000	79,315
NET ASSETS:		
Invested in capital assets—net of related debt	45,886,988	2,392,498
Restricted for:		
Debt service	2,187,838	-
Construction	949,820	-
Unrestricted	2,912,481	1,162,558
Total net assets	\$ 51,937,127	\$ 3,555,056

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

**CITY OF CEDAR HILL, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

EXHIBIT C-2

	Business-Type Activities Enterprise Funds Water and Sewer Fund	Governmental Activities Internal Service Funds
OPERATING REVENUES:		
Water sales	\$ 9,218,197	\$ -
Sewer charges	6,154,191	-
Other charges	605,404	560,925
Total operating revenues	15,977,792	560,925
OPERATING EXPENSES:		
Sewage treatment	4,882,868	-
Purchase of water	3,393,318	-
Personnel services	2,661,268	-
Depreciation	1,508,400	523,910
Gross receipts fee	688,123	-
Heat, light and power	368,783	-
Maintenance	394,339	-
Contractual services	502,537	-
Materials and supplies	664,240	82,590
Miscellaneous	74,072	-
Total operating expenses	15,137,948	606,500
OPERATING INCOME (LOSS)	839,844	(45,575)
NON-OPERATING REVENUES (EXPENSES):		
Other non-operating revenue	74,167	-
Investment income	119,897	12,047
Interest and fiscal charges	(536,057)	(2,427)
Total nonoperating revenue (expenses)	(341,993)	9,620
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	497,851	(35,955)
Contributions-tap fees and other	128,281	-
Contributions	397,988	-
Transfers out	(1,800,000)	-
Total contributions and transfers	(1,273,731)	-
CHANGE IN NET ASSETS	(775,880)	(35,955)
NET ASSETS—Beginning of year	52,713,007	3,591,011
NET ASSETS—End of year	\$ 51,937,127	\$ 3,555,056

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



**CITY OF CEDAR HILL, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Business-Type Activities Enterprise Funds Water and Sewer Fund	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 16,346,900	\$ 560,925
Cash paid to suppliers	(11,072,583)	(58,526)
Cash paid to employees for services	(2,644,673)	-
Net cash provided by operations	2,629,644	502,399
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	(1,800,000)	-
Net cash used in noncapital financing activities	(1,800,000)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(934,381)	(1,105,152)
Impact and pro rata receipts	128,281	-
Equipment leasing activities	74,167	-
Lease payments	-	(7,862)
Interest paid on leased equipment	-	(1,415)
Principal paid on revenue bonds	(705,655)	-
Interest paid on revenue and general obligation bonds	(473,720)	-
Net cash used in capital and related financing activities	(1,911,308)	(1,114,429)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	161,485	12,047
Net cash provided by investing activities	161,485	12,047
NET DECREASE IN CASH AND CASH EQUIVALENTS	(920,179)	(599,983)
CASH AND CASH EQUIVALENTS—Beginning of year	11,619,853	1,841,856
CASH AND CASH EQUIVALENTS—End of year	\$ 10,699,674	\$ 1,241,873

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

EXHIBIT C-3

	Business-Type Activities Enterprise Funds Water and Sewer Fund	Governmental Activities Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income(loss)	\$ 839,844	\$ (45,575)
Adjustments:		
Depreciation expense	1,508,400	523,910
Provision for bad debt	(3,809)	-
Change in assets and liabilities:		
Decrease in accounts receivable	372,917	-
Increase in prepaids	(17,669)	-
Increase (decrease) in accounts payable	(47,971)	24,064
Decrease in accrued liabilities	(22,845)	-
Decrease in customer deposits	(38,511)	-
Increase in compensated absences	39,288	-
Total adjustments	1,789,800	547,974
NET CASH PROVIDED BY OPERATIONS	\$ 2,629,644	\$ 502,399
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Contributions of capital assets	\$ 397,988	\$ -
Capital assets purchased with capital lease	\$ -	\$ 28,691
Change in fair value of investments	\$ (41,588)	\$ -
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS		
Equity in pooled cash and cash equivalents	\$ 1,775,489	\$ 1,241,873
Equity in pooled cash and cash equivalents restricted for debt	636,187	-
Restricted—customer deposits	391,422	-
Restricted—capital recovery fee funds—equity in pooled cash and investments	954,310	-
Restricted—pro rata funds—equity in pooled cash and cash equivalents	296,654	-
Restricted—bond proceeds—equity in pooled cash and cash equivalents	6,645,612	-
	\$ 10,699,674	\$ 1,241,873

CITY OF CEDAR HILL, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2012

EXHIBIT D-1

	<u>Pension Trust Fund</u> <u>Police Reserves</u> <u>Benefit Fund</u>
ASSETS:	
Investments	<u>\$ 112,183</u>
Total assets	<u>112,183</u>
NET ASSETS:	
Held in trust for pension benefits and other purposes	<u>112,183</u>
Total net assets	<u><u>\$ 112,183</u></u>

**CITY OF CEDAR HILL, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

EXHIBIT D-2

	Pension Trust Fund Police Reserves Benefit Fund
ADDITIONS:	
Contributions from employer	\$ 20,000
Investment income	28,150
Total additions	48,150
DEDUCTIONS:	
Special services	4,799
Pension payments	14,400
Total deductions	19,199
NET INCREASE	28,951
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS—Beginning of year	83,232
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS—End of year	\$ 112,183

**CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Cedar Hill (the City) was incorporated in 1938. The City operates as a home-rule city under a council-manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, water and sewer utilities, public library, parks and recreation, public improvements, economic development, planning, zoning and code enforcement, and general administrative services. Sanitation collection services are provided through a private contractor.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the City are described below.

A. Reporting Entity

The City is a municipal corporation governed by an elected mayor and six-member council. As required by GAAP, the financial statements present the City (the primary government) and its component units, entities for which the City is considered to be financially accountable. This report includes the financial statements of the City's primary government, which cover all funds or organizations that are part of the legal entity for which the primary government is financially responsible.

Additionally, the component unit columns in the basic financial statements present the financial data of the discretely presented component units, which are legally separate entities responsible to the City's governing body, the City Council. The Community Development Corporation (CDC) is a legally separate entity incorporated May 12, 1994. The City Council appoints the governing board of this entity, which serves the purpose of developing community recreational, educational and similar facilities, and approves its budget. The City is financially accountable for the Corporation and has the ability to control the Corporation's activities. The Corporation was established for the financial benefit of the City. The Economic Development Corporation (EDC) is a legally separate entity incorporated September 8, 1994. The City Council appoints the governing board for this entity, which serves the purpose of (a) promoting existing business enterprise expansion and retention and (b) new business enterprise development and attraction, and approves its budget. The City is financially accountable for the Corporation and has the ability to control the Corporation's activities. The Corporation was established for the financial benefit of the City. Complete financial statements of both component units may be obtained from:

City of Cedar Hill, Texas
Finance Director
285 Uptown Blvd
Bldg. 100
Cedar Hill, Texas 75104

CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all the nonfiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a 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 as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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 and trust 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
– Continued**

Property taxes, franchise taxes, and sales taxes associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Licenses, permits, charges for services, and fines and forfeitures are recorded as revenues when received in cash because they are generally not measurable until actually received. Interest earnings and intergovernmental revenue are recorded as earned since they are measurable and available.

The City reports the following major governmental funds:

- The *General Fund* is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- The *Debt Service Fund* accounts for the accumulation of resources (primarily property tax levies) to be used for the payment of principal, interest and related costs of general long-term liabilities.
- The *Joe Pool Fund* accounts for funds set aside to pay for the city's share (43%) of the water rights to Joe Pool Lake. The primary revenue source is investment earnings.
- The *General Obligation Bond Fund* accounts for funds to be used for the construction of streets, and the renovation of various buildings.
- The *Capital Recovery Fund* accounts for street impact fees which are collected and made available for debt service on streets as needed.

The City reports the following major proprietary fund:

- The *Enterprise Fund* accounts for the operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's water and sewer system is accounted for through this fund.

Additionally, the City reports the following funds:

- The *Police Reserves Benefit Fund* is a pension trust fund to account for the defined benefit plan of the police reserves.
- The *Internal Service Fund* purchases equipment and leases the equipment to other funds of the City.

**CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
– Continued**

Private-sector standards of accounting and financial reporting issued on or before November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are franchise fees and other charges between the City's water and sewer function and various other functions of the City. 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund and internal service fund are charges to customers for sales and services. Operating expenses for the enterprise fund and internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Net Assets or Equity

1. *Deposits and investments*

The City considers both restricted and unrestricted demand deposits, cash on hand, investments in highly liquid investment pools and investments with original maturities of under 90 days to be cash equivalents.

**CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities and Net Assets or Equity – Continued

The City pools substantially all cash and investments except for separate cash and investment accounts which are maintained in accordance with legal restrictions. Each fund's equity share of the total pooled cash and investments is included on the accompanying statement of net assets and balance sheet under the caption "Equity in pooled cash and investments". Investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The City considers quoted market prices at September 30, 2012, to be the fair value of investments. Interest earned on investments is recorded in the funds in which the investments are recorded.

2. Receivables and payables

Transactions 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." There are no internal balances as of September 30, 2012.

Property taxes attach an enforceable lien on property as of January 1. The City's property taxes are levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Assessed values are established at 100% of estimated market value. Taxes are due by January 31 following the October 1 levy date and are considered delinquent after February 1 of each year. The Dallas County Tax Office bills and collects all property taxes for the City. Any uncollected property taxes as of September 30, which are not expected to be collected within 60 days, are recorded as taxes receivable and deferred revenues. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

3. Inventories and prepaid items

Inventories are stated at specific identified costs and are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities and Net Assets or Equity – Continued

4. *Restricted assets*

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because they are maintained in separate investment pool accounts and their use is limited by applicable bond covenants.

5. *Capital assets*

Capital assets, which include land, building/facility and improvements, equipment, water rights, master studies and infrastructure assets (e.g., roads, culverts, drainage systems and similar items), purchased or acquired, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if historical cost is not available. Donated or contributed capital assets are recorded at estimated fair market value at the date of donation or contribution. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized. Depreciation on capital assets is calculated on the straight-line basis over the following useful lives:

Buildings/Facilities and Improvements	10-60 years
Equipment	3-30 years
Water Rights	50 years
Master Studies	5 years
Infrastructure	20-50 years

6. *Compensated absences*

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. When employees enter full-time employment classification, accrual of paid vacation time begins according to a schedule based on position and years of service. If the total amount of unused paid vacation time reaches a "cap" of 240 hours, further accrual will cease until accrued leave time is less than 240 hours. If an employee retires or resigns with two weeks notice and completes the remaining two weeks, the employee will be paid for unused vacation time that has been earned through the last day of work, up to the 240 hour cap or 336 hours for firemen.

An employee is eligible to accrue 96 hours of sick leave per year, accrued at a rate of 8 hours per month. Fire department employees are eligible to accrue sick leave at a rate of 12 hours per month. Unused sick leave may be accumulated from year-to-year to an unlimited total.

**CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities and Net Assets or Equity – Continued

6. Compensated absences – Continued

If an employee retires or resigns with two weeks notice and completes the remaining two weeks, the employee will be paid for unused sick time that has been earned through the last day of work, up to a maximum of 720 hours or 1,080 for firefighters.

7. 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 are deferred and amortized over the life of the bond 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 on a straight-line basis.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance cost, 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 issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund equity

The City reports governmental fund balances per GASB 54 definitions as follows:

Nonspendable – Amounts that are not in spendable form or are required to be maintained intact, such as inventory or permanent funds.

Restricted – Amounts that can be spent only for specific purposes stipulated by external parties, such as grants, court technology fees and construction.

Committed – Amounts that can be used only for specific purposes set by resolution of the City Council, such as Street Construction and Building Maintenance.

Assigned – Amounts intended to be used for specific purpose. The City Council has delegated the responsibility to assign funds to the City Manager or the Director of Finance. Assignments may occur subsequent to fiscal year end.

Unassigned – Amounts not contained in other classifications that can be used for any purpose.

CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities and Net Assets or Equity – Continued

8. Fund equity – Continued

For the purpose of fund balance classification expenditures are to be spent first from restricted fund balance, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The City will utilize funds for expenditures from the most restrictive fund balance first when more than one fund balance classification is available.

Minimum Fund Balance Policy- it is the policy of the City to achieve and maintain an unassigned fund balance in the General Fund of at least twenty percent of budgeted expenditures, a working capital of at least twenty-five percent of estimated expenditures for the Water and Sewer Fund, an unassigned fund balance in the Community Development Corporation Fund of twenty-five percent of revenues, an unassigned fund balance in the Economic Development Corporation Fund equal to fifteen percent of revenues and an unassigned fund balance in the Debt Service Fund equal to fifteen percent of expenditures.

9. Other Restricted Net Assets

Other restricted net assets shown for governmental activities on the government wide statement of net assets consists of the following restrictions.

Police Forfeiture	\$ 95,006
Hotel Occupancy	592,016
Library Fund	75,740
HP-PID	72,157
WO-PID	191,891
Total	<u>\$ 1,026,810</u>

10. New accounting standards

In December 2010, GASB issued Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. This statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. This statement is effective for financial statements for periods starting after December 15, 2011. In general, its provisions are required to be applied retroactively for all periods reported. The City had no transactions of this type in 2012. In the future, if there is a transaction to which this statement applies, the City will account for it appropriately.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus- an amendment of GASB Statements No. 14 and No. 34*. The objective of this statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34,

**CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities and Net Assets or Equity – Continued

10. New accounting standards - Continued

Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those statements. This statement will be effective for periods beginning after June 15, 2012.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations.
2. Accounting Principles Board Opinions.
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

This Statement is effective for periods beginning after December 15, 2011.

In June 2011, GASB issued Statement No. 63, *Accounting and Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which will be effective in the fiscal year ending December 15, 2011. The Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which will be effective for periods beginning after December 15, 2012. The Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The City will evaluate the impact of the standard on its Financial Statements and will take the necessary steps to implement it.

In June 2012, GABS issued Statement No 67, *Financial Reporting for Pension Plans* which will be effective for fiscal years beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions

**CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Assets, Liabilities and Net Assets or Equity – Continued

10. New accounting standards - Continued

with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which is effective for fiscal years beginning after June 15, 2014. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which is effective for fiscal years beginning after December 15, 2013. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* which will be effective for fiscal years beginning after June 15, 2013. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

The City will evaluate the impact of these statements and will take the necessary steps to implement as needed.

CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

NOTE 2. DEPOSITS AND INVESTMENTS

Included in the statement of net assets and the statement of fiduciary net assets are cash and investments totaling \$93,463,892.

	Fair Value	Investment Maturities (in Years)			
		Less than 1	1–5	6–10	More than 10
City cash—cash	\$ 54,814,501	\$ -	\$ -	\$ -	\$ -
City investments:					
U.S. government agency	944,934	944,934	-	-	-
Municipal bonds	33,851,534	-	-	-	33,851,534
Investment pools	2,483,513	2,483,513	-	-	-
Money market mutual fund	1,257,227	1,257,227	-	-	-
Total investments	38,537,208	4,685,674	-	-	33,851,534
Total cash and investments—city	\$ 93,351,709	\$ 4,685,674	\$ -	\$ -	\$ 33,851,534
Pension trust:					
Money market mutual fund	\$ 39,742	\$ 39,742	\$ -	\$ -	\$ -
Equities	72,441	72,441	-	-	-
	\$ 112,183	\$ 112,183	\$ -	\$ -	\$ -

Custodial Credit Risk-Deposits

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. It is the City's policy to require all deposits with financial institutions to be collateralized to the extent not protected by F.D.I.C. insurance. Securities that can be accepted include obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies; and other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities.

At year end, the carrying amount of the City's deposits and cash on hand was \$54,814,501 and the bank balance was \$54,966,796. The bank balance was completely covered by federal depository insurance, other insurance or by collateral held by the City's agent in the City's name.

Custodial Credit Risk-Investments

The laws of the State of Texas and prudent treasury management require that all purchased securities shall be held in safekeeping by either a City account in a third party financial institution, or the City's safekeeping account in its designated depository bank, or in a Federal Reserve Bank.

Securities owned by the City are held by the City's depository at the Federal Home Loan Bank in a separate account for the City.

CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

NOTE 2. DEPOSITS AND INVESTMENTS – CONTINUED

Credit Risk

The City's investment policy, which complies with state statutes, manages credit risk by limiting investments to specific types of investments and by forbidding the investment of funds in investments authorized by the state's Public Funds Investment Act, but not approved by the City Council. This policy permits investments in: 1) obligations of the United States or its agencies and instrumentalities; 2) direct obligations of the State of Texas or its agencies; 3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; 4) Certificates of deposit issued by state and national banks domiciled in the State of Texas; 5) direct repurchase agreements with primary security dealers having a defined termination date, and secured by U.S. Government or federal agency securities; 6) SEC-registered and regulated, no-load money market mutual funds with a dollar-weighted average portfolio maturity of 90 days or less whose assets comply with the Public Funds Investment Act; 7) investment pools that comply with the requirements of the Public Funds Investment Act approved by the City Council.

The City's investments during the fiscal year consisted of U.S. agencies, municipal bonds, collateralized certificates of deposits, money market mutual funds and investment pools approved by the City Council.

The City participated in the following investments during the fiscal year:

Investment	Type	Fitch	S&P	Moody
FHLB 4.875 12/14/2012	Federal Agency Bond		AA+	Aaa
Bexar County TX 6.628 6/15/2039-19	Municipal Bond	AAA	AA+	
Bexar Co Hosp 6.904 2/15/2039-19	Municipal Bond	AAA	AA+	
Cypress-Fairbank ISD 6.529 2/15/2031-19	Municipal Bond	AAA	AA-	
Cypress-Fairbanks ISD 6.629 2/15/2038-19	Municipal Bond	AAA	AA-	
Dallas TX ISD 6.45 2/15/2035-21	Municipal Bond		AAA	
El Paso TX 6.7 8/15/2036-20	Municipal Bond	AAA	AA	
Galveston County 6.205 2/1/2029-19	Municipal Bond	AA+		
Grand Prairie TX ISD 0 8/15/2040-18	Municipal Bond	AA	AA-	
Houston TX 6.319 3/1/2030-20	Municipal Bond	AA	AA	
Katy ISD 6.349 2/15/2041-20	Municipal Bond		AAA	
Laredo TX 6.566 2/15/2039-19	Municipal Bond	AA	AA-	
Roanoke E&I DC 7.199 8/15/2035-19	Municipal Bond		AA-	
Round Rock TX ISD 6.024 8/1/2035-20	Municipal Bond	AAA		
San Antonio ISD 6.097 8/15/2031-20	Municipal Bond	AAA	AAA	
San Antonio ISD 6.247 8/15/2035-20	Municipal Bond	AAA	AAA	
TEXSTAR LGIP	Investment Pool		AAAm	
Federated Prime Obligations Fund SS	Money Market	AAAmmf	AAAm	Aaa-mf
Prosperity MM	Money Market	AAA		
Prosperity Bank MM	Money Market	AAA		
Prosperity Bank MM	Money Market	AAA		
Prosperity Bank 3 2/2/2014	Certificate of Deposit	AAA		

CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

NOTE 2. DEPOSITS AND INVESTMENTS – CONTINUED

Interest Rate Risk

Interest rate risk is minimized according to policy by diversification of investment instruments as well as stated maximum maturity dates. The City's investment policy limits investments to the following maturities:

Portfolio Type	Maximum Average Maturity	Maximum Final Maturity
Consolidated funds	Weighted-average maturity of 365 days	Three years
Debt service funds	None set	Debt service payment date investment will pay
Debt reserve funds	None set	Call date or final maturity date
Special project or special revenue funds	Weighted-average maturity of three years	Five years
Joe Pool Funds (see footnote 6—other obligations)	None set	Forty years

Investment in State Investment Pools

The City invested in TexSTAR Investment Pool. TexSTAR is administered by First Southwest Asset Management Company and JPMorgan Chase. TexSTAR is a local government investment pool created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity, and competitive yield. The fund is rated AAAM by Standard and Poor's. TexStar operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexStar uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexStar is the same as the value of TexStar shares. A complete copy of the TexStar Operating Procedures may be obtained by contacting TexStar Participant Services, 325 North St. Paul, Suite 800, Dallas, TX 75201.

During the year, the City managed the investments of the EDC and the CDC. The EDC and CDC investments are categorized in the same manner as the City's and consist of the following:

CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

NOTE 2. DEPOSITS AND INVESTMENTS – CONTINUED

Economic Development Corporation

	Fair Value	Investment Maturities (in Years)			
		Less than 1	1–5	6–10	More than 10
Corporation—cash	\$ 7,333,214	\$ -	\$ -	\$ -	\$ -
Certificate of deposit	277,544	-	277,544	-	-
	<u>7,610,758</u>	<u>-</u>	<u>277,544</u>	<u>-</u>	<u>-</u>
Corporation investments:					
Investment pools	234,381	234,381			
Money market mutual fund	168,209	168,209			
Total investments	<u>402,590</u>	<u>402,590</u>	<u>277,544</u>	<u>-</u>	<u>-</u>
Total cash and investments— corporation	<u>\$ 8,013,348</u>	<u>\$ 402,590</u>	<u>\$ 555,088</u>	<u>\$ -</u>	<u>\$ -</u>

At year-end, the carrying amount of the EDC's deposits and cash on hand was \$7,610,758 and the bank balance was \$7,631,766. The bank balance was completely covered by federal depository insurance, other insurance or by collateral held by the City's agent in the City's name.

Community Development Corporation

	Fair Value	Investment Maturities (in Years)			
		Less than 1	1–5	6–10	More than 10
Corporation—cash	\$ 5,268,438	\$ -	\$ -	\$ -	\$ -
Corporation investments:					
Investment pools	180,238	180,238	-	-	-
Money market mutual fund	120,800	120,800			
Us government agencies	261,472	261,472	-	-	-
Total investments	<u>562,510</u>	<u>562,510</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash and investments— corporation	<u>\$ 5,830,948</u>	<u>\$ 562,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

At year-end, the carrying amount of the CDC's deposits was \$5,268,438 and the bank balance was \$5,283,987. The bank balance was completely covered by federal depository insurance, other insurance or by collateral held by the City's agent in the City's name.

CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

NOTE 3. RECEIVABLES

Receivables as of year end for the City's individual major funds and non-major, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Joe Pool	Water and Sewer	Nonmajor and Other Funds	Total
Receivables						
Taxes	\$ 1,785,624	\$ 258,871	\$ -	\$ -	\$ 41,842	\$ 2,086,337
Franchise	695,870	-	-	-	-	695,870
Accounts	-	-	-	5,446,227	-	5,446,227
Interest	-	-	146,140	11,408	-	157,548
Miscellaneous	2,110,898	12,236	-	-	412,719	2,535,853
Gross receivables	4,592,392	271,107	146,140	5,457,635	454,561	10,921,835
Less: allowance for uncollectible	(1,163,068)	-	-	(3,087,143)	-	(4,250,211)
Net total receivables	<u>\$ 3,429,324</u>	<u>\$ 271,107</u>	<u>\$ 146,140</u>	<u>\$ 2,370,492</u>	<u>\$ 454,561</u>	<u>\$ 6,671,624</u>

NOTE 4. CAPITAL ASSETS

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

Primary Government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets—not being depreciated:					
Land	\$ 15,748,398	\$ -	\$ -	\$ -	\$ 15,748,398
Construction in progress	3,080,884	5,731,883	(62,031)	(1,407,301)	7,343,435
Total capital assets—not depreciated	18,829,282	5,731,883	(62,031)	(1,407,301)	23,091,833
Capital assets—being depreciated:					
Buildings/facilities	53,171,747	70,268	-	331,493	53,573,508
Equipment	9,634,772	1,155,044	-	153,767	10,943,583
Infrastructure	135,268,258	276,616	-	922,041	136,466,915
Water rights	26,284,063	-	-	-	26,284,063
Master studies	250,726	116,800	-	-	367,526
Total capital assets—being depreciated	224,609,566	1,618,728	-	1,407,301	227,635,595
Less accumulated depreciation for:					
Buildings/facilities	(12,482,046)	(1,799,833)	-	-	(14,281,879)
Equipment	(7,079,082)	(727,278)	-	-	(7,806,360)
Infrastructure	(43,832,013)	(3,893,528)	-	-	(47,725,541)
Water rights	(14,823,288)	(489,428)	-	-	(15,312,716)
Master studies	(249,908)	(2,765)	-	-	(252,673)
Total accumulated depreciation	(78,466,337)	(6,912,832)	-	-	(85,379,169)
Total capital assets—being depreciated—net	146,143,229	(5,294,104)	-	1,407,301	142,256,426
Governmental activities capital assets—net	<u>\$ 164,972,511</u>	<u>\$ 437,779</u>	<u>\$ (62,031)</u>	<u>\$ -</u>	<u>\$ 165,348,259</u>

CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

NOTE 4. CAPITAL ASSETS – CONTINUED

Primary Government – Continued

Internal service fund capital assets of \$2,392,498 are included in the governmental activities capital assets.

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets—not being depreciated:					
Land	\$ 367,764	\$ -	\$ -	\$ -	\$ 367,764
Construction in progress	252,694	800,888	-	(480,527)	573,055
Total capital assets—not depreciated	620,458	800,888	-	(480,527)	940,819
Capital assets being depreciated:					
Buildings/facilities	578,513	-	-	-	578,513
Water systems	42,197,498	321,906	-	-	42,519,404
Sewer systems	22,787,053	76,083	-	480,527	23,343,663
Equipment	2,772,011	133,492	-	-	2,905,503
Master studies	172,544	-	-	-	172,544
Total capital assets being depreciated	68,507,619	531,481	-	480,527	69,519,627
Less accumulated depreciation for:					
Buildings/facilities	(421,717)	(29,147)	-	-	(450,864)
Water systems	(9,817,024)	(868,836)	-	-	(10,685,860)
Sewer systems	(5,949,571)	(457,373)	-	-	(6,406,944)
Equipment	(2,217,983)	(146,711)	-	-	(2,364,694)
Master studies	(166,211)	(6,333)	-	-	(172,544)
Total accumulated depreciation	(18,572,506)	(1,508,400)	-	-	(20,080,906)
Total capital assets—being depreciated—net	49,935,113	(976,919)	-	480,527	49,438,721
Business-type activities capital assets—net	\$ 50,555,571	\$ (176,031)	\$ -	\$ -	\$ 50,379,540

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

Governmental activities:	
General government	\$ 735,277
Public safety	327,180
Community service	861,366
Public works	4,465,099
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	523,910
Total depreciation expense—governmental activities	<u>\$ 6,912,832</u>
Business-type activities—water and sewer	<u>\$ 1,508,400</u>

Construction Commitments

The City has active construction projects as of September 30, 2012. The projects include street construction in areas of newly developed commercial areas and widening and construction on existing streets, developing city parks and construction of water and sewer facilities and pipelines. At year end, the City's commitments total \$8,481,041, of which \$4,566,894 has been spent to date, with a remaining commitment of \$3,914,147.

CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

NOTE 4. CAPITAL ASSETS – CONTINUED

Discretely Presented Component Units

Activity for the Economic Development Corporation for the year ended September 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets—not being depreciated:					
Land	1,757,544	\$ -	\$ -	\$ -	\$ 1,757,544
Total capital assets- not being depreciated	1,757,544	-	-	-	1,757,544
Capital assets—being depreciated:					
Leasehold improvements	227,009	-	-	-	227,009
Improvements other than buildings	85,962	-	-	-	85,962
Total capital assets being depreciated	312,971	-	-	-	312,971
Less accumulated depreciation for:					
Leasehold improvements	(71,714)	(22,701)	-	-	(94,415)
Improvements other than buildings	(3,868)	(1,719)	-	-	(5,587)
Total accumulated depreciation	(75,582)	(24,420)	-	-	(100,002)
Total capital assets being depreciated—net	237,389	(24,420)	-	-	212,969
EDC Capital assets—net	\$ 1,994,933	\$ (24,420)	\$ -	\$ -	\$ 1,970,513

Activity for the Community Development Corporation for the year ended September 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets—not being depreciated:					
Construction in progress	\$ 157,396	\$ 244,496	\$ -	\$ (116,800)	\$ 285,092

CDC capital assets are contributed to the City when completed.

CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

NOTE 5. CAPITAL LEASES

The City entered into a lease agreement as lessee for financing two vehicle equipment which one is payable from governmental activities and the other is payable from business type activities. These lease agreements qualify as capital leases for accounting purposes and, therefore, are recorded at the present value of their future minimum lease payments as of the inception date:

The assets acquired through a capital lease are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Assets		
Equipment	\$ 30,566	\$ 28,940
Less accumulated depreciation	<u>(5,094)</u>	<u>(4,823)</u>
Total	\$ <u>25,472</u>	\$ <u>24,117</u>

The future minimum lease obligation and the net present value of these minimum lease payments as of September 30, 2012 are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2013	\$ 7,861	\$ 7,440
2014	7,861	7,440
2015	<u>7,861</u>	<u>7,440</u>
Total minimum future lease payments	23,583	22,320
Less: Amount representing interest	<u>(2,754)</u>	<u>(2,609)</u>
Present value of minimum lease payments	\$ <u>20,829</u>	\$ <u>19,711</u>

CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund receivables and payables as of September 30, 2012, is as follows:

Due (to) from other funds:		
Receivable Fund	Payable Fund	Amount
General Fund	Non-Major Governmental Funds	\$ 101,446
		<u>\$ 101,446</u>

The loan from the General Fund to Non-Major Governmental Funds (Community Development Block Grant Fund) provides the Community Development Block Grant Fund cash to pay for expenditures that will be reimbursed by granting agencies once the requests for reimbursements are processed.

Transfers are used to a) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, b) to accumulate funds for the retirement of the Joe Pool liability, and c) to preserve adequate General Fund, fund balance and meet General Fund obligations. The transfer activity for the year ended September 30, 2012 is presented in the following schedule:

Transfers to		Transfers From			
		General Fund	Capital Recovery Fund	Enterprise Fund	Nonmajor Funds
Primary government:					
Governmental activities:					
Major funds:					
Debt service	\$ 991,000	\$ -	\$ 991,000	\$ -	\$ -
Joe Pool fund	1,850,000	50,000	-	1,800,000	-
General fund	905,000	-	-	-	905,000
Total major funds	<u>3,746,000</u>	<u>50,000</u>	<u>991,000</u>	<u>1,800,000</u>	<u>905,000</u>
Total primary government	<u>\$ 3,746,000</u>	<u>\$ 50,000</u>	<u>\$ 991,000</u>	<u>\$ 1,800,000</u>	<u>\$ 905,000</u>

The General Fund and the Water and Sewer Fund transfer funds to the Joe Pool Fund in order to accumulate resources to retire the liability resulting from the acquisition of rights to water conservation storage space. This liability is explained in Footnote 7, Other Obligations. The Capital Recovery Fund transferred funds to the Debt Service Fund for payment of debt service. The street construction and Restricted Street Fund transferred funds to General Fund to preserve adequate fund balances and meet General Fund obligations.

CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS – CONTINUED

Eliminations

Interfund transfers are reported in the governmental and proprietary fund financial statements. In the entity-wide statements, interfund transfers are eliminated within the governmental activities column and business-type column, as appropriate.

NOTE 7. LONG-TERM OBLIGATIONS

Changes in Long-Term Liabilities

The following is a summary of transactions affecting long-term liabilities for the year ended September 30, 2012:

	Balance October 1, 2011	Increases	Retirements/ Refundings	Balance September 30, 2012	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 62,666,620	\$ 9,040,000	\$ (12,614,345)	\$ 59,092,275	\$ 4,072,415
Certificates of obligation	21,670,000	-	(790,000)	20,880,000	720,000
Other obligations	62,718,212	3,564,276	-	66,282,488	-
Total bonds payable	147,054,832	12,604,276	(13,404,345)	146,254,763	4,792,415
Unamortized premiums	918,887	474,838	(198,325)	1,195,400	-
Unamortized discounts	-	-	-	-	-
Unamortized loss on refunded bonds	(748,061)	(619,850)	126,546	(1,241,365)	-
Compensated absences	3,725,040	1,738,939	(1,563,815)	3,900,164	1,283,191
OPEB liability	201,952	24,526	-	226,478	-
Police pension liability	22,764	21,338	(20,000)	24,102	-
Arbitrage liability	10,245	-	(4,035)	6,210	-
Estimated liability for litigation	60,000	-	(60,000)	-	-
Capital lease payable	-	28,691	(7,862)	20,829	6,512
Total governmental long-term liabilities	151,245,659	14,272,758	(15,131,836)	150,386,581	6,082,118
Business-type activities:					
Revenue bonds payable	9,795,000	-	(470,000)	9,325,000	490,000
General obligation bonds payable	1,938,380	-	(235,655)	1,702,725	242,585
Unamortized premiums	52,869	-	(5,759)	47,110	-
Unamortized discounts	(5,422)	-	745	(4,677)	-
Unamortized loss on refunded bonds	(6,068)	-	1,502	(4,566)	-
Other long-term liabilities	70,481	-	(17,620)	52,861	17,620
Compensated absences	308,606	217,773	(178,485)	347,894	141,151
Capital lease payable	-	27,151	(7,440)	19,711	6,162
Total business-type long-term liabilities	12,153,846	244,924	(912,712)	11,486,058	897,518
Total primary government long-term liabilities	\$ 163,399,505	\$ 14,517,682	\$ (16,044,548)	\$ 161,872,639	\$ 6,979,636

Claims, judgments, compensated absences, and OPEB obligations are generally liquidated by the General Fund.

CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

NOTE 7. LONG-TERM OBLIGATIONS – CONTINUED

General Long-Term Liabilities

General obligation bonds, certificates of obligation and revenue bonds outstanding at September 30, 2012, consist of the following individual issues:

	Interest Rates	Balance September 30, 2012
General obligation bonds:		
\$6,550,000 2003A General Obligation Bonds, due February 15, 2023	4.00%- 5.00%	305,000
\$8,500,000 2004 General Obligation Bonds, due February 15, 2024	3.75%- 5.00%	755,000
\$8,550,000 2005 General Obligation Refunding Bonds, due February 15, 2020	3.50%- 5.00%	5,905,000
\$12,200,000 2005 General Obligation Bonds, due February 15, 2025	3.50%- 5.125%	8,845,000
\$3,700,000 2006 General Obligation Bonds, due February 15, 2026	4.00%- 4.50%	2,945,000
\$2,300,000 2006A General Obligation Bonds, due February 15, 2026	4.00%- 4.50%	1,730,000
\$8,135,000 2007A General Obligation Bonds, due February 15, 2027	4.00%- 5.00%	6,950,000
\$7,500,000 2008 General Obligation Bonds, due February 15, 2028	3.375%-4.875%	6,425,000
\$5,145,000 2009 General Obligation Refunding Bonds, due February 15, 2019 (Ending balance split between governmental activities of \$1,982,275 and business-type activities of \$1,702,725)	2.81%	1,982,275
\$14,630,000 2011 General Obligation Refunding Bonds, due February 15, 2028	3.00%-5.00%	14,210,000
\$9,040,000 2012 General Obligation Refunding Bonds, due Feb.15,2029	.2%-3%	9,040,000
Total general obligation bonds		<u>\$ 59,092,275</u>
Certificate of obligation bonds:		
Governmental activities:		
\$12,890,000 2006 Certificates of Obligation, due February 15, 2026	4.00%-5.00%	11,590,000
\$2,275,000 2007 Certificates of Obligation, due February 15, 2027	4.00%-4.50%	1,740,000
\$8,590,000 2008 Certificates of Obligation, due February 15, 2028	4.00%-4.25%	7,550,000
Total certificate of obligation bonds		<u>\$ 20,880,000</u>
Revenue bonds:		
Business-type activities:		
\$3,000,000 2004 Waterworks and Sewer System Revenue Bonds, due April 1, 2024	3.50%- 4.75%	2,025,000
\$3,000,000 2006 Waterworks and Sewer System Revenue Bonds, due April 1, 2026	4.00%-4.60%	2,345,000
\$3,000,000 2007 Waterworks and Sewer System Revenue Bonds, due April 1, 2027	4.00%-5.00%	2,425,000
\$3,000,000 2008 Waterworks and Sewer System Revenue Bonds, due April 1, 2028	3.50%-5.00%	2,530,000
Total revenue bonds		<u>\$ 9,325,000</u>

CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

NOTE 7. LONG-TERM OBLIGATIONS – CONTINUED

General Long-Term Liabilities – Continued

Annual requirements to amortize the long-term debt as of September 30, 2012, are as follows:

Year Ending September 30	Governmental Activities					
	General Obligation Bonds		Certificates of Obligation Bonds		Other Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 4,072,415	\$ 2,171,237	\$ 720,000	\$ 905,029	\$ -	\$ -
2014	3,865,860	2,026,747	1,105,000	868,529	-	-
2015	4,311,240	1,879,104	1,150,000	823,429	-	-
2016	4,492,000	1,722,961	1,195,000	775,635	-	-
2017	4,645,450	1,568,427	1,245,000	725,010	-	-
2018-2022	22,555,310	5,374,813	7,105,000	2,761,094	-	-
2023-2027	13,900,000	1,654,106	7,730,000	955,853	-	-
2028-2029	1,250,000	28,731	630,000	13,388	-	-
2030	-	-	-	-	66,282,488	364,034,224
Total principal and interest	<u>\$ 59,092,275</u>	<u>\$ 16,426,126</u>	<u>\$ 20,880,000</u>	<u>\$ 7,827,968</u>	<u>\$ 66,282,488</u>	<u>\$ 364,034,224</u>

Year Ending September 30	Business-Type Activities			
	Revenue Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 490,000	\$ 399,611	\$ 242,585	\$ 44,438
2013	510,000	379,876	254,140	37,459
2014	530,000	358,423	258,760	30,253
2015	555,000	335,600	268,000	22,852
2016	580,000	311,246	279,550	15,159
2017-2021	3,295,000	1,156,086	399,690	8,797
2022-2026	3,150,000	383,848	-	-
2027-2028	215,000	5,375	-	-
Total principal and interest	<u>\$ 9,325,000</u>	<u>\$ 3,330,065</u>	<u>\$ 1,702,725</u>	<u>\$ 158,958</u>

The City issued the following debt during the fiscal year: \$9,040,000 in General Obligation Refunding Bonds to refund the General Obligation Bond Series 2003A the General Obligation Bond Series 2004. The refunding was undertaken to reduce total debt service payments by \$1,217,748 that will result in an economic gain of \$1,072,334.

Revenue Bond Compliance

The revenue bonds are collateralized by the revenue of the water and sewer system and the various special funds established by the bond ordinance. The ordinance provides that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinance also contains provisions that, among other items, restrict the issuance of additional revenue bonds unless the special funds noted above contain the required amounts and certain financial ratios are met. The City is in compliance with all significant requirements.

CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

NOTE 7. LONG-TERM OBLIGATIONS – CONTINUED

Other Obligations

On April 26, 1975, the City, along with the Cities of Grand Prairie and Duncanville and the Midlothian Water District, entered into a contract with the Trinity River Authority of Texas (the Authority) to purchase rights to water conservation storage space in Lakeview Reservoir (Joe Pool Lake) (the Reservoir). The City's share is 43.21% of the total contract.

Payments to the Authority for water purchases under the contract are to commence when water is diverted from the Reservoir but no later than ten years from the date of completion of the project. The Reservoir was completed on January 6, 1986, and the first payment to the Authority was due on January 8, 1996, at which time interest began accruing.

The City's portion of the original contractual liability, as amended, amounted to \$26,284,063 and bears interest at 5.683%. According to the contract terms, each annual payment is to be made in 12 equal installments, each due and payable on or before the tenth day of the month. All payments, if not paid when due, bear interest at 5.683% per annum, if no water was diverted by that date. The City accrued an amount of \$3,564,276 for the interest accrued and not paid for the year ended September 30, 2012, which increased the long-term debt liability to the current balance of \$66,282,488. As allowed by the agreement, the City opted not to make payments but is accruing interest until the liability is paid. The City has set aside funds and has plans to pay off the liability by 2046.

Other obligations consist of a contractual liability to a developer for participation in the construction of water and sewer lines. Annual payments of \$17,620 are due until the obligation is paid. At September 30, 2012, the City owed the developer \$52,861.

Component Units

The debt of the Community Development Corporation, a discretely presented component unit, is comprised of the following:

	Balance October 1, 2011	Increases	Retirements	Balance September 30, 2012	Due Within One Year
Governmental activities:					
Sales Tax Revenue Bonds	\$ 765,000	\$ -	\$ (245,000)	\$ 520,000	\$ 250,000
Unamortized premiums	681	-	(378)	303	-
Compensated absences	82,806	60,507	(63,245)	80,068	43,663
Total long-term liabilities	<u>\$ 848,487</u>	<u>\$ 60,507</u>	<u>\$ (308,623)</u>	<u>\$ 600,371</u>	<u>\$ 293,663</u>

CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

NOTE 7. LONG-TERM OBLIGATIONS – CONTINUED

Component Units – Continued

The annual requirements to amortize the long-term debt of the component unit as of September 30, 2012, are as follows:

Year Ending September 30	Community Development Corporation Revenue Bonds	
	Principal	Interest
2013	\$ 250,000	\$ 14,163
2014	270,000	4,894
Total principal and interest	<u>\$ 520,000</u>	<u>\$ 19,057</u>

The debt of the Economic Development Corporation, a discretely presented component unit, is comprised of the following:

	Balance October 1, 2011	Increases	Retirements	Balance September 30, 2012	Due Within One Year
Compensated absences	<u>\$ 48,040</u>	<u>\$ 23,332</u>	<u>\$ (39,379)</u>	<u>\$ 31,993</u>	<u>\$ 11,096</u>

The CDC has entered into an agreement with the City to provide the funds, contingent on the CDC's collection of sales taxes, to amortize the City's \$8,800,000 2003A Certificates of Obligation and related interest for the construction and equipping of a recreation center. In fiscal year 2006, the EDC entered into an agreement with the City to provide funds to amortize the City's \$12,890,000 Certificates of Obligation and related interest for the construction of roads and drainage facilities to support the Uptown Village retail center.

These agreements are classified as voluntary non-exchange transactions. Payments by the CDC and EDC require the existence of available resources and an annual appropriation by the Boards of the CDC and EDC.

**CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 7. LONG-TERM OBLIGATIONS – CONTINUED

Cedar Hill Industrial Development Corporation

The Cedar Hill Industrial Development Corporation (CHIDC) was organized in December 1979 by the City under the Development Corporation Act of 1979. CHIDC issues tax-exempt revenue bonds for the development of local industry to secure the advantages of balanced and increased employment and an improved economic position, and to provide for a broader tax base. The City Council appoints the Board of Directors of CHIDC. The CHIDC does not have assets, liabilities, revenues, expenditures, or conduit debt as of September 30, 2012, to be included as a component unit.

NOTE 8. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and other natural disasters. During fiscal 2012, the City purchased general liability, property and workers' compensation insurance coverage from Texas Municipal League Risk Pool (TML). The City pays an annual premium to TML for such coverage. TML purchases reinsurance and the City does not retain risk of losses. There was no change in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 9. COMMITMENTS AND CONTINGENCIES

Trinity River Authority of Texas

The City contracts with Trinity River Authority of Texas (TRA), an agency of the State of Texas, whereby TRA finances, constructs, operates and maintains water and sewage transportation and treatment facilities for the benefit of the City. The current contracts are extended through the date at which all bonds mature. The City makes payments monthly, which are based on an estimate of its share of costs. In prior years, TRA has calculated this estimate on an annual basis and made adjustments for over/under charges in the City's next fiscal year. Effective December 1, 1992, TRA changed its billing methodology to adjust its estimate eight months into the City's fiscal year which should reduce over/under charges but may not fully eliminate them. The City's fiscal year for when the adjustments are reported and the City's fiscal year for when the services were provided may differ because of these adjustments and because TRA's fiscal year differs from the City's, as indicated by the schedule below:

Regular monthly expenses for October 1, 2011 to September 30, 2012	\$ 5,084,203
TRA adjustment for prior-year settlement	<u>(201,335)</u>
Sewage treatment and water system facility expenses	<u>\$ 4,882,868</u>

**CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 9. COMMITMENTS AND CONTINGENCIES – CONTINUED

State and Federal Programs

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. In the opinion of management of the City, the disallowed cost, if any, would not be material.

Other Contingencies

There are other claims and pending actions incident to normal operations of the City. In the opinion of the City management, the City's potential liability in these matters will not have a material impact on the financial statements.

NOTE 10. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Plan Descriptions

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 847 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2011, valuations are contained in the 2011 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing P.O. Box 149153, Austin, Texas 78714-9153.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit, which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

**CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 10. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS – CONTINUED

Plan Descriptions – Continued

Members can retire at ages 60 and above with five or more years of service or with 20 years of service regardless of age. A member is vested after five years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows (as of December 31, 2011)

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

Contributions

The contribution rate for an employee is 7%, and the City matching ratio is currently 2 to 1, as adopted by the City Council. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 30-year amortization period. The projected unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2010 valuation is effective for the rates beginning January 2012).

CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

NOTE 10. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS – CONTINUED

Annual Pension Costs

Contributions by the City were \$2,426,330 or 14.51% of the covered payroll of \$16,718,591 as required by the actuarial valuation. Plan participants contributed \$1,151,227. The total fiscal year 2012 payroll was \$16,962,114. Annual City pension cost and related information for the last three years is as follows:

<u>Actuarial Information</u>	<u>FY 2011-2012</u> <u>12/31/2011</u>	<u>FY 2010-2011</u> <u>12/31/2010</u>	<u>FY 2009-2010</u> <u>12/31/2009</u>
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level %	Level %	Level %
Amortization period	26.3 years-closed period	27.2 years-closed period	28 years-closed period
Asset valuation method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Assumptions			
Investment return	7.0%	7.0%	7.5%
Projected salary increases	varies by age and services	varies by age and services	varies by age and services
Inflation	3.0%	3.0%	3.0%
Cost-of-living adjustment	2.1% (3.0% CPI)	2.1% (3.0% CPI)	2.1% (3.0% CPI)
City specific assumptions			
Payroll growth assumption	3.0%	3.0%	3.0%
Withdrawal rates for male/female (low, mid/low, mid, mid/high or high)	Mid-Low/Mid	Mid-Low/Mid	Mid-Low/Mid

<u>Schedule of Funding Information</u>	<u>FY 2011-2012</u> <u>12/31/2011</u>	<u>FY 2010-2011</u> <u>12/31/2010</u>	<u>FY 2009-2010</u> <u>12/31/2009</u>	<u>FY 2008-2009</u> <u>12/31/2008</u>	<u>FY 2007-2008</u> <u>12/31/2007</u>
Actuarial valuation date					
Actuarial value of assets	\$51,899,146	\$46,695,631	\$31,571,105	\$28,113,719	\$25,541,227
Actuarial accrued liability	\$66,396,210	\$62,239,252	\$47,566,744	\$43,481,703	\$39,356,799
Unfunded (over-funded) actuarial					
Accrued liability (UAAL)	\$14,497,064	\$15,543,621	\$15,995,639	\$15,367,984	\$13,815,572
Funded ratio	78.2%	75.0%	66.4%	64.7%	64.9%
Annual covered payroll	\$16,718,591	\$17,883,868	\$17,131,245	\$16,764,181	\$14,856,820
UAAL as a percentage of covered payroll	86.7%	86.9%	93.4%	91.7%	93.0%

CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

NOTE 10. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS – CONTINUED

Annual Pension Costs

The City's net pension obligation (NPO) for TMRS at December 31, 2011, 2010 and 2009 is calculated as follows:

	December 31		
	FY 2011-2012 2011	FY 2010-2011 2010	FY 2009-2010 2009
Actuarial valuation date:			
NPO, beginning of the year	\$ -	\$ -	\$ -
Annual pension cost:			
Annual required contribution (ARC)	3,607,237	3,571,408	3,412,360
Contributions made	(3,607,237)	(3,571,408)	(3,412,360)
Percentage of pension costs contributed	100%	100%	100%
NPO, end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Supplemental Death Benefit Fund

The City contributes to a cost-sharing multiple-employer defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a separate trust administered by the TMRS Board of Trustees and is a voluntary program in which the City elected, by ordinance, to provide group term life insurance coverage to active and retired members. The City 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.

Contributions are made monthly based on the covered payroll of employee members of the City. The contractually required contribution rate is determined annually, and the rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund described above. The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of the plan is assure adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active members deaths on a pay-as-you go basis; any excess contributions and investment income over payments then become net assets available for postemployment benefits other than pension benefits (OPEB). The City's contributions to SDBF for the fiscal years ended September 30, 2012, 2011, and 2010, were \$29,680, \$30,328, and \$29,843, respectively, which equaled the required contributions each year.

**CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 10. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS – CONTINUED

Supplemental Death Benefit Fund – Continued

Payments from this fund are similar to group term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary.

The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or claim against, the Pension Trust Fund.

The funding policy of the plan is to assure adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you go basis;

Reserve Police Department Defined Benefit Plan

The City provides pension benefits to its volunteer police reserves upon retirement. The City Council establishes plan provisions, is authorized to amend them and acts as the plan administrator. The plan became effective October 1, 1993. Police reserves do not receive a salary, and therefore, there is no covered payroll related to the plan. Police reserves are eligible to participate in the plan if they are at least 15 years old and provided the City with 192 hours of volunteer service per year as a police reserve. Under the plan, the normal retirement age is 55 with ten years of service required. Service is measured by years of service. The reserve officers are not required to contribute to the plan. The normal retirement pension payable to a retirement participant is \$144 per month with a guaranteed minimum of 120 months. Participants are 100% vested with a minimum of ten years of vesting service. A year of vesting is credited for each year during which the participant is credited with 192 hours of service. As of September 30, 2012, the City had two active members of the plan and seven retirees receiving benefits. The actuarial assumptions included 1) actuarial cost method – projected unit credit, 2) inflation rate – no inflation rate, 3) investment return – 5%, 4) projected salary increases – none (plan participants are volunteers and receive no salary), and 5) post-retirement benefit increases – none. The plan is a single employer defined benefit plan. The plan does not prepare a separate, audited pension plan report.

The financial statements of the plan are prepared using the accrual basis of accounting. The City's contributions are recognized when due and a formal commitment to provide contributions is made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The actuarial method used for valuing assets of the pension plan is market value. The Plan's unfunded actuarial liability is being amortized using the level dollar closed method over a period of 5 years. All plan investments are reported at fair value. Plan administration fees are funded by the City through an annual contribution. The City obtains an actuarial study every other year for this plan, and as a result trend information has been presented only for the period through the last study, (October 1, 2011).

CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

NOTE 10. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS – CONTINUED

Reserve Police Department Defined Benefit Plan – Continued

Actuarial Valuation Date	October 1,					
	2007	2008	2009	2010	2011	2012
Annual required contribution(ARC)	\$ 2,095	\$ 6,708	\$ 12,976	\$ 17,581	\$ 20,314	\$ 20,314
Interest on NPO	-	-	-	187	536	1,024
Adjustment to the ARC						
Annual pension cost	2,095	6,708	12,976	17,768	20,850	21,338
Contributions made	-	-	-	(10,000)	(10,000)	(20,000)
Increase (decrease) in net pension obligation(NPO)/asset (NPA)	2,095	6,708	12,976	7,768	10,850	1,338
NPO (NPA) beginning of period	(17,633)	(15,538)	(8,830)	4,146	11,914	22,764
NPO (NPA) at the end of the period	<u>\$ (15,538)</u>	<u>\$ (8,830)</u>	<u>\$ 4,146</u>	<u>\$ 11,914</u>	<u>\$ 22,764</u>	<u>\$ 24,102</u>
Percentage of annual pension costs contributed	0%	0%	0%	56%	48%	94%

The funded status of the plan as of the latest actuarial valuation (October 1, 2011) is disclosed below.

Actuarial Valuation Date	OCT 01 2011
Actuarial value of assets	\$ 83,232
Actuarial accrued liability	208,324
Percentage funded	40.0%
Unfunded actuarial accrued liability (UAAL)	125,092
Annual covered payroll	N/A
UAAL as a percentage of covered payroll	N/A

The net pension asset at September 30, 2012, is calculated as follows:

Annual required contribution (ARC)	\$ 20,314
Interest on prior year's net pension asset	1,024
Adjustment to the ARC	-
Annual pension cost	21,338
Contributions made	20,000
Decrease in net pension asset	(1,338)
Net pension liability—beginning of year	22,764
Net pension liability—end of year	<u>\$ 24,102</u>

**CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

NOTE 10. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS – CONTINUED

Reserve Police Department Defined Benefit Plan – Continued

The net pension liability is included as a non-current liability due in more than one year in the statement of net assets.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

NOTE 11. OTHER POST EMPLOYMENT BENEFITS

A. Plan Description

The City provides post-employment medical care (OPEB) for employees through a single-employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses and dependents through the City's group health insurance plans, which cover both active and retired members. The benefit levels and contribution rates are approved annually by the City management and the City Council as part of the budget process. Since an irrevocable trust has not been established, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

B. Benefits Provided

The City provides post-employment medical and dental care benefits to its retirees. Retirees who elect COBRA cannot later elect retiree coverage. To be eligible for coverage, an employee must qualify under all three of the following:

1. The retiree must have been covered for medical benefits under the City Health Plan as an employee immediately prior to termination of employment.
2. The retiree must apply for pension benefits from TMRS in accordance with TMRS requirements and deadlines, but in no event later than ninety days from termination of employment; and;
3. The retiree must enroll for retiree health coverage within thirty-one days of the date of termination.

All medical care benefits are provided through the City's health plan. The benefit levels are the same as those afforded to active employees.

As of September 30, 2012, membership consisted of:

Retirees and beneficiaries receiving benefits	9
Terminated employees eligible for benefits, but not yet enrolled	0
Active employees	<u>319</u>
Total	<u><u>328</u></u>

CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

NOTE 11. OTHER POST EMPLOYMENT BENEFITS – CONTINUED

C. Funding Policy

The plan's premium rates are determined annually by City management and approved by the City Council as part of the annual budget. Members receiving medical benefits contribute \$417 per month for retiree-only coverage, \$667 for employee and children, \$793 per month for retiree and spouse and \$1,110 per month for retiree and family. The City is currently funding the OPEB liability on a pay-as-you-go basis. This basis has been recommended since 1) this provides the lowest cost approach and 2) the ARC is relatively small in comparison to the City's overall budget.

D. Annual OPEB Cost

The City's annual OPEB cost is calculated based on the annual required contribution of the City (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The City's annual OPEB cost for the current year, and two preceding years and the related information are as follows:

	2012	2011	2010
Annual required contribution	\$ 110,904	\$ 107,674	\$ 119,697
Interest on prior year net OPEB obligation	9,088	6,752	3,550
Adjustment to annual required contribution	(8,420)	(1,690)	(3,550)
Annual OPEB cost	111,572	112,736	119,697
Contributions made	87,046	59,091	50,280
Increase in net OPEB obligation	24,526	53,645	69,417
Net Obligation - beginning of year	201,952	148,307	78,890
Net Obligation - end of year	<u>\$ 226,478</u>	<u>\$ 201,952</u>	<u>\$ 148,307</u>
Percentage of OPEB costs contributed	78%	52%	42%

CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

NOTE 11. OTHER POST EMPLOYMENT BENEFITS – CONTINUED

D. Annual OPEB Cost – Continued

The funded status of the plan as of actuarial measurement date of October 31, 2010, was as follows:

Actuarial accrued liability	\$ 931,907
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability	<u><u>\$ 931,907</u></u>
Funded ratio	0.0%
Covered payroll	16,718,591
Unfunded actuarial accrued liability as a percentage of covered payroll	5.6%

E. Actuarial Methods and Assumptions

Projections of benefits are based on a substantive plan (the plan understood by the employer and plan members) and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the City and the plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 31, 2010, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.50% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.00% initially, reduced by decrements to an ultimate rate of 4.50% after ten years. The rate of inflation is assumed to be 3.00%. The amortization method used was level percentage of active member payroll. The amortization period is 30 years using an open basis.

Actuarial valuations involve estimates of the value of reported amounts and assumptions and probability of events in the future. Amounts determined regarding the status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF CEDAR HILL, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

NOTE 12. REGIONAL DISPATCH CENTER

The City entered into an annually renewable Interlocal Cooperation agreement with the Cities of DeSoto and Duncanville (participating cities) on August 10, 1999, to establish a Regional Public Safety Dispatch and Alarm Monitoring Facility (the Center). The Center provides police, fire and emergency medical service communications to participating cities. The Center's Management Committee is comprised of each of the participating cities' City Manager or their designee. During the fiscal year 2012, the City contributed \$815,684 to the operations of the Center, which is accounted for in the general fund.

The City has a one-third share in the equity of the Center, which is included in the government-wide statement of net assets as other assets. At September 30, 2012, the City's investment in the Center is \$541,892. The financial statements of the Center can be obtained by contacting: City of DeSoto Finance Department, 211 E. Pleasant Run Rd., DeSoto, TX 75115.

NOTE 13. REGIONAL ANIMAL CONTROL SHELTER

The City entered into an Interlocal Cooperation Agreement with the Cities of DeSoto and Duncanville on September 3, 1991 to establish a Regional Animal Control Shelter facility ("the facility"). The facility's Management Committee is comprised of each of the participating cities' City Manager or their designee. The City owns a one-third (1/3) share of the facility and is reflected in capital assets. In January 2008, the City issued, in its name, \$2,040,000 of bonds to finance the construction of a new animal control shelter. Combined principal and interest of the obligation totaled \$3,064,113. Although, the entire outstanding principal is reflected in the City's financials, the City of Duncanville and the City of Desoto are each committed to pay one third of that total debt or \$1,021,371 over twenty years starting in fiscal year 2009. The financial statements of the facility can be obtained by contacting: City of Cedar Hill Finance Department, P.O. Box 96, Cedar Hill, TX 75106-0096.

NOTE 14. SUBSEQUENT EVENTS

The city has evaluated all events or transaction that occurred after September 30, 2012 up through September 20, 2013, the date the financial statements were available to be issued and concludes there are not subsequent events requiring recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CEDAR HILL, TEXAS

EXHIBIT E-1

**SCHEDULE OF PENSION FUNDING PROGRESS – TMRS PLAN (UNAUDITED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Actuarial Valuation Date	2007	2008	December 2009	2010	2011
Actuarial value of assets	\$ 25,541,227	\$ 28,113,719	\$ 31,571,105	\$ 46,695,631	\$ 51,899,146
Actuarial accrued liability	39,356,799	43,481,703	47,566,744	62,239,252	66,396,210
Percentage funded	64.9%	64.7%	66.4%	75.0%	78.2%
Unfunded actuarial accrued liability (UAAL)	13,815,572	15,367,984	15,995,639	15,543,621	14,497,064
Annual covered payroll	14,856,820	16,764,181	17,131,245	17,883,868	16,718,591
UAAL as a percentage of covered payroll	93.0%	91.7%	93.4%	86.9%	86.7%

**CITY OF CEDAR HILL, TEXAS
SCHEDULE OF PENSION FUNDING PROGRESS –
RESERVE POLICE DEPARTMENT PLAN (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

EXHIBIT E-2

Actuarial Valuation Date	October 1,					
	2007	2008	2009	2010	2011	2012
Actuarial value of assets	\$ 302,139	\$ 176,590	\$ 117,260	\$ 102,692	\$ 83,232	\$ 83,232
Actuarial accrued liability	181,223	207,897	205,320	210,956	208,324	208,324
Percentage funded	166.7%	84.9%	57.1%	48.7%	40.0%	40.0%
Unfunded actuarial accrued liability (UAAL)	-	31,307	88,060	108,264	125,092	125,092
Annual covered payroll	N/A	N/A	N/A	N/A	N/A	N/A
UAAL as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A
Annual required contribution (ARC)	2,095	6,708	12,976	17,581	20,314	20,314
Employer's contribution	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000	\$ 20,000
Percentage of ARC contributed	0%	0%	0%	57%	49%	98%

**CITY OF CEDAR HILL, TEXAS
SCHEDULE OF CITY OF CEDAR HILL EMPLOYEES
OTHER POST EMPLOYMENT BENEFITS PLAN
ANALYSIS OF FUNDING PROGRESS
(UNAUDITED)**

EXHIBIT E-3

Fiscal Year	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Percentage Funded (1) / (2)	(4) Unfunded Actuarial Accrued Liability (2)-(1)	(5) Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4) / (5)
2008	-	N/A	N/A	N/A	N/A	N/A
2009	-	\$ 1,078,762	0.00%	\$ 1,078,762	\$ 16,764,181	6.4%
2010	-	\$ 1,078,762	0.00%	\$ 1,078,762	\$ 17,131,245	6.3%
2011	-	\$ 931,907	0.00%	\$ 931,907	\$ 17,883,868	5.2%
2012	-	\$ 931,907	0.00%	\$ 931,907	\$ 16,718,591	5.6%

*As of October 31, 2010, the date of the actuarial valuation

See accompanying independent auditor's report

CITY OF CEDAR HILL, TEXAS

EXHIBIT E-4

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual Amount	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 19,959,000	\$ 19,959,000	\$ 20,116,992	\$ 157,992
Franchise fees	3,105,000	3,105,000	3,374,770	269,770
Licenses and permits	588,900	588,900	526,399	(62,501)
Intergovernmental	229,155	229,155	321,920	92,765
Charges for services	2,557,005	2,557,005	2,547,349	(9,656)
Fines and forfeitures	975,000	975,000	821,471	(153,529)
Investment earnings	95,000	95,000	98,031	3,031
Miscellaneous	195,000	195,000	279,718	84,718
Total revenues	<u>27,704,060</u>	<u>27,704,060</u>	<u>28,086,650</u>	<u>382,590</u>
EXPENDITURES				
Current Expenditures:				
General administration	4,339,695	4,447,740	4,411,188	36,552
Public works	1,947,140	1,980,120	1,976,400	3,720
Public safety	19,209,685	19,041,910	18,169,535	872,375
Community services	3,760,470	3,760,470	3,459,598	300,872
Capital Expenditures:				
General administration	-	62,500	62,500	-
Total expenditures	<u>29,256,990</u>	<u>29,292,740</u>	<u>28,079,221</u>	<u>1,213,519</u>
Excess (deficiency) of revenues over expenditures	<u>(1,552,930)</u>	<u>(1,588,680)</u>	<u>7,429</u>	<u>1,596,109</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	905,000	905,000	905,000	-
Transfer out	(50,000)	(50,000)	(50,000)	-
Total other financing sources (uses)	<u>\$ 855,000</u>	<u>\$ 855,000</u>	<u>855,000</u>	<u>\$ -</u>
Net change in fund balances	<u>(697,930)</u>	<u>(733,680)</u>	862,429	<u>1,596,109</u>
Fund balances, beginning of year			7,348,984	
Fund balances, end of year			<u>\$ 8,211,413</u>	

CITY OF CEDAR HILL, TEXAS

EXHIBIT E-5

JOE POOL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget— Positive (Negative)</u>
REVENUES—Investment earnings	<u>\$ 2,190,000</u>	<u>\$ 2,190,000</u>	<u>\$ 3,571,620</u>	<u>\$ 1,381,620</u>
Total revenues	<u>2,190,000</u>	<u>2,190,000</u>	<u>3,571,620</u>	<u>1,381,620</u>
OTHER FINANCING SOURCES (USES):				
Transfer in	<u>1,850,000</u>	<u>1,850,000</u>	<u>1,850,000</u>	<u>-</u>
Total other financing sources (uses)	<u>1,850,000</u>	<u>1,850,000</u>	<u>1,850,000</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ 4,040,000</u>	<u>\$ 4,040,000</u>	<u>5,421,620</u>	<u>\$ 1,381,620</u>
FUND BALANCE—Beginning of year			<u>39,186,264</u>	
FUND BALANCE—End of year			<u>\$ 44,607,884</u>	

**CITY OF CEDAR HILL, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2012**

1. BUDGETARY INFORMATION

The City Council follows these procedures in establishing the budgets reflected in the financial statements:

1. Prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
3. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year.
4. The City Manager has the authority to transfer appropriation balances from one expenditure account to another within a single fund. The City Council, however, must approve any transfer of unencumbered appropriation balances or portions thereof from one fund to another as well as any increases in fund appropriations. All appropriations lapse at the end of the fiscal year.
5. Annual budgets for the General, Special Revenue and Debt Service Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
6. The budgetary data presented has been amended from the original budget by the City Council.



OTHER SUPPLEMENTARY INFORMATION

**CITY OF CEDAR HILL, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2012**

	Nonmajor Special Revenue Funds			
	Police Forfeiture	Hotel Occupancy	Library Fund	Comm. Dev. Block Grant
ASSETS				
Cash and cash equivalents	\$ 99,761	\$ 574,706	\$ 75,740	\$ -
Receivables (net, where applicable, of allowances for uncollectibles)	-	25,769	-	101,496
Prepaid items	-	1,175	-	-
Total assets	<u>\$ 99,761</u>	<u>\$ 601,650</u>	<u>\$ 75,740</u>	<u>\$ 101,496</u>
LIABILITIES				
Accounts payable	\$ -	\$ 9,634	\$ -	\$ -
Accrued liabilities	4,755	-	-	-
Due to other funds	-	-	-	101,446
Deferred revenue	-	-	-	-
Total liabilities	<u>4,755</u>	<u>9,634</u>	<u>-</u>	<u>101,446</u>
FUND BALANCES				
Nonspendable- prepaids and inventory	-	1,175	-	-
Restricted for:				
Construction	-	-	-	50
PID use	-	-	-	-
Tourism	-	590,841	-	-
Police	95,006	-	-	-
Committed for:				
Library	-	-	75,740	-
Landscaping	-	-	-	-
Construction	-	-	-	-
Building maintenance	-	-	-	-
Total fund balances	<u>95,006</u>	<u>592,016</u>	<u>75,740</u>	<u>50</u>
Total liabilities and fund balances	<u>\$ 99,761</u>	<u>\$ 601,650</u>	<u>\$ 75,740</u>	<u>\$ 101,496</u>

EXHIBIT F-1(CONTINUED)

Nonmajor Special Revenue Funds							Total Nonmajor Special Revenue Funds
High Pointe PID	Waterford Oaks PID	PEG FUND	Justice Grant	Traffic Safety	Landscape Beautification		
\$ 132,313	\$ 197,269	\$ 56,345	\$ 426	\$ 322,228	\$ 1,329,769	\$	2,788,557
11,567	3,881	-	-	-	311,848		454,561
-	-	-	-	-	-		1,175
<u>\$ 143,880</u>	<u>\$ 201,150</u>	<u>\$ 56,345</u>	<u>\$ 426</u>	<u>\$ 322,228</u>	<u>\$ 1,641,617</u>	<u>\$</u>	<u>3,244,293</u>
\$ 60,713	\$ 6,203	\$ -	\$ -	\$ 26,402	\$ 149,995	\$	252,947
157	42	-	-	33,941	14,547		53,442
-	-	-	-	-	-		101,446
10,853	3,014	-	267	-	-		14,134
<u>71,723</u>	<u>9,259</u>	<u>-</u>	<u>267</u>	<u>60,343</u>	<u>164,542</u>		<u>421,969</u>
-	-	-	-	-	-		1,175
-	-	56,345	159	-	-		56,554
72,157	191,891	-	-	-	-		264,048
-	-	-	-	-	-		590,841
-	-	-	-	261,885	-		356,891
-	-	-	-	-	-		75,740
-	-	-	-	-	1,477,075		1,477,075
-	-	-	-	-	-		-
-	-	-	-	-	-		-
<u>72,157</u>	<u>191,891</u>	<u>56,345</u>	<u>159</u>	<u>261,885</u>	<u>1,477,075</u>		<u>2,822,324</u>
<u>\$ 143,880</u>	<u>\$ 201,150</u>	<u>\$ 56,345</u>	<u>\$ 426</u>	<u>\$ 322,228</u>	<u>\$ 1,641,617</u>	<u>\$</u>	<u>3,244,293</u>

**CITY OF CEDAR HILL, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2012**

	Nonmajor Capital Projects		
	Certificates of Obligation	Park Development	Restricted Street
ASSETS			
Cash and cash equivalents	\$ 2,746,120	\$ 525,569	\$ 359,598
Receivables (net, where applicable, of allowances for uncollectibles)	-	-	-
Prepaid items	-	-	-
Total assets	\$ 2,746,120	\$ 525,569	\$ 359,598
LIABILITIES			
Accounts payable	\$ 71,863	\$ -	\$ -
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
Total liabilities	71,863	-	-
FUND BALANCES			
Nonspendable- prepaids and inventory	-	-	-
Restricted for:			
Construction	2,674,257	525,569	359,598
PID use	-	-	-
Tourism	-	-	-
Police	-	-	-
Committed for:			
Library	-	-	-
Landscaping	-	-	-
Construction	-	-	-
Building maintenance	-	-	-
Total fund balances	2,674,257	525,569	359,598
Total liabilities and fund balances	\$ 2,746,120	\$ 525,569	\$ 359,598

EXHIBIT F-1(CONCLUDED)

Nonmajor Capital Projects				Total	Total
Street Construction	Building Maintenance	Drainage	Regional Drainage	Nonmajor Capital Project Funds	Nonmajor Funds
\$ 1,564,353	\$ 191,292	\$ 541,469	\$ 88,884	\$ 6,017,285	\$ 8,805,842
-	-	-	-	-	454,561
-	-	-	-	-	1,175
<u>\$ 1,564,353</u>	<u>\$ 191,292</u>	<u>\$ 541,469</u>	<u>\$ 88,884</u>	<u>\$ 6,017,285</u>	<u>\$ 9,261,578</u>
\$ -	\$ -	\$ -	\$ -	\$ 71,863	\$ 324,810
-	-	-	-	-	53,442
-	-	-	-	-	101,446
-	-	-	-	-	14,134
-	-	-	-	71,863	493,832
-	-	-	-	-	1,175
-	-	-	-	3,559,424	3,615,978
-	-	-	-	-	264,048
-	-	-	-	-	590,841
-	-	-	-	-	356,891
-	-	-	-	-	75,740
-	-	-	-	-	1,477,075
1,564,353	-	-	-	1,564,353	1,564,353
-	191,292	541,469	88,884	821,645	821,645
<u>1,564,353</u>	<u>191,292</u>	<u>541,469</u>	<u>88,884</u>	<u>5,945,422</u>	<u>8,767,746</u>
<u>\$ 1,564,353</u>	<u>\$ 191,292</u>	<u>\$ 541,469</u>	<u>\$ 88,884</u>	<u>\$ 6,017,285</u>	<u>\$ 9,261,578</u>

**CITY OF CEDAR HILL, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Nonmajor Special Revenue Funds			
	Police Forfeiture	Hotel Occupancy	Library Fund	Comm. Dev. Block Grant
REVENUES:				
Taxes	\$ -	\$ 161,997	\$ -	\$ -
Franchise taxes	-	-	-	-
Intergovernmental	-	-	-	213,300
Charges for services	-	-	-	-
Fines and forfeits	126,236	-	-	-
Investment earnings	3,355	5,574	693	-
Miscellaneous	-	-	10,774	-
Total revenues	129,591	167,571	11,467	213,300
EXPENDITURES				
Current:				
General administration	-	-	-	-
Public safety	53,569	-	-	-
Community services	-	97,400	-	-
Capital outlay				
Public works	-	-	-	213,250
Community services	-	-	-	-
Total expenditures	53,569	97,400	-	213,250
Excess (deficiency) of revenues over expenditures	76,022	70,171	11,467	50
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Total other financing sources (uses):	-	-	-	-
Excess (deficiency) of revenues and other sources over expenditures	76,022	70,171	11,467	50
Fund balances, beginning of year	18,984	521,845	64,273	-
Fund balances, end of year	<u>\$ 95,006</u>	<u>\$ 592,016</u>	<u>\$ 75,740</u>	<u>\$ 50</u>

EXHIBIT F-2 (CONTINUED)

Nonmajor Special Revenue Funds						
High Pointe PID	Waterford Oaks PID	PEG Fund	Justice Grant	Traffic Safety	Landscape Beautification	Total Nonmajor Special Revenue Funds
\$ 311,561	\$ 101,744	\$ -	\$ -	\$ -	\$ -	\$ 575,302
-	-	56,755	-	-	-	56,755
19,994	2,331	-	11,605	-	-	247,230
-	-	-	-	-	2,018,971	2,018,971
-	-	-	-	336,495	-	462,731
1,805	2,139	90	112	2,968	10,711	27,447
30,793	2,539	-	-	-	3,763	47,869
364,153	108,753	56,845	11,717	339,463	2,033,445	3,436,305
-	-	500	-	-	-	500
-	-	-	11,558	326,174	-	391,301
273,379	84,448	-	-	-	1,563,189	2,018,416
-	-	-	-	-	-	213,250
100,699	5,378	-	-	-	-	106,077
374,078	89,826	500	11,558	326,174	1,563,189	2,729,544
(9,925)	18,927	56,345	159	13,289	470,256	706,761
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(9,925)	18,927	56,345	159	13,289	470,256	706,761
82,082	172,964	-	-	248,596	1,006,819	2,115,563
\$ 72,157	\$ 191,891	\$ 56,345	\$ 159	\$ 261,885	\$ 1,477,075	\$ 2,822,324

**CITY OF CEDAR HILL, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Nonmajor Capital Projects		
	Certificates of Obligation	Park Development	Restricted Street
REVENUES:			
Taxes	\$ -	\$ -	\$ -
Franchise taxes	-	-	-
Intergovernmental	30,579	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Investment earnings	30,763	4,970	5,647
Miscellaneous	-	177,000	-
Total revenues	61,342	181,970	5,647
EXPENDITURES			
Current:			
General administration	-	-	-
Public safety	-	-	-
Community Services	-	-	-
Capital outlay			
Public works	268,710	-	-
Community Services	205,988	-	-
Total expenditures	474,698	-	-
Excess (deficiency) of revenues over expenditures	(413,356)	181,970	5,647
OTHER FINANCING SOURCES (USES)			
Transfers out	-	-	(370,000)
Total other financing sources (uses):	-	-	(370,000)
Excess (deficiency) of revenues and other sources over expenditures	(413,356)	181,970	(364,353)
Fund balances, beginning of year	3,087,613	343,599	723,951
Fund balances, end of year	\$ 2,674,257	\$ 525,569	\$ 359,598

EXHIBIT F-2 (CONCLUDED)

Nonmajor Capital Projects				Total Nonmajor Capital Project Funds	Total Nonmajor Funds
Street Construction	Building Maintenance	Drainage	Regional Drainage		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 575,302
-	-	-	-	-	56,755
-	-	-	-	30,579	277,809
-	-	-	-	-	2,018,971
-	-	-	88,200	88,200	550,931
21,606	1,970	5,576	684	71,216	98,663
-	-	-	-	177,000	224,869
21,606	1,970	5,576	88,884	366,995	3,803,300
-	-	-	-	-	500
-	-	-	-	-	391,301
-	-	-	-	-	2,018,416
-	-	-	-	268,710	481,960
-	-	-	-	205,988	312,065
-	-	-	-	474,698	3,204,242
21,606	1,970	5,576	88,884	(107,703)	599,058
(535,000)	-	-	-	(905,000)	(905,000)
(535,000)	-	-	-	(905,000)	(905,000)
(513,394)	1,970	5,576	88,884	(1,012,703)	(305,942)
2,077,747	189,322	535,893		6,958,125	9,073,688
\$ 1,564,353	\$ 191,292	\$ 541,469	\$ 88,884	\$ 5,945,422	\$ 8,767,746

CITY OF CEDAR HILL, TEXAS

EXHIBIT G-1

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 5,118,685	\$ 5,118,685	\$ 5,120,327	\$ 1,642
Intergovernmental	1,728,110	1,728,110	1,728,112	2
Investment earnings	23,000	23,000	20,636	(2,364)
Total revenues	6,869,795	6,869,795	6,869,075	(720)
EXPENDITURES				
Principal retirement	4,524,345	4,524,345	4,524,345	-
Interest and fiscal agent charges	3,485,715	3,444,745	3,444,741	4
Total expenditures	8,010,060	7,969,090	7,969,086	4
Deficiency of revenues under expenditures	(1,140,265)	(1,099,295)	(1,100,011)	(716)
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	-	9,040,000	9,040,000	-
Refunding of long-term debt	-	(9,506,685)	(9,506,686)	(1)
Premium on issuance of debt	-	-	474,838	474,838
Transfers in	991,000	991,000	991,000	-
Total other financing sources (uses)	991,000	524,315	999,152	474,837
Net changes in fund balances	\$ (149,265)	\$ (574,980)	(100,859)	\$ 474,121
Fund balances, beginning of year			1,214,648	
Fund balances, end of year			\$ 1,113,789	

CITY OF CEDAR HILL, TEXAS
POLICE FORFEITURE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT G-2

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Fines and forfeits	\$ 60,000	\$ 60,000	\$ 126,236	\$ 66,236
Investment earnings	-	-	3,355	3,355
Total revenues	<u>60,000</u>	<u>60,000</u>	<u>129,591</u>	<u>69,591</u>
EXPENDITURES				
Public safety	10,800	53,575	53,569	6
Total expenditures	<u>10,800</u>	<u>53,575</u>	<u>53,569</u>	<u>6</u>
Excess of revenues over expenditures	<u>49,200</u>	<u>6,425</u>	<u>76,022</u>	<u>69,597</u>
Changes in fund balances	<u>\$ 49,200</u>	<u>\$ 6,425</u>	<u>76,022</u>	<u>\$ 69,597</u>
Fund balances, beginning of year			<u>18,984</u>	
Fund balances, end of year			<u>\$ 95,006</u>	

EXHIBIT G-3

CITY OF CEDAR HILL, TEXAS
HOTEL OCCUPANCY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 125,000	\$ 125,000	\$ 161,997	\$ 36,997
Investment earnings	4,600	4,600	5,574	974
Total revenues	129,600	129,600	167,571	37,971
EXPENDITURES				
Community services	99,875	99,875	97,400	2,475
Total expenditures	99,875	99,875	97,400	2,475
Excess of revenues over expenditures	29,725	29,725	70,171	40,446
Net changes in fund balances	\$ 29,725	\$ 29,725	70,171	\$ 40,446
Fund balances, beginning of year			<u>521,845</u>	
Fund balances, end of year			<u>\$ 592,016</u>	

CITY OF CEDAR HILL, TEXAS
LIBRARY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance with Final Budget - (Negative)
	Original	Final	Actual	
REVENUES				
Investment earnings	\$ 700	\$ 700	\$ 693	\$ (7)
Miscellaneous revenue	-	-	10,774	10,774
Total revenues	<u>700</u>	<u>700</u>	<u>11,467</u>	<u>10,767</u>
EXPENDITURES				
Community services	21,000	21,000	-	21,000
Total expenditures	<u>21,000</u>	<u>21,000</u>	<u>-</u>	<u>21,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,300)</u>	<u>(20,300)</u>	<u>11,467</u>	<u>31,767</u>
Net changes in fund balances	<u>\$ (20,300)</u>	<u>\$ (20,300)</u>	<u>11,467</u>	<u>\$ 31,767</u>
Fund balances, beginning of year			<u>64,273</u>	
Fund balances, end of year			<u>\$ 75,740</u>	

CITY OF CEDAR HILL, TEXAS**EXHIBIT G-5**
COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget -
				Positive (Negative)
REVENUES				
Intergovernmental	\$ -	\$ 213,300	\$ 213,300	\$ -
Total revenues	-	213,300	213,300	-
EXPENDITURES				
Capital outlay	-	213,250	213,250	-
Total expenditures	-	213,250	213,250	-
Excess (deficiency) of revenues over (under) expenditures	-	50	50	-
Net changes in fund balances	<u>\$ -</u>	<u>\$ 50</u>	<u>50</u>	<u>\$ -</u>
Fund balances, beginning of year			<u>-</u>	
Fund balances, end of year			<u>\$ 50</u>	

CITY OF CEDAR HILL, TEXAS

EXHIBIT G-6

HIGH POINTE PUBLIC IMPROVEMENT DISTRICT SPECIAL REVENUE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget -
				Positive (Negative)
REVENUES				
Assessments	\$ 313,070	\$ 313,070	\$ 311,561	\$ (1,509)
Intergovernmental	20,000	20,000	19,994	(6)
Investment earnings	1,940	1,940	1,805	(135)
Miscellaneous	-	-	30,793	30,793
Total revenues	335,010	335,010	364,153	29,143
EXPENDITURES				
Community service	274,510	273,380	273,379	1
Capital outlay	60,500	100,705	100,699	6
Total expenditures	335,010	374,085	374,078	7
Excess (deficiency) of revenues over (under) expenditures	-	(39,075)	(9,925)	29,150
Net changes in fund balances	\$ -	\$ (39,075)	(9,925)	\$ 29,150
Fund balances, beginning of year			82,082	
Fund balances, end of year			<u>\$ 72,157</u>	

CITY OF CEDAR HILL, TEXAS

EXHIBIT G-7

WATERFORD OAKS PUBLIC IMPROVEMENT DISTRICT SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Assessments	\$ 96,000	\$ 96,000	\$ 101,744	\$ 5,744
Intergovernmental	2,330	2,330	2,331	1
Investment earnings	2,300	2,300	2,139	(161)
Miscellaneous	970	970	2,539	1,569
Total revenues	101,600	101,600	108,753	7,153
EXPENDITURES				
Community service	52,700	84,480	84,448	32
Capital outlay	30,000	5,385	5,378	7
Total expenditures	82,700	89,865	89,826	39
Excess of revenues over expenditures	18,900	11,735	18,927	7,192
Net changes in fund balances	\$ 18,900	\$ 11,735	18,927	\$ 7,192
Fund balances, beginning of year			172,964	
Fund balances, end of year			\$ 191,891	

CITY OF CEDAR HILL, TEXAS
PEG SPECIAL REVENUE FUND

EXHIBIT G-8

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ -	\$ -	\$ 56,755	\$ 56,755
Investment earnings	-	-	90	90
Total revenues	-	-	56,845	56,845
EXPENDITURES				
General administration	-	-	500	(500)
Total expenditures	-	-	500	(500)
Excess of revenues over expenditures	-	-	56,345	56,345
Net changes in fund balances	\$ -	\$ -	56,345	\$ 56,345
Fund balances, beginning of year			-	
Fund balances, end of year			\$ 56,345	

CITY OF CEDAR HILL, TEXAS
JUSTICE ASSISTANCE GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 11,605	\$ 11,605
Investment earnings	-	-	112	112
Total revenues	-	-	11,717	11,717
EXPENDITURES				
Public safety	-	11,560	11,558	2
Total expenditures	-	11,560	11,558	2
Excess (deficiency) of revenues over (under) expenditures	-	(11,560)	159	11,719
Changes in fund balances	\$ -	\$ (11,560)	159	\$ 11,719
Fund balances, beginning of year			-	
Fund balances, end of year			\$ 159	

CITY OF CEDAR HILL, TEXAS
TRAFFIC SAFETY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT G-10

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Fines and forfeits	\$ 332,000	\$ 332,000	\$ 336,495	\$ 4,495
Investment earnings	3,600	3,600	2,968	(632)
Total revenues	<u>335,600</u>	<u>335,600</u>	<u>339,463</u>	<u>3,863</u>
EXPENDITURES				
Public safety	288,100	317,960	326,174	(8,214)
Capital outlay	188,000	158,140	-	158,140
Total expenditures	<u>476,100</u>	<u>476,100</u>	<u>326,174</u>	<u>149,926</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(140,500)</u>	<u>(140,500)</u>	<u>13,289</u>	<u>153,789</u>
Changes in fund balances	<u>\$ (140,500)</u>	<u>\$ (140,500)</u>	<u>13,289</u>	<u>\$ 153,789</u>
Fund balances, beginning of year			<u>248,596</u>	
Fund balances, end of year			<u>\$ 261,885</u>	

CITY OF CEDAR HILL, TEXAS
LANDSCAPE BEAUTIFICATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT G-11

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for services	\$2,058,600	\$2,058,600	\$ 2,018,971	\$ (39,629)
Investment earnings	7,200	7,200	10,711	3,511
Miscellaneous	5,500	5,500	3,763	(1,737)
Total revenues	<u>2,071,300</u>	<u>2,071,300</u>	<u>2,033,445</u>	<u>(37,855)</u>
EXPENDITURES				
Community service	1,728,500	1,728,500	1,563,189	165,311
Total expenditures	<u>1,728,500</u>	<u>1,728,500</u>	<u>1,563,189</u>	<u>165,311</u>
Excess of revenues over expenditures	<u>342,800</u>	<u>342,800</u>	<u>470,256</u>	<u>127,456</u>
Net changes in fund balances	<u>\$ 342,800</u>	<u>\$ 342,800</u>	<u>470,256</u>	<u>\$ 127,456</u>
Fund balances, beginning of year			<u>1,006,819</u>	
Fund balances, end of year			<u>\$ 1,477,075</u>	

**STATISTICAL SECTION
(UNAUDITED)**



STATISTICAL SECTION

(Unaudited)

The Statistical Section presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City of Cedar Hill's overall financial health.

FINANCIAL TRENDS INFORMATION - information to help the reader understand how the City's financial performance and well-being have changed over time.

- 1 Net assets by component
- 2 Changes in net assets
- 3 Fund balances, governmental funds
- 4 Changes in fund balances, governmental funds

REVENUE CAPACITY INFORMATION - information to help the reader assess the City's most significant local revenue source, the property tax.

- 5 Assessed value and actual value of taxable property
- 6 Direct and overlapping property tax rates
- 7 Principal property tax payers
- 8 Property tax levies and collections

DEBT CAPACITY INFORMATION - information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

- 9 Ratios of outstanding debt by type
- 10 Ratios of net general bonded debt outstanding
- 11 Direct and overlapping governmental activities debt
- 12 Legal debt margin information
- 13 Pledged-revenue coverage

DEMOGRAPHIC AND ECONOMIC INFORMATION - information to help the reader understand the environment within which the City's financial activities take place, and to help make comparisons over time and with other governments.

- 14 Demographic and economic statistics
- 15 Principal employers

OPERATING INFORMATION - service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

- 16 Full-time equivalent city government employees by function/program
- 17 Operating indicators by function/program
- 18 Capital asset statistics by function/program

**CITY OF CEDAR HILL, TEXAS
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year		
	2003	2004	2005
Governmental activities			
Invested in capital assets, net of related debt	\$ 39,899,933	\$ 48,521,762	\$ 48,374,969
Restricted	6,578,144	7,804,156	8,965,160
Unrestricted	16,793,789	20,694,364	25,805,348
Total governmental activities net assets	\$ 63,271,866	\$ 77,020,282	\$ 83,145,477
Business-type activities			
Invested in capital assets, net of related debt	\$ 28,909,781	\$ 35,047,901	\$ 40,407,433
Restricted	5,091,049	5,870,555	5,099,043
Unrestricted	5,098,595	5,356,634	4,883,916
Total business-type activities net assets	\$ 39,099,425	\$ 46,275,090	\$ 50,390,392
Primary government			
Invested in capital assets, net of related debt	\$ 68,809,714	\$ 83,569,663	\$ 88,782,402
Restricted	11,669,193	13,674,711	14,064,203
Unrestricted	21,892,384	26,050,998	30,689,264
Total primary government net assets	\$ 102,371,291	\$ 123,295,372	\$ 133,535,869

Source: Comprehensive Annual Financial Reports

TABLE 1

Fiscal Year						
2006	2007	2008	2009	2010	2011	2012
\$ 50,709,962	\$ 71,700,728	\$ 50,450,265	\$ 44,383,937	\$ 72,409,924	\$ 72,596,207	\$ 72,238,826
9,358,327	9,806,890	12,950,069	12,859,483	12,232,354	11,378,549	10,973,051
29,258,774	15,582,011	38,339,323	41,778,292	12,564,824	14,718,473	16,659,826
<u>\$ 89,327,063</u>	<u>\$ 97,089,629</u>	<u>\$ 101,739,657</u>	<u>\$ 99,021,712</u>	<u>\$ 97,207,102</u>	<u>\$ 98,693,229</u>	<u>\$ 99,871,703</u>
\$ 41,416,018	\$ 43,490,027	\$ 47,492,002	\$ 47,740,514	\$ 46,312,862	\$ 45,512,376	\$ 45,886,988
5,001,029	5,011,341	4,458,851	4,711,553	3,390,278	3,510,291	3,137,658
5,335,239	4,505,699	4,698,477	3,994,709	3,951,962	3,690,340	2,912,481
<u>\$ 51,752,286</u>	<u>\$ 53,007,067</u>	<u>\$ 56,649,330</u>	<u>\$ 56,446,776</u>	<u>\$ 53,655,102</u>	<u>\$ 52,713,007</u>	<u>\$ 51,937,127</u>
\$ 92,125,980	\$ 115,190,755	\$ 97,942,267	\$ 92,124,451	\$ 118,722,786	\$ 118,108,583	\$ 118,125,814
14,359,356	14,818,231	17,408,920	17,571,036	15,622,632	14,888,840	14,110,709
34,594,013	20,087,710	43,037,800	45,773,001	16,516,786	18,408,813	19,572,307
<u>\$ 141,079,349</u>	<u>\$ 150,096,696</u>	<u>\$ 158,388,987</u>	<u>\$ 155,468,488</u>	<u>\$ 150,862,204</u>	<u>\$ 151,406,236</u>	<u>\$ 151,808,830</u>

**CITY OF CEDAR HILL, TEXAS
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
General government	\$ 2,515,865	\$ 2,861,449	\$ 3,153,688	\$ 3,342,833	\$ 5,203,328
Public safety	10,577,885	11,880,117	12,999,503	14,416,779	16,318,022
Public works	3,574,851	4,086,977	4,435,725	5,327,141	10,562,982
Community services	3,407,348	3,703,480	5,260,655	5,001,181	6,443,771
Interest and fiscal charges	3,824,501	4,483,122	4,762,520	5,626,999	1,558,616
Total governmental activities expenses	<u>23,900,450</u>	<u>27,015,145</u>	<u>30,612,091</u>	<u>33,714,933</u>	<u>40,086,719</u>
Business-type activities:					
Water and sewer	\$ 10,413,546	\$ 10,569,940	\$ 11,845,403	\$ 14,241,632	\$ 13,300,772
Total business-type activities expenses	<u>10,413,546</u>	<u>10,569,940</u>	<u>11,845,403</u>	<u>14,241,632</u>	<u>13,300,772</u>
Total primary government expenses	<u>\$ 34,313,996</u>	<u>\$ 37,585,085</u>	<u>\$ 42,457,494</u>	<u>\$ 47,956,565</u>	<u>\$ 53,387,491</u>
Program Revenues					
Governmental activities:					
Charges for services					
General government	\$ 149,021	\$ 126,522	\$ 162,673	\$ 103,001	\$ 113,291
Public safety	1,740,944	2,334,497	1,790,029	2,154,760	2,897,331
Public works	186,904	176,418	790,361	829,336	1,934,164
Community services	186,299	186,588	644,974	711,285	2,313,069
Operating grants/contributions	124,233	1,322,325	1,248,877	2,032,509	2,152,679
Capital grants/contributions	4,191,752	11,961,220	5,414,719	2,768,766	5,991,124
Total governmental activities program revenues	<u>6,579,153</u>	<u>16,107,570</u>	<u>10,051,633</u>	<u>8,599,657</u>	<u>15,401,658</u>
Business-type activities:					
Charges for services	\$ 11,987,948	\$ 12,285,016	\$ 13,717,346	\$ 14,705,546	\$ 12,900,524
Capital grants/contributions	1,653,923	7,140,300	3,659,464	2,000,399	2,635,385
Total business-type activities program revenues	<u>13,641,871</u>	<u>19,425,316</u>	<u>17,376,810</u>	<u>16,705,945</u>	<u>15,535,909</u>
Total primary government program revenues	<u>\$ 20,221,024</u>	<u>\$ 35,532,886</u>	<u>\$ 27,428,443</u>	<u>\$ 25,305,602</u>	<u>\$ 30,937,567</u>
Net (Expense)/Revenue					
Governmental activities	\$ (17,321,297)	\$ (10,907,575)	\$ (20,560,458)	\$ (25,115,276)	\$ (24,685,061)
Business-type activities	<u>3,228,325</u>	<u>8,855,376</u>	<u>5,531,407</u>	<u>2,464,313</u>	<u>2,235,137</u>
Total primary government net expense	<u>\$ (14,092,972)</u>	<u>\$ (2,052,199)</u>	<u>\$ (15,029,051)</u>	<u>\$ (22,650,963)</u>	<u>\$ (22,449,924)</u>

Source: Comprehensive Annual Financial Reports

TABLE 2 (CONTINUED)

Fiscal Year				
2008	2009	2010	2011	2012
\$ 5,756,996	\$ 6,552,840	\$ 4,963,810	\$ 4,990,898	\$ 5,280,221
18,663,748	20,135,740	19,648,564	19,143,067	19,105,202
7,643,024	6,960,893	6,625,549	6,575,290	6,572,399
6,729,210	6,506,179	6,920,678	6,694,703	6,388,243
6,790,548	7,196,794	7,230,607	7,178,521	6,924,676
45,583,526	47,352,446	45,389,208	44,582,479	44,270,741
\$ 13,375,271	\$ 14,145,471	\$ 15,528,663	\$ 16,374,985	\$ 15,674,005
13,375,271	14,145,471	15,528,663	16,374,985	15,674,005
\$ 58,958,797	\$ 61,497,917	\$ 60,917,871	\$ 60,957,464	\$ 59,944,746
\$ 332,038	\$ 383,925	\$ 402,651	\$ 366,589	\$ 353,812
3,327,518	3,841,740	3,630,091	3,592,585	3,936,093
650,794	53,675	134,996	235,140	463,247
2,527,758	2,460,325	2,635,525	2,487,343	2,715,284
1,999,182	2,382,689	2,263,449	3,112,884	1,979,785
5,580,070	1,940,005	662,691	997,587	714,235
14,417,360	11,062,359	9,729,403	10,792,128	10,162,456
\$ 14,544,318	\$ 14,303,857	\$ 13,762,041	\$ 16,691,383	\$ 15,977,792
3,629,474	1,174,014	523,394	354,169	526,269
18,173,792	15,477,871	14,285,435	17,045,552	16,504,061
\$ 32,591,152	\$ 26,540,230	\$ 24,014,838	\$ 27,837,680	\$ 26,666,517
\$ (31,166,166)	\$ (36,290,087)	\$ (35,659,805)	\$ (33,790,351)	\$ (34,108,285)
4,798,521	1,332,400	(1,243,228)	670,567	830,056
\$ (26,367,645)	\$ (34,957,687)	\$ (36,903,033)	\$ (33,119,784)	\$ (33,278,229)

(Continued)

**CITY OF CEDAR HILL, TEXAS
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year				
	2003	2004	2005	2006	2007
General Revenues and Other					
Changes in Net Assets					
Governmental activities:					
Taxes					
Sales and use taxes	\$ 3,507,984	\$ 4,361,360	\$ 5,111,654	\$ 5,754,164	\$ 5,875,808
Property taxes	12,083,805	13,811,984	14,645,716	17,110,700	17,479,146
Hotel/motel taxes	50,642	42,923	54,727	45,696	53,388
Franchise fees	2,446,860	2,461,315	2,662,995	3,111,696	3,005,690
Investment earnings	746,607	1,616,406	1,908,517	3,010,643	3,620,069
Gain on disposal of property	-	-	-	-	49,355
Miscellaneous	363,914	562,003	502,044	463,963	563,171
Transfers	1,803,000	1,800,000	1,800,000	1,800,000	1,801,000
Total governmental activities	21,002,812	24,655,991	26,685,653	31,296,862	32,447,627
Business-type activities:					
Investment earnings	\$ 148,640	\$ 119,255	\$ 340,448	\$ 646,285	\$ 767,361
Gain/loss of disposal of property	(96,106)	-	-	-	-
Miscellaneous	12,758	1,034	43,447	51,296	53,283
Transfers	(1,803,000)	(1,800,000)	(1,800,000)	(1,800,000)	(1,801,000)
Total business-type activities	(1,737,708)	(1,679,711)	(1,416,105)	(1,102,419)	(980,356)
Total primary government	\$ 19,265,104	\$ 22,976,280	\$ 25,269,548	\$ 30,194,443	\$ 31,467,271
Change in Net Assets					
Governmental activities	\$ 3,681,515	\$ 13,748,416	\$ 6,125,195	\$ 6,181,586	\$ 7,762,566
Business-type activities	1,490,617	7,175,665	4,115,302	1,361,894	1,254,781
Total primary government	\$ 5,172,132	\$ 20,924,081	\$ 10,240,497	\$ 7,543,480	\$ 9,017,347

TABLE 2 (CONCLUDED)

Fiscal Year				
2008	2009	2010	2011	2012
\$ 6,134,991	\$ 5,953,387	\$ 6,132,913	\$ 6,111,207	\$ 6,365,835
19,669,385	20,122,090	18,765,437	19,155,974	19,328,492
61,571	92,321	107,434	135,676	161,997
3,060,567	3,228,432	2,945,412	3,284,583	3,457,821
4,450,569	1,765,116	3,406,971	4,535,466	4,005,347
-	-	40,251	41,859	-
637,111	610,796	646,777	211,713	167,267
1,802,000	1,800,000	1,800,000	1,800,000	1,800,000
35,816,194	33,572,142	33,845,195	35,276,478	35,286,759
\$ 604,215	\$ 219,773	\$ 186,944	\$ 125,261	\$ 119,897
-	-	-	-	-
41,527	45,273	64,610	62,077	74,167
(1,802,000)	(1,800,000)	(1,800,000)	(1,800,000)	(1,800,000)
(1,156,258)	(1,534,954)	(1,548,446)	(1,612,662)	(1,605,936)
\$ 34,659,936	\$ 32,037,188	\$ 32,296,749	\$ 33,663,816	\$ 33,680,823
\$ 4,650,028	\$ (2,717,945)	\$ (1,814,610)	\$ 1,486,127	\$ 1,178,474
3,642,263	(202,554)	(2,791,674)	(942,095)	(775,880)
\$ 8,292,291	\$ (2,920,499)	\$ (4,606,284)	\$ 544,032	\$ 402,594

(Concluded)

**CITY OF CEDAR HILL, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year				
	2003	2004	2005	2006	2007
General Fund					
Reserved for:					
Prepaid and inventory	\$ 48,196	\$ 43,848	\$ 41,007	\$ 57,474	\$ 71,522
Animal shelter	124,303	133,591	143,824	182,641	220,146
Unreserved	5,070,726	6,420,714	6,830,872	8,442,986	9,116,524
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Unassigned	-	-	-	-	-
Total General Fund	\$ 5,243,225	\$ 6,598,153	\$ 7,015,703	\$ 8,683,101	\$ 9,408,192
All Other Governmental Funds					
Reserved for:					
Prepaid and inventory	\$ -	\$ -	\$ 500	\$ -	\$ -
Construction	34,264,902	32,629,193	41,967,190	49,423,384	33,971,758
Debt service	585,939	741,070	839,312	1,194,722	1,398,426
Unreserved - designated for Joe Pool Fund	11,424,773	14,378,961	16,913,557	19,072,590	21,662,048
Unreserved, reported in:					
Special revenue funds	269,280	298,795	298,688	641,947	1,139,312
Nonspendable	-	-	-	-	-
Restricted for:					
Construction	-	-	-	-	-
PID use	-	-	-	-	-
Tourism	-	-	-	-	-
Police	-	-	-	-	-
Debt service	-	-	-	-	-
Committed for:					
Library	-	-	-	-	-
Landscaping	-	-	-	-	-
Construction	-	-	-	-	-
Building maintenance	-	-	-	-	-
Joe pool	-	-	-	-	-
Total all other governmental funds	\$ 46,544,894	\$ 48,048,019	\$ 60,019,247	\$ 70,332,643	\$ 58,171,544

TABLE 3

Fiscal Year				
2008	2009	2010	2011	2012
\$ 83,311	\$ 94,975	\$ 289,796	\$ -	\$ -
220,354	136,421	93,240	-	-
7,598,987	7,910,030	7,429,188	-	-
-	-	-	79,890	108,886
-	-	-	23,359	41,427
-	-	-	7,245,735	8,061,100
<u>\$ 7,902,652</u>	<u>\$ 8,141,426</u>	<u>\$ 7,812,224</u>	<u>\$ 7,348,984</u>	<u>\$ 8,211,413</u>
\$ -	\$ 700	\$ -	\$ -	\$ -
37,291,828	36,973,575	32,992,500	-	-
1,315,616	1,351,130	1,338,388	-	-
25,815,003	28,583,356	33,303,314	-	-
1,399,190	1,851,054	1,812,463	-	-
-	-	-	4,113	1,175
-	-	-	27,061,239	21,065,403
-	-	-	255,046	264,048
-	-	-	517,732	590,841
-	-	-	267,580	356,891
-	-	-	1,214,648	1,113,789
-	-	-	64,273	75,740
-	-	-	1,006,819	1,477,075
-	-	-	2,077,747	1,564,353
-	-	-	725,215	821,645
-	-	-	39,186,264	44,607,884
<u>\$ 65,821,637</u>	<u>\$ 68,759,815</u>	<u>\$ 69,446,665</u>	<u>\$ 72,380,676</u>	<u>\$ 71,938,844</u>

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Revenues					
Taxes	\$ 15,561,416	\$ 18,014,837	\$ 19,919,458	\$ 22,378,271	\$ 23,829,019
Franchise taxes	2,396,624	2,478,655	2,662,995	2,997,796	2,980,459
Licenses and permits	452,412	677,840	458,259	587,068	585,160
Intergovernmental	124,233	1,322,325	1,159,098	2,011,965	4,193,422
Charges for services	1,362,796	1,590,391	1,557,345	1,615,564	3,235,695
Fines and forfeits	447,378	549,564	625,869	838,643	1,218,428
Investment earnings	746,607	1,615,885	1,899,237	2,978,760	4,192,754
Miscellaneous	1,809,995	1,888,815	1,359,603	1,306,190	2,578,672
Total revenues	22,901,461	28,138,312	29,641,864	34,714,257	42,813,609
Expenditures					
General government	2,619,919	2,785,464	3,170,322	3,343,901	5,222,497
Public works	1,336,931	1,613,490	1,737,528	2,122,080	4,769,427
Public safety	10,722,736	11,636,090	13,248,596	14,186,480	16,093,979
Community services	3,029,756	3,233,975	4,564,884	4,140,753	5,702,847
Supplies	-	16,721	-	-	-
Contractual services	4,210	168,599	-	-	-
Principal retirement	2,035,000	2,150,000	2,330,000	2,810,000	2,935,000
Interest and fiscal agent charges	1,274,392	2,049,840	2,029,396	2,432,796	3,487,728
Issuance costs	424,457	-	460,719	-	-
Capital outlay	6,149,210	12,059,135	4,041,267	12,417,015	20,139,139
Total expenditures	27,596,611	35,713,314	31,582,712	41,453,025	58,350,617
Excess of revenues					
Over (under) expenditures	(4,695,150)	(7,575,002)	(1,940,848)	(6,738,768)	(15,537,008)
Other Financing Sources (Uses)					
Transfer in	2,701,481	2,312,839	2,250,004	13,359,614	2,463,060
Transfer out	(898,481)	(512,839)	(450,004)	(11,559,614)	(662,060)
Premium on issuance of debt	24,215	-	335,810	329,562	-
Issuance of debt	18,340,000	8,633,055	12,200,000	16,590,000	2,300,000
Refunding bonds issued	2,308,121	-	8,550,000	-	-
Payment to refunding bond escrow agent	(2,265,000)	-	(8,556,184)	-	-
Total other financing sources (uses)	20,210,336	10,433,055	14,329,626	18,719,562	4,101,000
Net change in fund balance	\$ 15,515,186	\$ 2,858,053	\$ 12,388,778	\$ 11,980,794	\$ (11,436,008)
Debt service as a percentage of noncapital expenditures	17.4%	17.8%	17.5%	18.1%	16.8%

Source: Comprehensive Annual Financial Reports

Note: Current presentation for modified accrual-basis financial information for the City as a whole is only available from 2003, the year GASB Statement 34 was implemented by the City.

TABLE 4

Fiscal Year					
2008	2009	2010	2011	2012	
\$ 26,005,485	\$ 26,228,990	\$ 25,057,110	\$ 25,408,781	\$ 25,812,621	
3,060,567	3,239,410	3,745,033	3,188,430	3,431,525	
579,360	429,801	599,253	520,502	526,399	
2,154,882	2,465,569	2,550,947	3,532,596	2,224,495	
3,643,269	4,649,195	4,587,557	4,491,115	4,669,666	
1,367,603	1,170,989	1,307,338	1,330,054	1,372,402	
4,200,813	1,600,287	3,217,524	4,510,842	3,989,265	
1,626,613	1,021,043	1,043,796	593,853	877,586	
42,638,592	40,805,284	42,108,558	43,576,173	42,903,959	
5,588,631	5,738,425	4,268,152	4,213,256	4,411,688	
4,146,221	2,799,588	2,258,685	2,131,623	2,056,306	
18,452,134	19,953,010	19,365,668	18,715,058	18,560,836	
5,835,435	5,696,781	6,111,610	5,800,851	5,478,014	
-	-	-	-	-	
-	-	-	-	-	
3,860,000	3,930,000	4,284,760	4,271,275	4,524,345	
3,582,146	4,250,266	4,001,699	3,957,697	3,444,741	
-	-	-	-	-	
16,714,857	4,607,387	3,297,991	3,990,756	5,815,584	
58,179,424	46,975,457	43,588,565	43,080,516	44,291,514	
(15,540,832)	(6,170,173)	(1,480,007)	495,657	(1,387,555)	
2,347,581	3,613,525	3,469,645	2,903,840	3,746,000	
(545,581)	(1,813,525)	(1,669,645)	(1,103,840)	(1,946,000)	
353,385	47,125	-	223,578	474,838	
19,530,000	7,500,000	2,767,655	14,630,000	-	
-	-	-	-	9,040,000	
-	-	(2,730,000)	(14,678,464)	(9,506,686)	
21,685,385	9,347,125	1,837,655	1,975,114	1,808,152	
\$ 6,144,553	\$ 3,176,952	\$ 357,648	\$ 2,470,771	\$ 420,597	
17.9%	19.3%	20.6%	21.1%	20.7%	

**CITY OF CEDAR HILL, TEXAS
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 (UNAUDITED)**

TABLE 5

Fiscal Year Ended September 30,	Real Property	Personal Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2003	n/a	n/a	n/a	1,856,116,931	0.64140
2004	n/a	n/a	n/a	2,093,768,922	0.64140
2005	n/a	n/a	n/a	2,274,015,283	0.64140
2006	2,480,740,719	267,321,110	(224,223,334)	2,523,838,495	0.64140
2007	2,720,454,080	288,549,740	(254,235,323)	2,754,768,497	0.64140
2008	3,009,117,599	292,080,690	(297,237,734)	3,003,960,555	0.64140
2009	3,144,441,658	314,972,100	(336,631,686)	3,122,782,072	0.64140
2010	2,951,398,588	306,248,770	(344,662,593)	2,912,984,765	0.64140
2011	2,838,901,972	297,036,800	(353,400,773)	2,782,537,999	0.67000
2012	2,810,514,062	277,211,190	(350,446,444)	2,737,278,808	0.68588

Source: Dallas Central Appraisal District, Ellis Central Appraisal District.

Note: Property in the city is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$100 of assessed value.



**CITY OF CEDAR HILL, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(UNAUDITED)
(RATE PER \$100 OF ASSESSED VALUE)**

Fiscal Year Ended September 30,	City Direct Rates			Cedar Hill I.S.D.	Dallas County Community College District	Dallas County Hospital District
	Basic Rate	General Obligation Debt Service	Total Direct			
2003	\$ 0.489490	\$ 0.151910	\$ 0.641400	\$ 1.680000	\$ 0.060000	\$ 0.254000
2004	0.489490	0.151910	0.641400	1.701600	0.077800	0.254000
2005	0.479490	0.161910	0.641400	1.741300	0.080300	0.254000
2006	0.469490	0.171910	0.641400	1.848430	0.081600	0.254000
2007	0.469490	0.171910	0.641400	1.743300	0.081000	0.254000
2008	0.459490	0.181910	0.641400	1.400000	0.080400	0.254000
2009	0.459490	0.181910	0.641400	1.500000	0.089400	0.254000
2010	0.459490	0.181910	0.641400	1.400000	0.094900	0.274000
2011	0.488090	0.181910	0.670000	1.440000	0.099230	0.271000
2012	0.499820	0.186060	0.685880	1.440000	0.099670	0.271000

Source: Dallas Central Appraisal District, various taxing entities.

Note: Property in the city is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$100 of assessed value.

TABLE 6

Dallas County	County School Equalization	Duncanville I.S.D.	Ellis County	Midlothian I.S.D.
\$ 0.196000	\$ 0.005500	\$ 1.750000	\$ 0.310170	\$ 1.720000
0.203900	0.005460	1.855000	0.314644	1.720000
0.203900	0.005460	1.836000	0.315993	1.764500
0.213900	0.005300	1.866000	0.318906	1.787500
0.213900	0.005034	1.736000	0.320491	1.697500
0.228100	0.004714	1.418000	0.393607	1.367500
0.228100	0.004928	1.418000	0.393599	1.407500
0.228100	0.005212	1.418000	0.393600	1.397500
0.243100	0.010000	1.418000	0.393599	1.397500
0.243100	0.010000	1.418000	0.393599	1.397500

**CITY OF CEDAR HILL, TEXAS
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)**

TABLE 7

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value ^a	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value ^b
Uptown Village at Cedar Hill	\$ 44,921,510	1	1.64%			
KRG Cedar Hill Plaza, LP	32,525,000	2	1.19%			
Inland Western Cedar Hill	28,908,160	3	1.06%			
Texas Utilities/Oncor Electric	24,130,530	4	0.88%	22,281,310	2	1.20%
J C Penney Company	22,890,325	5	0.84%			
Walmart Stores	22,764,000	6	0.83%			
Dillards	18,764,500	7	0.69%			
Target Corporation	15,815,690	8	0.58%			
Gates Cedar Hill Ltd	14,400,000	9	0.53%			
Masco Builder Cabinet Group	14,155,864	10	0.52%			
Parklane Cedar Hill LTD				\$ 26,601,700	1	1.43%
Gates Cedar Hill, Ltd.				12,908,300	3	0.70%
Spectrum Dallas Services				12,526,140	4	0.67%
Walmart Real Est Bus Tr				11,853,040	5	0.64%
Southwestern Bell				11,735,870	6	0.63%
E E Cedar Hill Crossing LP				11,687,560	7	0.63%
1999 Legacy Partners, Ltd.				11,416,350	8	0.62%
Pattillo Robert Properties				10,985,730	9	0.59%
Devon Realty & Wilson						
Crossing Apartments				8,827,060	10	0.48%
Total	\$ 239,275,579		8.74%	\$ 140,823,060		7.59%

Source: Dallas Central Appraisal District

Note:

^a Total taxable value including real and personal property for tax year 2011 (fiscal year 2012) is \$2,737,278,808

^b Total taxable value including real and personal property for tax year 2002 (fiscal year 2003) is \$1,856,116,931

**CITY OF CEDAR HILL, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST EIGHT FISCAL YEARS
(UNAUDITED)**

TABLE 8

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 14,585,534	\$ 14,126,698	96.85%	\$ 376,158	\$ 14,502,856	99.43%
2006	16,187,900	15,783,884	97.50%	380,236	16,164,120	99.85%
2007	19,439,840	17,156,014	88.25%	499,156	17,655,170	90.82%
2008	19,267,403	18,867,046	97.92%	321,818	19,188,864	99.59%
2009	20,029,524	19,541,902	97.57%	341,587	19,883,489	99.27%
2010	18,683,884	18,378,688	98.37%	158,403	18,537,091	99.21%
2011	18,643,004	18,379,231	98.59%	116,943	18,496,174	99.21%
2012	18,774,447	18,521,004	98.65%	-	18,521,004	98.65%

Sources: Dallas County Tax Office

NOTE:

Information prior to 2005 was not available thus not included in the above table.

**CITY OF CEDAR HILL, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)**

TABLE 9

Fiscal Year	Governmental Activities			Business-Type Activities	Business-Type Activities	Total Primary Government	Percentage of Total Personal Personal Income ^c	Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
	General Obligation Bonds	Certificate of Obligation Bonds	Other Obligations	Waterworks & Sewer System Revenue Bonds	Waterworks & Sewer System General Obligations				
2003	28,350,000	15,045,000	44,121,348	5,140,000	-	92,656,348	Not available	4.99%	2,439
2004	35,155,000	14,590,000	46,628,764	7,620,000	-	103,993,764	Not available	4.97%	2,613
2005	48,555,000	11,555,000	49,278,677	6,935,000	-	116,323,677	Not available	5.12%	2,790
2006	49,955,000	23,935,000	52,079,184	9,265,000	-	135,234,184	Not available	5.36%	3,134
2007	49,845,000	23,410,000	50,277,438	8,485,000	-	132,017,438	Not available	4.79%	3,004
2008	55,660,000	33,265,000	53,134,705	10,695,000	-	152,754,705	Not available	5.09%	3,402
2009	60,040,000	32,455,000	56,154,350	13,040,000	-	161,689,350	Not available	5.18%	3,546
2010	56,837,895	31,410,000	59,345,601	10,250,000	2,167,105	160,010,601	13%	5.49%	3,456
2011	62,666,620	21,670,000	62,718,212	9,795,000	1,938,380	158,788,212	14%	5.71%	3,508
2012	59,092,275	20,880,000	66,282,488	9,325,000	1,702,725	157,282,488	13%	5.75%	3,359

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

^a See Table 5 for property value data.

^b See Table 14 for population data.

**CITY OF CEDAR HILL, TEXAS
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(UNAUDITED)**

TABLE 10

Fiscal Year	General Bonded Debt Outstanding		Less Sinking Fund	Net General Bonded Debt	Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
	General Obligation Bonds	Certificate of Obligation Bonds				
2003	28,350,000	15,045,000	585,939	42,809,061	2.31%	1,127
2004	35,155,000	14,590,000	741,070	49,003,930	2.34%	1,231
2005	48,555,000	11,555,000	839,312	59,270,688	2.61%	1,421
2006	49,955,000	23,935,000	1,194,722	72,695,278	2.88%	1,685
2007	49,845,000	23,410,000	1,398,426	71,856,574	2.61%	1,635
2008	55,660,000	33,265,000	1,315,616	87,609,384	2.92%	1,951
2009	60,040,000	32,455,000	1,351,830	91,143,170	2.92%	1,999
2010	59,005,000	31,410,000	1,338,388	89,076,612	3.06%	1,924
2011	64,605,000	21,670,000	1,214,648	85,060,352	3.06%	1,879
2012	60,795,000	20,880,000	1,113,789	80,561,211	2.94%	1,720

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

^a See Table 5 for property value data.

^b See Table 14 for population data.

**CITY OF CEDAR HILL, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2012
(UNAUDITED)**

TABLE 11

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Cedar Hill Independent School District	\$ 94,857,478	93.30%	\$ 88,502,027
Dallas County	164,212,731	1.48%	2,430,348
Dallas County Community College District	372,370,000	1.48%	5,511,076
Dallas County Hospital District	705,000,000	1.48%	10,434,000
DeSoto Independent School District	214,157,810	0.16%	342,652
Duncanville Independent School District	149,449,751	2.91%	4,348,988
Ellis County	56,541,262	0.82%	463,638
Midlothian Independent School District	234,173,926	2.73%	6,392,948
Subtotal, overlapping debt			118,425,677
City of Cedar Hill (direct debt)	72,635,000	100.00%	72,635,000
Total direct and overlapping debt			\$ 191,060,677

Source: First Southwest Company

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and the businesses of Cedar Hill. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

**CITY OF CEDAR HILL, TEXAS
LEGAL DEBT MARGIN INFORMATION
AS OF SEPTEMBER 30, 2012
(UNAUDITED)**

TABLE 12

As a home rule city, the City of Cedar Hill is not limited by law in the amount of debt it may issue.

Article X, Section 2 of the City of Cedar Hill charter states in part:

The City Council shall have the power and it is hereby authorized and made its duty to levy annually for general purposes and for the purpose of paying interest and providing the sinking fund on the bonded indebtedness of the City of Cedar Hill now in existence or which may hereafter be created an ad valorem tax on all real, personal or mixed property within the territorial limits of said City and upon all franchises granted by the City to any individuals or corporations of not exceeding a total of Two Dollars and Fifty cents (\$2.50) on the One Hundred Dollars (\$100.00) assessed valuation of said property. If for any cause the City Council shall fail, neglect or refuse to pass a tax ordinance for any one year, levying taxes for that year, then and in that event the tax levying ordinance last passed shall and will be considered in force and effect as the tax levying ordinance for the year which the City Council failed, neglected or refused to pass such ordinance, and the failure so to pass such ordinance for any year shall in no wise invalidate the tax collections for that year.

The tax rate at October 1, 2011 is \$0.686 per \$100 of assessed valuation at 100% of market value.
The tax rate is 27.4% of the legal limit.

**CITY OF CEDAR HILL, TEXAS
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS
(UNAUDITED)**

TABLE 13

Fiscal Year	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Average Debt Service (3)	Coverage
2003	12,097,594	9,116,775	2,980,819	433,528	6.88
2004	12,343,485	9,261,857	3,081,628	530,448	5.81
2005	13,891,068	10,317,455	3,573,613	507,592	7.04
2006	15,027,426	10,878,440	4,148,986	661,973	6.27
2007	13,277,177	11,150,872	2,126,305	633,821	3.35
2008	14,760,323	11,238,220	3,522,103	804,647	4.38
2009	14,466,125	12,039,477	2,426,648	819,825	2.96
2010	15,697,120	13,429,002	2,268,118	801,810	2.83
2011	16,880,608	13,023,051	3,857,557	1,065,193	3.62
2012	16,171,856	13,629,548	2,542,308	790,942	3.21

Source: Comprehensive Annual Financial Reports

- (1) Gross revenues include all water and sewer revenues exclusive of capital recovery fees, interest on accumulated capital recovery fees, contributed capital, and interest on bond proceeds. Gross revenues for 2010 include \$1,800,000 in capital recovery fees accumulated from prior years that the City has earmarked for debt service.
- (2) Direct operating expenses include all water and sewer operating expenses, less depreciation.
- (3) Average annual debt service is the average principal and interest payments due over the remaining term of all water and sewer revenue bonds.

**CITY OF CEDAR HILL, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

TABLE 14

Year	Estimated Population ^a	Personal Income	Per Capita Personal Income ^b	Median Household Income ^b	Median Age ^b
2003	37,984	n/a	n/a	n/a	n/a
2004	39,800	n/a	n/a	n/a	n/a
2005	41,700	n/a	n/a	n/a	n/a
2006	43,150	n/a	n/a	n/a	n/a
2007	43,950	n/a	n/a	66,786	n/a
2008	44,900	n/a	n/a	65,395	n/a
2009	45,600	n/a	n/a	66,206	33.6
2010	46,300	1,188,382,100	25,667	66,654	34.1
2011	45,260	1,116,699,980	24,673	64,727	32.1
2012	46,829	1,186,084,912	25,328	63,499	31.1

Note:

Unable to obtain personal income data for the City of Cedar Hill for 2003-2009.

Sources:

^a Estimates are provided by the North Central Texas Council of Governments.

^b Available estimates are provided by Cedar Hill Economic Development Corporation (Claritas).

**CITY OF CEDAR HILL, TEXAS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)**

TABLE 15

Employer	2012			2003		
	Estimated Employees	Rank	Percentage of Total City Workforce	Estimated Employees	Rank	Percentage of Total City Workforce
Wal-Mart Supercenter	436	1	1.84%	450	2	3.38%
JCPenney, Distribution Center	425	2	1.79%	400	3	3.01%
Super Target	180	3	0.76%	235	4	1.77%
DMI Corporation	150	4	0.63%	205	5	1.54%
Dillards	125	5	0.53%			
Home Depot	125	6	0.53%			
Crestview Court	120	8	0.51%			
JCPenney, Department Store	120	9	0.51%	130	9	0.98%
Trinity School	110	9	0.46%			
Babe's Chicken	115	10	0.49%			
Masco / Texwood Industries				850	1	6.39%
Sampco Supply				150	6	1.13%
Western Cabinets				135	8	1.01%
Trinity School				130	9	0.98%
Kohl's				120	10	0.90%
Total	1,906		8.06%	2,805		21.08%

Source: City surveys of employers

Notes: City of Cedar Hill and Cedar Hill I.S.D. are not included in the rankings.

CITY OF CEDAR HILL, TEXAS

TABLE 16

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Function/Program</u>	<u>Full Time Equivalent Employees as of September 30</u>									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government:										
Administration	8.00	8.00	8.00	8.00	9.50	9.50	10.00	10.00	10.00	10.00
Human resources	3.00	3.00	3.00	3.00	3.75	4.00	4.00	4.00	3.00	4.00
Information technology	1.00	2.00	2.00	3.00	3.00	4.00	4.00	4.00	4.00	4.00
Tax	2.65	2.65	2.65	2.65	-	-	-	-	-	-
Finance	6.00	6.50	6.50	6.50	6.75	6.75	6.75	6.75	6.75	6.75
Economic development	2.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Non-Departmental	1.50	1.50	1.50	1.50	1.77	1.50	1.50	1.50	0.77	0.77
Government center	-	-	-	-	-	-	1.50	1.50	2.50	4.39
Public Works:										
Streets & drainage	10.00	11.00	13.00	13.33	12.25	15.33	13.58	13.58	14.25	14.25
Fleet maintenance	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Water & sewer	30.44	32.96	35.96	36.96	39.15	41.65	43.65	43.65	43.65	43.65
Public Safety:										
Police	58.80	61.80	67.80	73.80	81.20	83.00	84.00	84.00	86.10	87.10
Police (community services)	5.00	5.00	-	-	-	-	-	-	-	-
Animal control	1.69	1.69	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Fire	49.00	51.00	54.00	58.00	63.00	65.00	69.00	78.00	78.00	78.00
Municipal court	3.70	3.70	5.00	5.00	6.80	6.80	7.30	7.30	6.80	6.80
Code enforcement	8.00	8.00	8.00	9.00	9.00	9.00	9.00	9.00	8.00	9.00
Animal shelter	8.50	8.66	8.66	8.66	7.66	9.63	9.63	9.63	9.63	9.63
Community Services:										
Parks	18.63	21.64	24.66	24.66	22.35	22.35	26.40	26.40	26.40	26.40
Community development	6.23	5.98	5.98	5.23	4.64	5.89	6.79	6.79	6.79	6.79
Recreation	9.71	9.71	9.71	9.71	9.98	9.98	10.25	10.25	10.50	12.50
Recreation center	-	14.50	17.96	17.96	22.00	21.00	21.50	21.50	22.50	23.00
Library	9.62	9.62	9.62	10.27	11.49	11.48	11.48	11.48	10.48	11.48
Planning	3.00	3.00	3.00	3.00	4.75	4.00	4.00	4.00	3.00	4.00
Neighborhood services	-	0.25	0.25	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Total City Employees:	249.47	278.16	295.25	309.23	328.04	339.86	353.33	362.33	362.12	371.51

Source: Annual Budgets

Notes: FTE's are based on 2,080 hours for conversion purposes

The Economic Development Corporation personnel are paid by the Economic Development Fund, not the General Fund.

The Water and Sewer personnel are paid by the Water & Sewer Fund, not the General Fund.

The Community Development personnel are paid by the Community Development Fund, not the General Fund.

The Non-departmental position was not created until 2002.

The Information Technology department was not created until 2003.

The Recreation Center was not opened until the end of fiscal year 2004.

The Neighborhood Services department was created in 2004.

The Police (Community Services) were the School Resource Officers, and the Cedar Hill ISD took over this function in fiscal year 2005.

The Tax Office was closed at the end of fiscal year 2006.

The Government Center positions were created in fiscal year 2009.

**CITY OF CEDAR HILL, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Function/Program</u>	<u>Fiscal Year</u>		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Government:			
Information Technology			
Installed Employee Desktop Computer Systems	55	85	25
Onsite Problem Calls	100	300	500
Vendor visits/Product Evaluations	60	100	150
Public Works:			
Streets & Drainage			
Number of street lights	1,950	1,983	2,053
Water & Sewer			
Number of water consumers	12,909	13,726	14,680
Average daily water consumption (millions of gallons)	6.2	6.2	5.9
Maximum storage capacity (millions of gallons)	18.0	18.0	18.0
Number of sewer connections	11,494	12,103	12,574
Public Safety:			
Police			
Index crimes, by calendar year	1,382	1,470	1,550
Index crime rate per 100,000, by calendar year	3,651.4	3,682.5	3,791.5
Percent index crimes cleared, by calendar year	23%	17%	21%
Number of reserve police officers	14.00	6.00	6.00
Fire			
Calls for service - Fire & EMS	3,473	3,753	4,075
Municipal Court			
Number of cases filed	6,447	7,418	6,934
Number of cases closed	5,599	6,224	6,098
Number of cases appealed	277	368	222
Number of warrants issued	3,353	3,013	2,407
Code Enforcement			
Building permits issued	821	1,102	778
Total dollar value of permits issued	114,271,071	195,918,323	104,469,980
Animal Shelter			
Number of incoming animals	4,685	4,474	4,689
Number of lost pets returned to owners	822	797	720
Number of animals adopted out	886	897	826
Number of animals euthanized	2,434	2,390	2,382
Number of animals transferred or rescued	563	526	631

Sources: City Departments

Notes: N/D means reliable data is not available.
N/A means data is not yet available.
The Information Technology Department was created in April 2003.

TABLE 17

Fiscal Year						
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
60	51	230	250	34	53	50
700	675	1,500	1,000	3,750	3,700	3,000
200	200	500	350	10	10	15
2,355	2,555	2,659	2,670	2,705	2,777	2,645
14,786	14,786	14,791	15,188	15,283	15,186	15,236
8.3	7.2	8.2	8.5	8.4	8.7	7.9
18.0	18.0	18.0	18.0	18.0	18.0	18.0
12,922	12,922	13,550	13,791	13,873	13,874	13,956
1,553	1,439	1,635	1,814	1,846	n/a	n/a
3,631.9	3,224.4	3,542.6	3,902.8	3,955.0	n/a	n/a
23%	23%	19%	29%	29%	n/a	n/a
4.00	4.00	4.00	3.00	3.00	3.00	3.00
4,280	4,830	5,022	5,193	5,221	n/a	n/a
8,210	8,762	7,552	6,983	6,419	7,472	6,010
7,008	8,369	5,995	7,061	6,165	8,142	8,000
268	322	282	214	345	345	300
3,893	2,441	3,953	3,616	2,752	5,056	3,500
828	612	578	432	491	404	605
159,250,091	172,408,265	83,105,685	28,441,102	33,687,160	22,611,850	18,376,325
4,709	5,777	5,243	5,208	5,380	4,909	5,300
758	869	811	781	785	769	790
811	756	758	923	797	724	830
2,526	3,122	3,068	2,888	2,757	2,500	2,365
522	641	524	796	927	777	800

**CITY OF CEDAR HILL, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(UNAUDITED)**

TABLE 18

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Works:										
Streets & Drainage										
Paved streets (miles) ^a	194	199	205	206	209	210	210	216	217	218
Graded streets (miles)	2	3	3	0	0	1	1	1	1	1
Paved alleys (miles)	40	41	41	41	41	42	42	42	42	42
Storm sewers (miles) ^a	60	61	64	66	67	70	71	74	76	76
Water & Sewer										
Water mains (miles) ^a	239	247	247	268	270	280	282	279	279	273
Storage capacity (millions of gallons)	18	18	18	18	18	18	18	18	18	18
Sanitary sewers (miles) ^a	193	200	201	225	225	245	247	214	215	214
Public Safety:										
Police										
Stations	1	1	1	1	1	1	1	1	2	2
Fire										
Stations	3	3	3	3	3	3	4	4	4	4
Animal Shelter										
Buildings	1	1	1	1	1	1	1	1	1	1
Community Services:										
Parks										
Acreage	507	596	596	596	667	686	686	692	692	692
Municipal swimming pools	1	1	1	1	1	1	1	1	1	1
Lighted tennis courts	2	2	2	2	2	2	2	2	2	2
Lighted ball diamonds	16	18	18	18	19	23	23	23	23	23
Community/senior center	1	1	1	1	1	1	1	1	1	1
Recreation center	0	0	1	1	1	1	1	1	1	1
Library										
Number of libraries	1	1	1	1	1	1	1	1	1	1

Sources: City Departments

Notes:

^a FY2010 data has been updated to reflect only assets in use and owned by the City of Cedar Hill