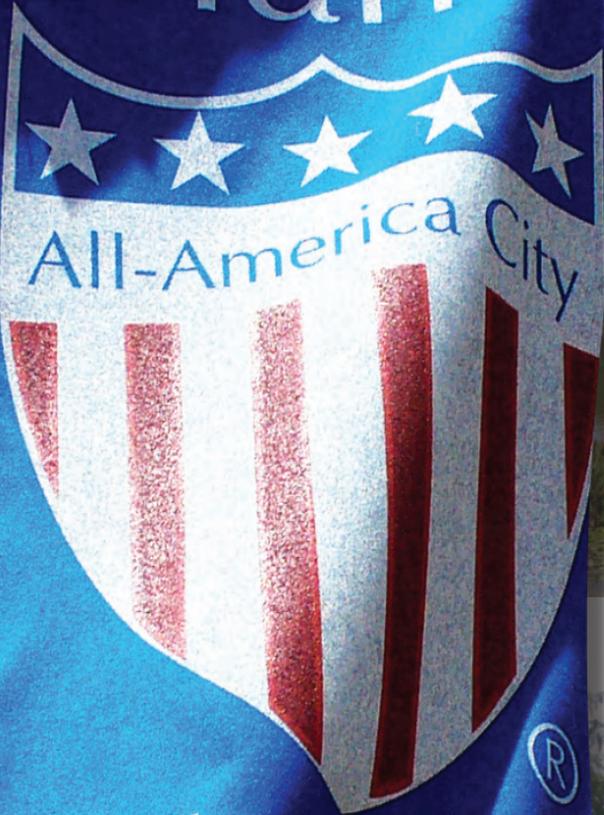




Plano



Texas

City of Plano, Texas
Popular
Annual
Financial
Report
for Fiscal Year
Ended
September 30,
2006



**CITY OF
PLANO, TEXAS**

Popular Annual Financial Report

**FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2006**

**Prepared By:
Accounting Division**

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The Popular Annual Financial Report (PAFR) is intended to summarize and simplify the statistical, economical and financial information contained in the 2006 Comprehensive Annual Financial Report (CAFR). The CAFR was prepared in conformance with generally accepted accounting principles (GAAP) and was independently audited by Deloitte & Touche, LLP. The PAFR, while unaudited, provides a brief analysis of where the City's revenues come from and where the dollars are spent as well as trends and local economy. It is presented as a means of increasing public awareness about the City's financial condition through a more user-friendly presentation. For a more detailed, GAAP basis, full disclosure review of the individual funds and component units financial statements, one should refer to the City's CAFR that is accessible through the City's website: <http://www.plano.gov/departments/finance>

City Government

Plano was incorporated on June 2, 1873, under the provisions of H.B. 901 of the Texas Legislature. It was subsequently chartered as a Home Rule City on June 10, 1961, and operates under a Council-Manager form of government. The Council sets City policy and the Manager is responsible for City operations. Citizen advisory boards and commissions add to the governing process.

The City Council is comprised of a Mayor and seven members, all elected citywide, and is responsible for enacting ordinances, resolutions and regulations governing the City, as well as appointing the members of various statutory and advisory boards, the City Manager, City Attorney and Municipal Judge.

Pat Evans
Mayor

Scott Johnson
Mayor Pro Tem

Sally Magnuson
Deputy Mayor Pro Tem

Shep Stahel
Place 1

Loretta Ellerbe
Place 3

Harry LaRosiliere
Place 5

Jean Callison
Place 7

Lee Dunlap
Place 8

The City Manager, **Thomas H. Muehlenbeck**, is the chief administrative officer of the government and is responsible for the enforcement of laws and ordinances, the appointment and supervision of the executive directors and heads of departments, and the performance of functions within the municipal organization.

The City's Director of Finance, **John F. McGrane**, is the chief fiscal officer of the City and acts as the primary contact with the City's bond counsel, rating agencies and underwriters and is also responsible for general supervision and oversight of the Accounting, Purchasing, Warehouse, Treasury, Municipal Court, Risk Management and Financial Systems divisions.

Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

**City of Plano
Texas**

for the Fiscal Year Ended

September 30, 2005



Thomas J. Hain
President

Jeffrey L. Esser
Executive Director

Personality of Plano

Plano's Profile

Population	254,082	Page 1
Unemployment Rate	4.0%	Page 3
Median Income	\$71,560	Page 3
Property Tax Rate	0.4535	Page 4

Plano's Prosperity

Property Tax Collections	\$97,342,830	Page 5
Sales Tax Collections	\$65,320,897	Page 6
Corporate Development	\$523,004,717	Page 7
Registered Businesses	> 10,500	Page 7
Community Development	\$173,946,826	Page 8

Plano's Performance

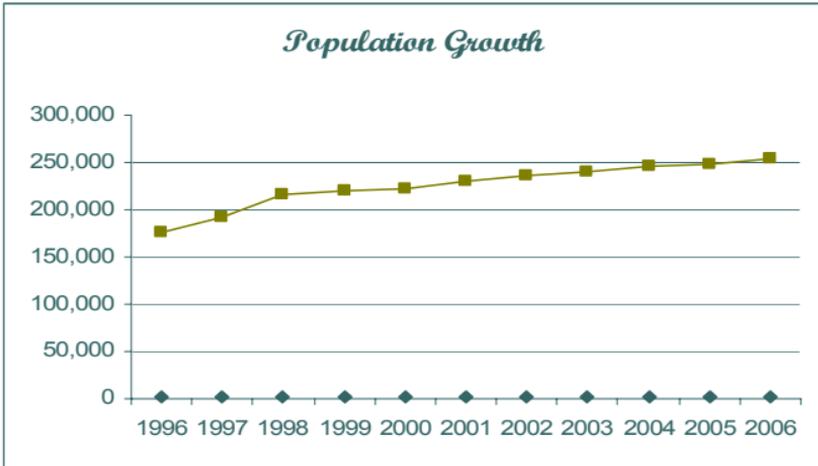
Statement of Net Assets	\$1.1 billion	Page 9
Municipal Bonded Debt	\$311,855,311	Page 10
Statement of Activities	\$30.2 million	Page 11
Governmental-Funds		Page 13
Enterprise Funds		Page 21
Internal Service Funds		Page 25
Fiduciary Funds		Page 27

Plano's Personnel

Organizational Chart		Page 28
Contact Information		Page 29

Plano's Profile

Designated in July 2006 by CNN Money as the 11th most desirable place to live in the nation and one of the best places to retire, Plano is a hometown choice of 254,082 residents. Plano's build out population will be approximately 269,200. Along with its residents, CNN Money feels that Plano has the best possible blend of good jobs, low crime, quality schools, plenty of open space, rational home prices and lots to do.



The largest city in Collin County, located 20 miles north of downtown Dallas, Plano continues to garner national accolades for its quality of lifestyle and environmental initiatives.

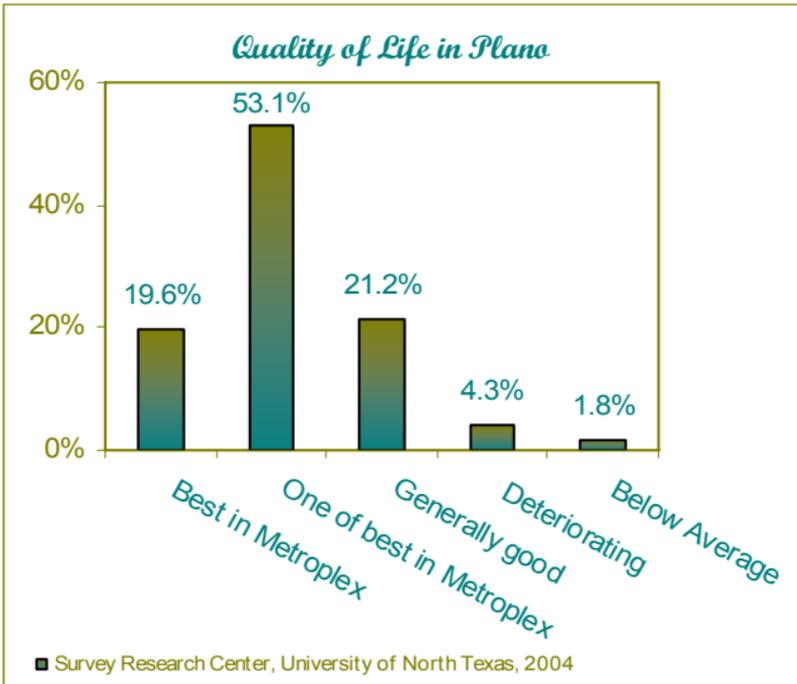
Plano prides an award-winning public school system boasting three senior high school campuses, two community college campuses and four other institutes of higher learning. Ranking 2nd nationwide brainiest medium sized city by www.bizjournals.com in June 2006, 53.2% of Plano's adult population has four or more years of college with only 18.4% not going beyond high school.

Nationally accredited since 1994, the Plano Parks and Recreation Department is a three-time winner of the National Gold Medal for Excellence in Parks and Recreation Management. The City features 80 public parks, 50 miles of recreational trails, two nature preserves, an amphitheater, a senior citizen's center, a city/school outdoor learning center, six recreation centers and three public golf courses just to name a few.

In addition, Plano is a member of the regional public transportation system known as DART (Dallas Area Rapid Transit). This allows Plano to be served by more than a dozen bus routes, with access to light rail stations as well as park and ride locations for commuters.

Other benefits to citizens of Plano include five public libraries with over 738,939 volumes and public internet access, eGovernment (a multitude of convenient on-line services), 6 public swimming pools, 67 playgrounds, 175 athletic fields, and participation in the North Texas Municipal Water District a "Superior" rated water system.

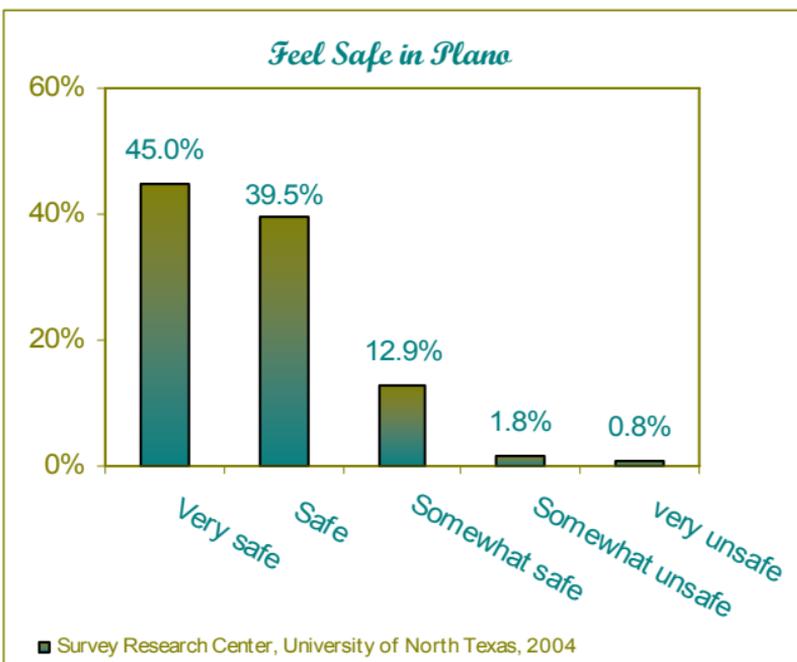
In a recent survey, respondents were asked to describe the quality of life in Plano. As shown, 72.7% of the respondents reported that the quality of life in Plano was either the best in the metroplex, 19.6%, or one of the best in the metroplex, 53.1%.



Plano’s internationally accredited Police Department has one of the lowest crime rates for Texas cities with populations over 100,000. In October 2006, Plano was named the “Second Safest City in the State of Texas” and the “Safest City” in North Texas in 2005 by Morgan Quitno Press.

The Plano Fire Department is the only Fire Department in Texas to achieve CFAI (Commission on Fire Accreditation International) accreditation for both fire and emergency medical services. Plano is the only ISO Class 1 fire accredited and EMS accredited Fire Department in the US.

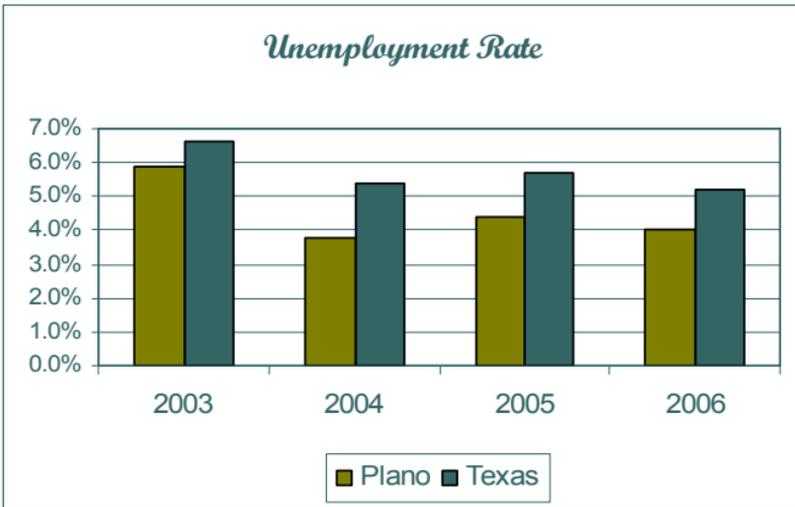
As shown below, 84.5% of the recently surveyed respondents indicated that they felt either very safe, 45.0%, or safe, 39.5%.



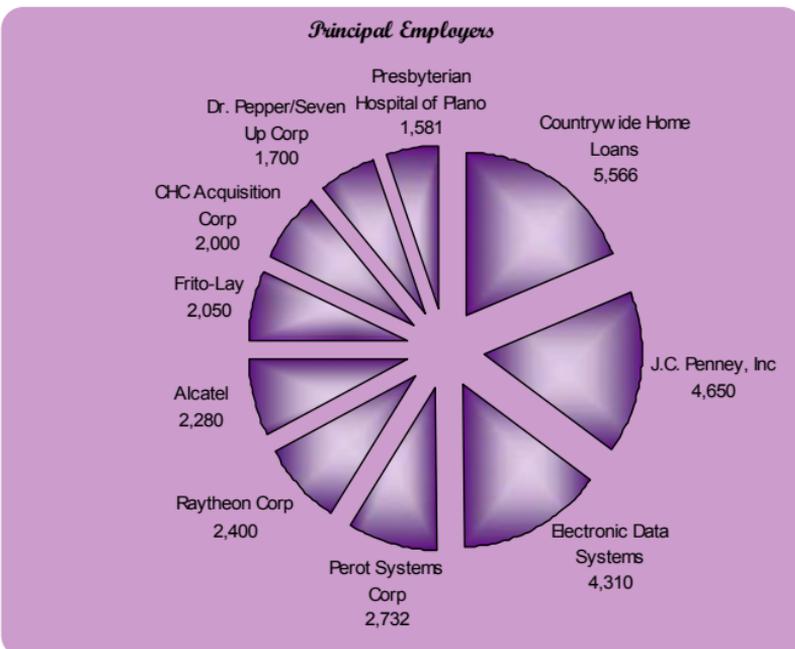
Plano's Profile

Plano's greatest economic strength is the diversified employment base. The three largest job sectors are retail and wholesale trade, services and manufacturing. It is anticipated that future growth for the region will focus on healthcare and small businesses, rather than technology. Current trends indicate great interest in the redevelopment of mature commercial centers and infill projects.

Nationwide employment statistics show the region as leading the country in employment growth, ahead of much larger metropolitan areas, with significant expansion in the service-providing job cluster. The City's unemployment rate for fiscal year 2006 was 4.0%, decreasing 0.4% from the 2005 rate of 4.4%. The Texas state average for October 2006 was 5.2%. The median average household income in Plano is approximately \$71,560.



Contributing to the low levels of unemployment, Plano has been fortunate to have numerous nationally recognized corporate employers make Plano their home. The principal employers within the City claim 20.83% of the total City employment, which equates to 29,269 employees.



Since 1990, Plano citizens have enjoyed no less than four property tax decreases, with the 2005-06 property tax rate of 45.35 cents per \$100 assessed valuation. Offering a lower property tax rate and greater homestead exemptions than neighboring cities, Plano's Municipal tax rate has decreased 11.1% over the past fifteen years. Plano continues to offer its residents a 20% Homestead Exemption and up to \$40,000 for Disability or Over 65 exemptions. In May 2004, the Plano City Council approved a property tax freeze for homeowners over the age of 65, their spouses and the disabled. The average single-family market and taxable value for a Plano home is \$237,202 and \$189,766 respectively.

Where the Money Goes



Recent citizens surveyed indicated that they were willing to pay additional municipal taxes for the benefit of additional police officers and street maintenance and rehabilitation. In the two years since the survey, the City has hired 12 additional uniformed police officers and incurred \$43.4 million in street improvement costs (including \$19.7 million in developer's escrow) without raising the tax rate. Subsequently, in September, 2006, the tax rate was increased two cents to \$0.4735 for the 2006-07 fiscal year and is dedicated solely for economic development incentives in order to remain competitive with neighboring cities.

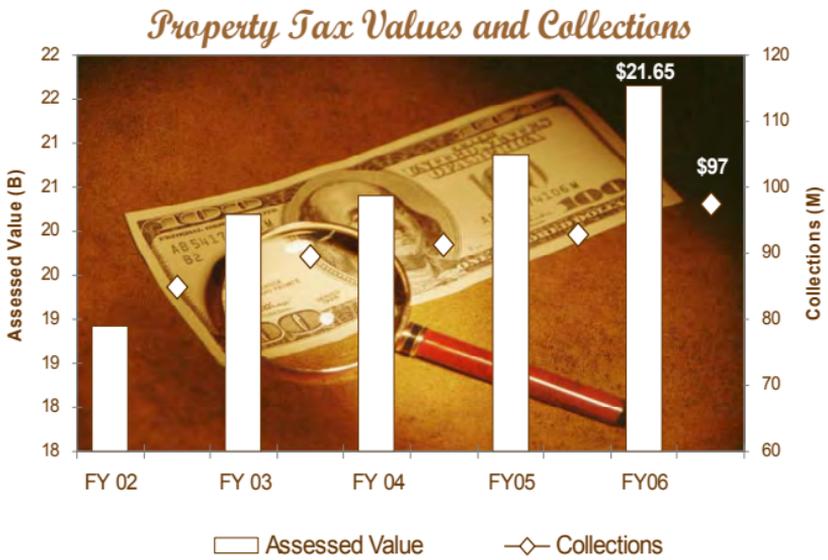
Willing to pay Additional Municipal Taxes for Services

	Percentage responding	
	Yes	No
Additional police officers	59.2	40.8
Street maintenance and rehabilitation	50.5	49.5
New fire station	48.6	51.4
Park maintenance and rehabilitation	44.1	55.9
Additional senior center	38.1	61.9
Additional park/recreation facilities	35.4	64.6
Expand existing libraries	32.4	67.6
Art programs	30.3	69.7
Upgrade neighborhoods	27.8	72.2
Upgrade downtown	27.6	72.4
Expand court and jail facilities	26.2	73.8
Expand Plano Convention Center	10.5	89.5
Other	8.9	91.1
Survey Research Center, University of North Texas, 2004		

Plano's Prosperity

Property Tax collections, the City's largest revenue source, were \$97,342,830 in fiscal year 2006. The assessed value for the tax roll of January 1, 2005, upon which the original 2006 levy was based, was \$21,649,265,385. This tax roll includes \$377 million in new property coming online and an increase of \$732 million, or 3.6%, in existing property values. Overall, the January 1, 2005 tax roll increased \$780 million or 3.7% over prior year.

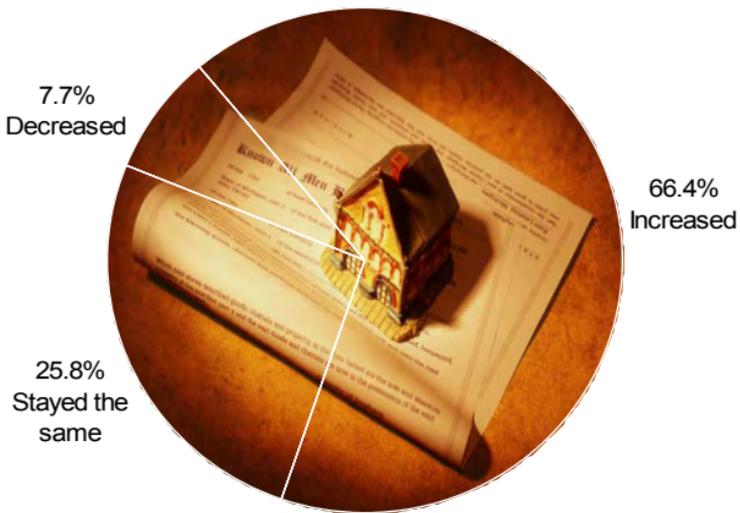
The 2005 tax roll Homestead, Disability and Over 65 Exemptions combined with ad valorem tax freezes on the residential homestead of citizens over 65 and disabled totaled \$4.5 billion in assessed property value, which equates to \$20.2 million in lost property tax collections in fiscal year 2006.



Seventy seven percent of Plano's \$26,749,904,104 property tax market value is the combination of 57% Single-Family residence and 20% Commercial Real Property. The City's top five taxpayers are TXU Electric Delivery Company, J C Penney Co. Inc., Alcatel USA Sourcing LP, Electronic Data Systems Corp, and Willow Bend Shopping Center LP, with a combined market and taxable value of \$838 million and \$731 million respectively. Committed to a growth-oriented business environment, Plano offers an attractive tax incentive program designed to promote ongoing development for businesses of all types and sizes.

The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation. For the year ended September 30, 2006, the City's \$0.4535 tax rate leaves a margin of \$2.0465, in which approximately \$444,860,617 in additional taxes could have been levied from the present assessed valuation.

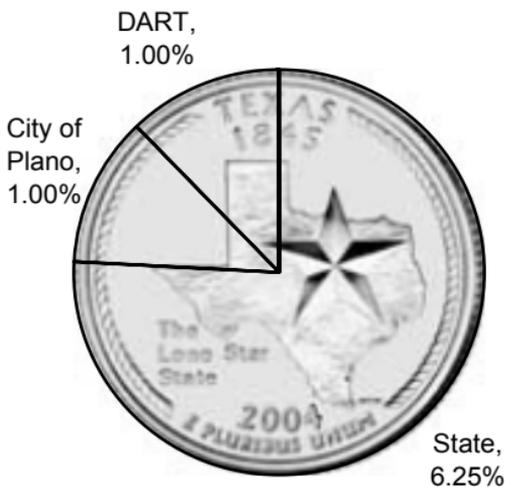
Citizen Survey of Home Value over Past 3 Years



Survey Research Center, University of North Texas, 2004

Sales Tax collections, the City's second largest revenue source, were \$65,320,897 in fiscal year 2005-06, an unexpected 25.0% increase from the prior fiscal year. The \$13.1 million increase is due to a continued rise of consumer confidence in the post-September 11 economy, \$1.2 million in State audit adjustments and \$6.7 million in financial reporting adjustments to accrue 13 months of sales tax revenue. The City of Plano's local portion of the 8.25% sales tax assessed on the sale of tangible personal property, excluding items such as groceries, utilities, raw materials and manufacturing equipment, is used to fund the City's general expenses. The sales tax collections are produced primarily from Plano's sizeable retail base, including two major shopping malls, hundreds of specialty shops and boutiques and major retailers throughout the city.

Sales Tax Allocation



In December 2006, the Texas State Comptroller's office reported that the final 2006 sales tax allocation brought local sales tax revenue to a record \$5.2 billion in one calendar year. Sales tax revenue will continue to be impacted by any changes to the national economy, high fuel prices, the loss of market share to surrounding communities due to new shopping developments, the Texas Legislative-initiated "Back-To-School" Sales Tax Holiday occurring each August, and any impending future legislation.

Plano's Prosperity

To amplify its corporate development, The City of Plano offers tax abatement for commercial or industrial new business construction or facility expansion, as well as business personal property tax associated with real property. The tax abatement applies to the value of improvements made. Awarded tax abatements from the City, numerous companies have significantly expanded since moving to Plano, further contributing to the City's growth. In fiscal year 2005-06, there were 950 non-residential construction permits issued with a total value of \$523.0 million, an increase of 100 permits and \$153.5 million in valuation from the prior year.

In 2006, through continued pro-business attitude and enthusiastic accommodation of industry, the City's commercial development continued to prosper in the existing technology and retail industry as well as the newly arriving healthcare industry. With one of the lowest property tax rates in the state of Texas, companies locating to Plano boost their bottom line while offering a high quality of life for employees. There are currently more than 10,500 registered businesses located in Plano. An abridged list of the 2006 highlights for business relocations and expansions include:

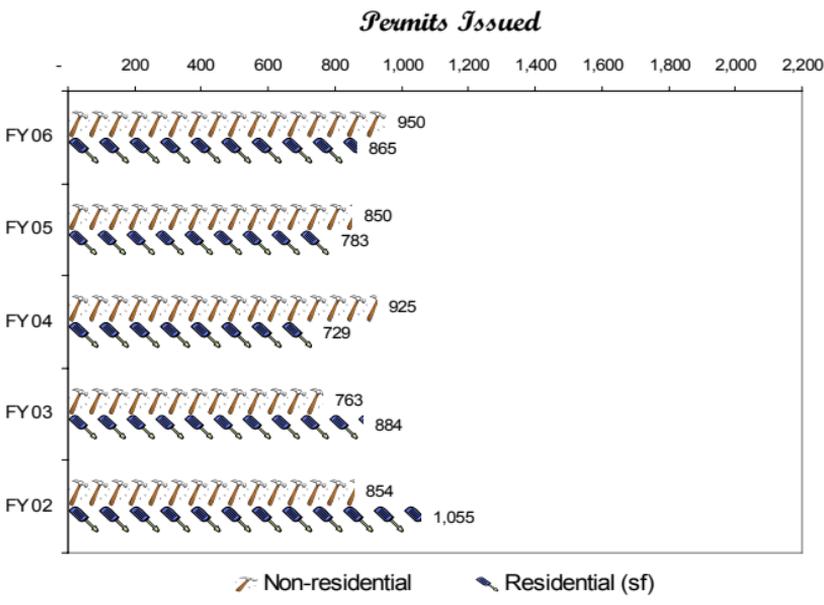
RELOCATIONS

- * Cramer Systems
- * Dataside
- * Delcom Group
- * Force Electronics
- * Furniture Marketing Group
- * Legacy Consulting Services
- * Luminator Holdings
- * McDowell & Company
- * Nexa Technologies
- * PGA Tour Superstore
- * Raytheon
- * Regal Research and Manufacturing
- * Texatronics

EXPANSIONS OF EXISTING BUSINESSES

- * Baylor Plano Heart Hospital
- * Capital One Auto Finance
- * Children's Medical Center in Legacy
- * Countrywide Financial Corp
- * Data Flow Media Systems, LP (DFMS)
- * Ericsson
- * Estech Systems, Inc
- * Fidelity Integrated Financial Solutions
- * Guaranty Insurance Services
- * Nationwide Rigging and Crating, Inc
- * North Texas Tollway Authority (NTTA)
- * Perot Systems Corporation
- * PFSWeb
- * Precision Communication Services, Inc
- * Rent-A-Center (corporate campus)
- * Tekelec
- * Texas Advanced Optoelectronic Solutions

Home to many corporate giants, such as JCPenney, EDS, Frito-Lay, Alcatel and Dr. Pepper, the City of Plano has been fortunate over the past two decades to have numerous corporate citizens make Plano their home. In fact, realizing the benefits of living and working in the same community, 36.7% of Plano's residents are employed within the City limits. While Plano continues to experience positive growth in commercial construction, new home constructions continue to be strong, but are on the decline as a result of the impending build-out of all residentially zoned areas. In fiscal year 2005-06, there were 865 new residential single-family permits issued, with a total home valuation of \$173.9 million. The 865 permits issued is an increase of 82 permits, or 10.5% from the prior fiscal year. The 2006 single-family permits issued had an average home valuation of \$201,095 and size of 3,359 square feet.



Committed to the promotion and retention of high quality neighborhoods and development, the City has a Capital Improvement Program to continually heighten the amenities offered to the citizenry. A portion of the Ad Valorem tax rate funds the largest of the CIP categories, General Obligation Improvements. These projects include municipal facilities, park, and street Improvements. In 2006, there was a net increase of \$40.1 million in major additions to the City's capital assets that offered enhancements to the quality of life in Plano. The major additions include \$6.4 million construction of Tom Muehlenbeck Recreation Center, \$3.4 million construction of the new Fire Station # 11 & # 12 and a new fire engine, \$1.4 million acquisition of White Rock Creek Park and \$11.7 million in street improvements.

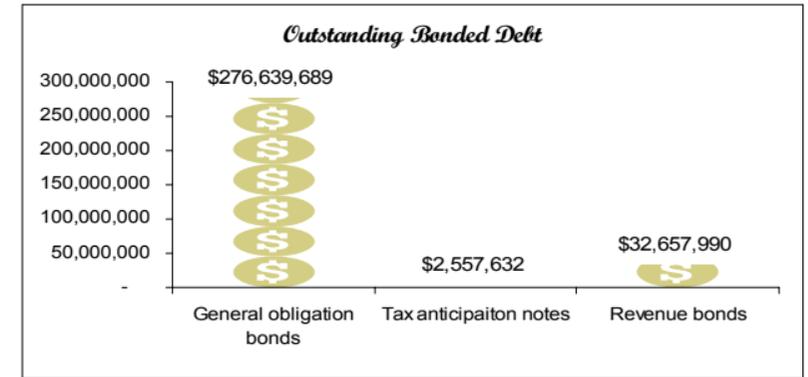


New Fire Station #11

Plano's Performance

The Statement of Net Assets, as of September 30, 2006, presents a government wide financial analysis of the City's assets and liabilities and net assets.

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current and other assets	\$ 225,812,722	\$ 36,998,998	\$ 262,811,720	\$ 7,076,343
Restricted assets	8,119,371	21,649,120	29,768,491	-
Capital assets	828,303,220	374,378,666	1,202,681,886	4,954,027
Total Assets	1,062,235,313	433,026,784	1,495,262,097	12,030,370
LIABILITIES				
Payables and other	21,538,397	10,201,026	31,739,423	40,958
Non-current liabilities				
Due within one year	32,609,096	4,456,734	37,065,830	698,480
Due in more than one year	280,427,669	30,139,764	310,567,433	6,690,929
Total Liabilities	334,575,162	44,797,524	379,372,686	7,430,367
NET ASSETS				
Invested in capital assets (net of related debt)	650,438,402	356,802,993	1,007,241,395	4,954,027
Restricted	2,149,959	6,532,464	8,682,423	-
Unrestricted (deficit)	75,071,790	24,893,803	99,965,593	(354,024)
Total Net Assets	\$ 727,660,151	\$ 388,229,260	\$ 1,115,889,411	\$ 4,600,003



Net assets, the amount in which assets exceed liabilities, may serve over time as a useful indicator of a city's financial position. It is a snapshot of the City's entire resources and obligations, or net worth, at the close of the fiscal year.

The City of Plano's combined net assets were \$1.1 billion as of September 30, 2006, which consists of \$728 million in governmental activities and \$388 million in business-type activities. Plano's \$1.1 billion combined net assets have increased by \$70.1 million or 6.7% over the prior year.

By far, the largest portion of the City's net assets (90.8%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Eighty Percent, or \$1.2 billion, of the City's assets are invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. This amount represents a net increase (including additions and deductions) of \$40.1 million over the prior fiscal year.

Eighty two percent of the City's total liabilities consist of bonded debt. As a home rule city, the City of Plano is not limited by law in the amount of debt it may issue. Plano remains one of the few cities in Texas, whose general obligation bonds received the highest possible bond rating from Moody's Investors Service, Standard & Poor's and Fitch's IBCA Inc. In issuing their highest ratings, the three companies recognize everything from quality of city financial management to its population growth and ability to attract corporate headquarters. The AAA rating from the three national rating agencies has been assigned to the City's tax-supported debt since February 2000. The City's drainage revenue bonds carry an A1 and AA- ratings, as assigned by two of the national ratings agencies.



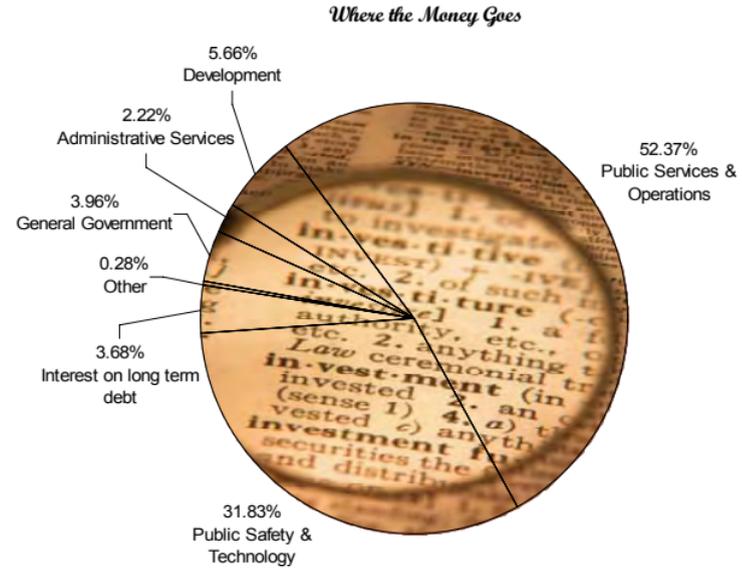
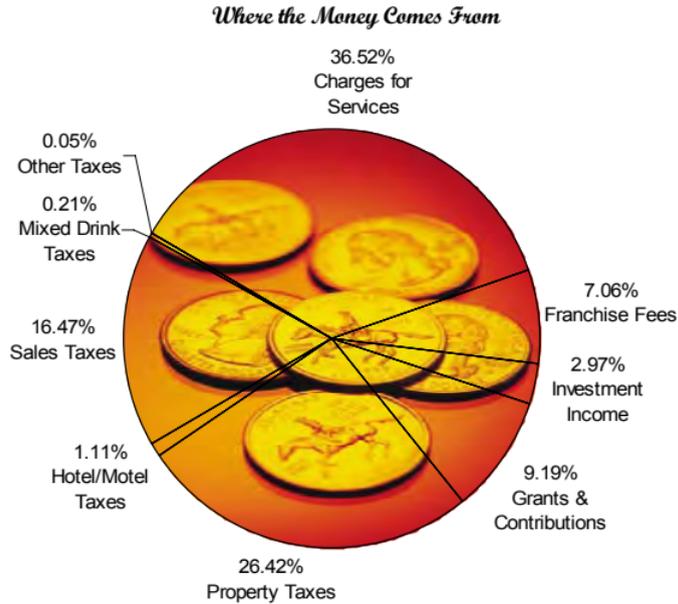
The City's total bonded debt increased by \$18.8 million to \$311.9 million during the current fiscal year. The City issued \$40.9 million in general obligation bonds, \$3.8 million in certificates of obligation and \$1.5 million in municipal drainage revenue bonds.

Plano's Performance

The Statement of Activities, as of September 30, 2006, presents a government wide financial analysis of how the City's net assets changed during the fiscal year.

	<u>Expenses</u>	<u>Program Revenues</u>			<u>General Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>			<u>Component Units</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Taxes, Franchise & Investment</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Function/Program Activities									
Primary Government:									
Governmental Activities	\$ 216,551,219	\$ 30,853,374	\$ 9,695,987	\$ 16,672,181	\$ 203,188,378	\$ 43,858,701	\$ -	\$ 43,858,701	
Business-type Activities	110,056,843	114,033,481	22,828	10,048,819	12,175,293	-	26,223,578	26,223,578	
Total primary government	<u>\$ 326,608,062</u>	<u>\$ 144,886,855</u>	<u>\$ 9,718,815</u>	<u>\$ 26,721,000</u>	<u>\$ 215,363,671</u>	<u>43,858,701</u>	<u>26,223,578</u>	<u>70,082,279</u>	
Component units:									
Economic Development	\$ 652,901	\$ 752,316	\$ -	\$ -	\$ 45,865				\$ 145,280
TIF Mall	4,571,230	-	-	-	4,291,981				(279,249)
TIF East Side	1,241,204	-	-	-	3,076,653				1,835,449
Total component units	<u>\$ 6,465,335</u>	<u>\$ 752,316</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,414,499</u>				<u>1,701,480</u>
						11,907,529	(11,907,529)	-	-
						55,766,230	14,316,049	70,082,279	1,701,480
						671,893,921	373,913,211	1,045,807,132	2,898,523
						<u>\$ 727,660,151</u>	<u>\$ 388,229,260</u>	<u>\$ 1,115,889,411</u>	<u>\$ 4,600,003</u>

The City of Plano's general revenues increased by \$30.2 million during the current fiscal year primarily as a result of increases in sales tax, investment income, property tax and franchise fee revenues in the amounts of \$13.1 million, \$7.7 million, \$4.7 million and \$3.5 million, respectively. In addition, program revenues increased \$26.3 million primarily due to an increase of \$22.4 million in contributions from developers. The total cost of all of the City's programs decreased during the current fiscal year by \$5.0 million or 3.3%. No new major programs were added during the current fiscal year.



Plano's Performance

Governmental Funds

The majority of the City's basic services, such as police, fire, libraries, development, public services and operations, public works, technology services and general administration are reported in Governmental Funds. Property taxes, sales taxes and franchise fees finance most of these activities. Governmental Funds focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The City of Plano maintains twenty individual Governmental Funds. As of September 30, 2006, the City of Plano's Governmental Funds reported a combined ending fund balance of \$158.6 million, an increase of \$33.2 million in comparison to the prior fiscal year.

The General Fund, the chief operating fund of a state or local government, is one of the City's twenty Governmental Funds.

General Fund Balance Sheet

ASSETS

Cash and cash equivalents	\$ 16,238,418
Investments	27,853,237
Receivables (net of allowance for uncollectibles)	
Taxes	12,746,045
Accounts	581,000
Notes	7,310,017
Accrued interest	316,924
Due from other funds	1,263,035
Due from other governments	12,028
Prepaid items and other assets	229,018
Total Assets	<u><u>66,549,722</u></u>

LIABILITIES AND FUND BALANCES

Liabilities:

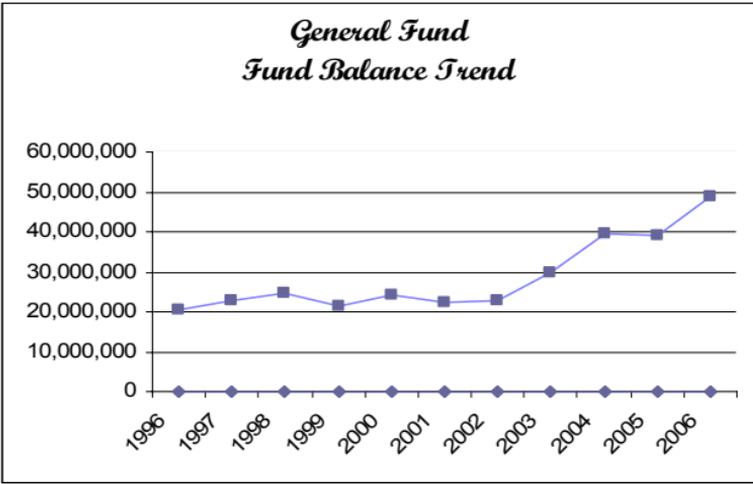
Accounts payable	3,375,799
Accrued liabilities	6,276,160
Deferred revenue	8,089,275
Due to other funds	3,826
Total Liabilities	<u><u>17,745,060</u></u>

Fund Balance:

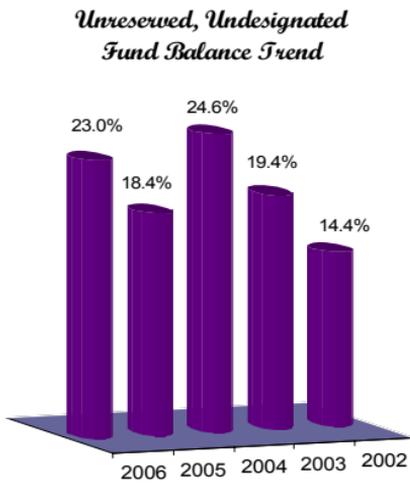
Reserved for:	
Encumbrances	2,776,694
Prepaid items and other assets	229,018
Interfund advance and notes receivable	7,310,017
Unreserved, undesignated in:	38,488,933
Total Fund Balance	<u><u>48,804,662</u></u>

Total Liabilities and Fund Balance	<u><u>\$ 66,549,722</u></u>
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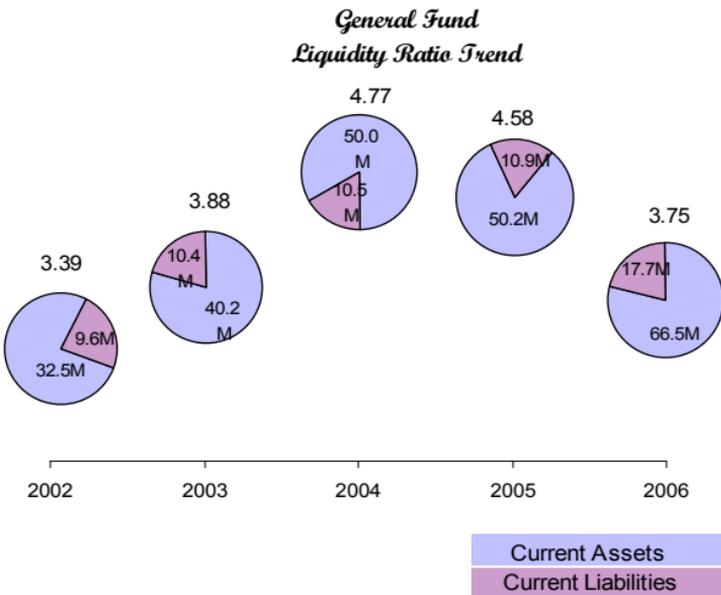
The fund balance (equity) of the City's General Fund increased \$9.6 million, or 24.4%, to \$48.8 million from the prior year balance of \$39.2 million. Fund balance is a particularly important measure in the General Fund because it reflects the primary functions of the government and includes primarily local tax revenues and some state aid.



The fund balance of the City of Plano's General Fund has been very strong with an increase of \$28,496,908, or 140.3%, over the past ten years. Since 2004, the balance has increased 23.57% or \$9,307,782.



At the end of the current fiscal year, unreserved and undesignated fund balance for the General Fund increased \$9.4 million to \$38.5 million which is approximately 23.0% of total General Fund expenditures.



A good measure of financial condition is cash position, or liquidity. The Quick Ratio liquidity rate determines government's ability to pay its short-term obligations. Generally, a Quick Ratio of 1.0 or greater is considered adequate. The City's General Fund is in excellent financial condition and, thus has exceeded the benchmark for the past five years.

Plano's Performance

General Fund

Revenues and Expenditures

The City's General Fund revenues increased \$17.9 million or 11.2% when compared to the prior fiscal year. The primary reason for this increase is due to a rise in the economy. The General Fund experienced a \$6.4 million increase in sales tax revenue as well as a \$0.8 million increase in fees for services in the current year. Fees for services mainly consists of ambulance, residential landline 911, code inspection and recreation fees. In addition, the property tax revenue increased by \$4.1 million from last year's revenue of \$57.8 million due to increased property valuations and additions of new property throughout the City.

The City's General Fund expenditures increased in the current year by \$9.1 million when compared to the prior fiscal year. This increase is due primarily to increased current operating expenditures. Costing \$52.7 million, the most significant General Fund expenditure was in providing the police activity, of which \$47.2 million was personnel costs. When compared to fiscal year 2005, the largest expense increase, \$6.4 million, occurred in fire activity. This increase was primarily offset by revenues relating to grants received for Hurricane Katrina efforts, which are reported at \$5.2 million for the fiscal year ended September 30, 2006.

General Fund

Statement of Revenues, Expenditures

and Changes in Fund Balance

REVENUES

Taxes-

Property taxes	\$ 61,860,012
Other taxes	59,581,037

Other	56,739,563
-------	------------

Total revenues	178,180,612
----------------	-------------

EXPENDITURES

Current operating	165,789,676
-------------------	-------------

Capital outlay	1,641,834
----------------	-----------

Total expenditures	167,431,510
--------------------	-------------

Excess (deficiency) of revenues over (under) expenditures	10,749,102
--	------------

OTHER FINANCING SOURCES (USES)

Transfers in	9,571,122
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Transfers out	(10,739,748)
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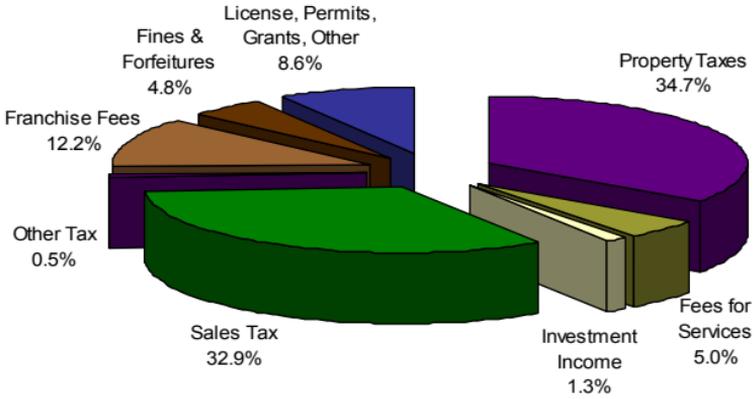
Total other financing sources (uses)	(1,168,626)
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Net change in fund balances	9,580,476
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Fund balances-beginning	39,224,186
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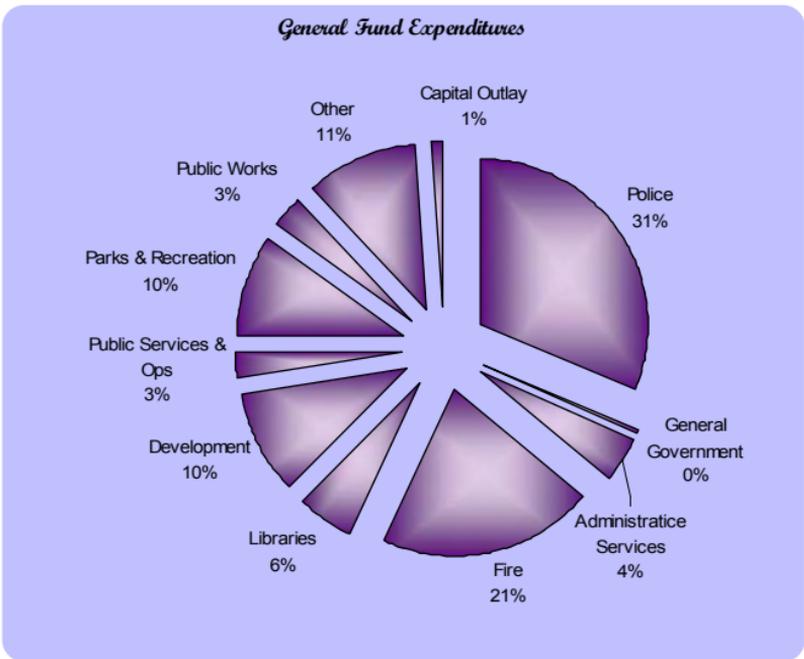
Fund balances-ending	\$ 48,804,662
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General Fund Revenues



Property and sales tax revenues are generally relied on heavily by local government. For the City of Plano, property and sales tax revenue together comprise 67.6% of the General Fund revenues.

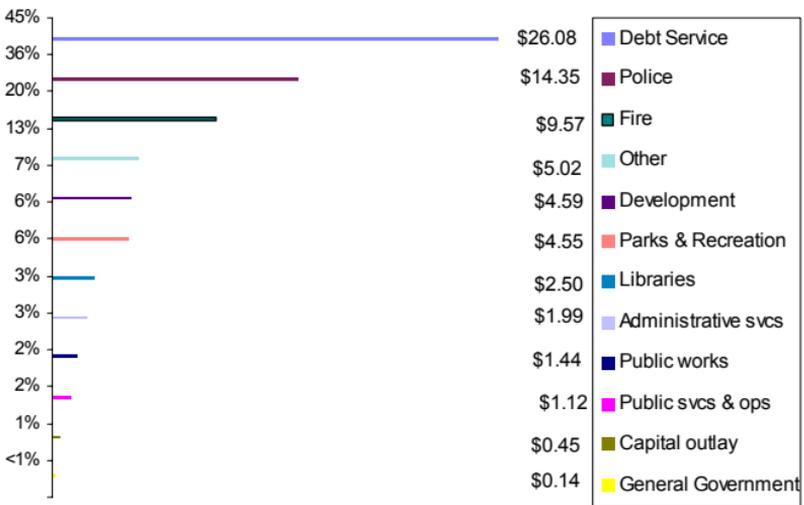
General Fund Expenditures



As shown in the General Fund expenditures illustration, police and fire account for approximately half, or 52% of the total General Fund expenses.

Value for Your Tax Dollars

The annual residential property tax bill for an average house valued at \$190,000 was \$4,799. The City's share is \$862 per year or \$72 per month per average valued home.



Total = \$71.80 per month

Plano's Performance

Other Governmental Funds

The City of Plano's other governmental funds are comprised of Debt Service, Special Revenue, and Capital Projects Funds.

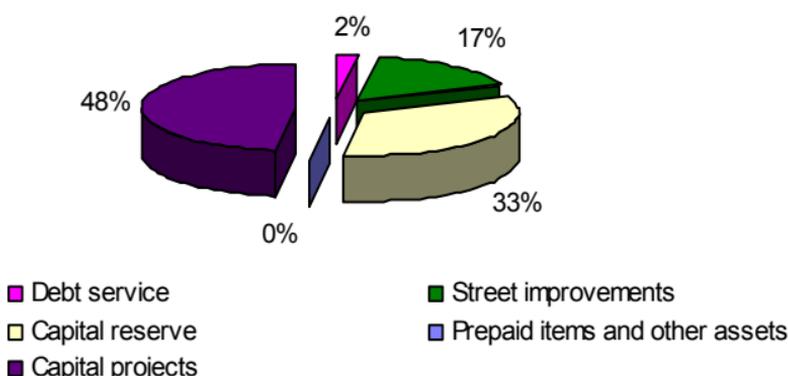
Debt Service Fund: used to account for the principal and interest on long-term general obligation bond issues and other long-term debt

Special Revenue Fund: used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes

Capital Projects Fund: used to account for financial resources earmarked for the acquisition or construction of major capital facilities and improvements (other than those financed by proprietary type funds)

The City's other governmental funds have a combined fund balance of \$109.8 million at September 30, 2006, which is a \$23.6 million or 27.4% increase from prior year. Of this \$109.8 million fund balance, \$95.9 million is reserved.

Other Governmental Funds, Reserved



<i>Condition of City Infrastructure</i>				
	Percentage responding			
	Excellent	Good	Fair	Poor
Sidewalks	20.4	64.6	12.8	2.2
Streets	23.0	59.5	14.7	2.8
Open channel drainage	17.2	62.7	15.5	4.6
Alleys	13.8	58.7	22.2	5.2
Survey Research Center, University of North Texas, 2004				

In a recent citizen survey, respondents rated the City's infrastructure. As shown in the results above, the highest scores of excellent/good were the condition of sidewalks (85.0%) followed by streets (82.5%). Alleys were reported as the most area of concern, showing 27.4% fair/poor. Fiscal year 2006-07 capital reserve projects allocate \$4.0 million in residential street & alley replacement.

Some Reserve Initiatives for 2006-2007

\$1.5 million remodeling of the Haggard Library basement plus furniture and fixtures for all 5 libraries

\$2.6 million architectural renderings and expenses for a multi-city Performing Arts Facility

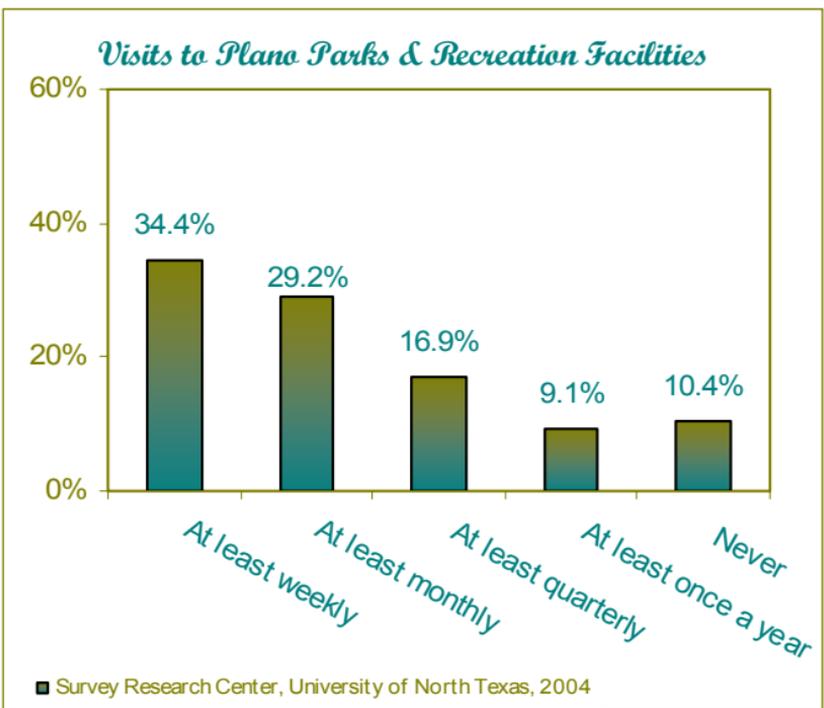
\$3.7 million construction of fire station #12, new paramedic engine, enhanced security features at all fire stations & pre-construction costs for new fire station #13

\$39.2 million in various street improvements

\$29.6 million in park services and improvements allocated primarily for the completion of the Tom Muehlenbeck Recreation Center, Oak Point Park development of a major nature preserve along Rowlett Creek, development of 7 unlighted multi-purpose fields at renovation and Memorial Archgate Park, and improvements to Park



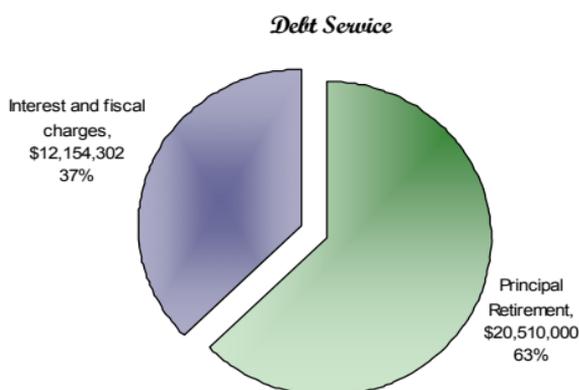
In addition to the ongoing improvements to the City's infrastructure, a large amount of reserves is set aside for expansions and additions to City parks and recreation centers. These recreational amenities' operating expenses have averaged \$15.5 million per year over the past three fiscal years. In a recent survey, citizens were asked how often members of their household visit parks and/or recreation facilities that the City of Plano has to offer.



Plano's Performance

Other Governmental Funds

The largest source of revenue (60.2%) in the other governmental funds is the Debt Service Fund's property tax revenue. In the current fiscal year, the Debt Service Fund's property tax revenue of \$35,261,339 decreased \$254,781, or 0.72% as compared to the prior fiscal year. Over the past fiscal year, the allocation to the Debt Service portion of the ad valorem tax rate has decreased \$0.0078 from 0.1725 in 2004-05 to the current 2005-06 rate of 0.1647.

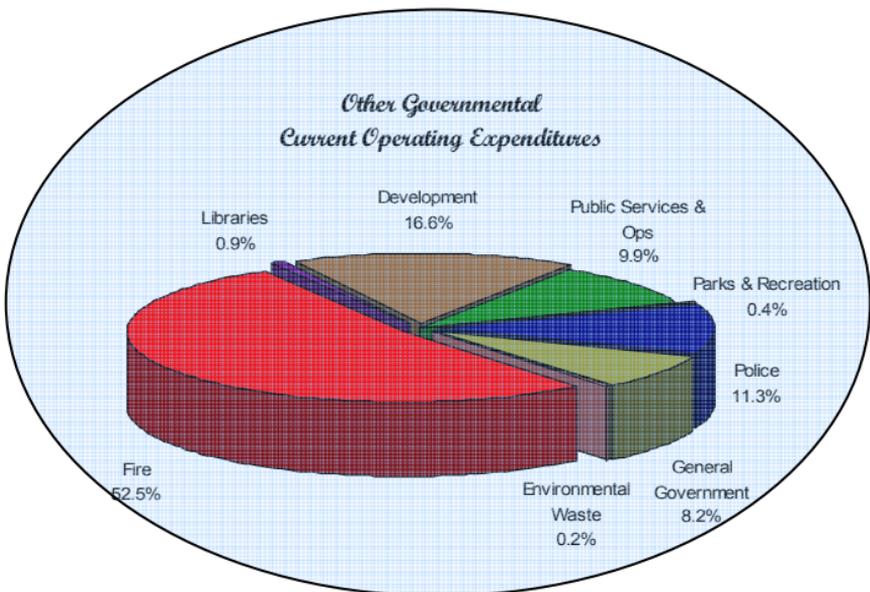


The remaining \$23.3 million in the other governmental funds revenue is primarily resourced by \$8.0 million in intergovernmental grant receipts, \$5.4 million in investment income, \$2.3 million in fees for services and \$1.6 million in fines and forfeitures.

The most significant expenditures within the other governmental funds are capital outlay. In fiscal year 2005-06, capital outlay expenditures of these funds increased from \$42.9 million to \$48.3 million, a \$5.4 million or 12.5% increase. The three principal categories for 2005-06 capital projects were in municipal facilities, parks and recreation and street improvements.

Within the other governmental funds, Street Improvements accounts for the highest capital outlay expenditures at 36.7%. This includes a variety of street improvement and enhancement projects such as \$3.7 million to repair various residential streets and alleys, \$2.6 million for replacement of failed concrete pavement sections along major arterial thoroughfares, \$2.0 million construction/widening of Ridgeview Road-Custer to Independence, \$2.0 million construction of Shiloh Road-Royal Oaks to Parker, and \$1.4 million to underseal and raise various locations of street pavement to prevent moisture deterioration along major and residential roads.

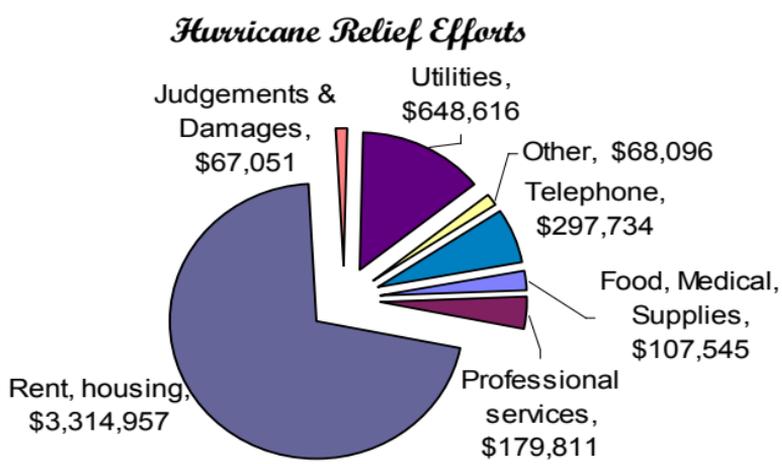




As of September 30, 2006, current operating expenses for the other governmental funds were \$9,651,780, of which \$4.7 million were hurricane disaster relief expenses. This increase in expense was offset by \$5.2 million in grant revenue received from the Federal Emergency Management Agency (FEMA) for Hurricane Katrina efforts. The City reported approximately 3,000 registered hurricane evacuees.



Plano Fire Rescue Services Love Field Hurricane Rita Patient Transport



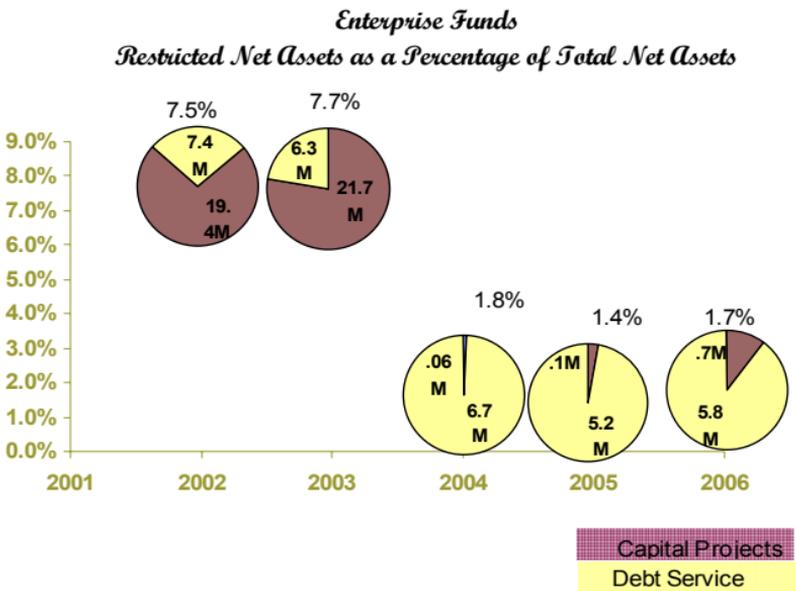
Plano's Performance

Enterprise Funds

The City charges customers for the services it provides, whether to outside or to other units within the City. These services are generally reported in Proprietary Funds. The City's Proprietary Funds are comprised of the Enterprise Funds and the Internal Service Funds.

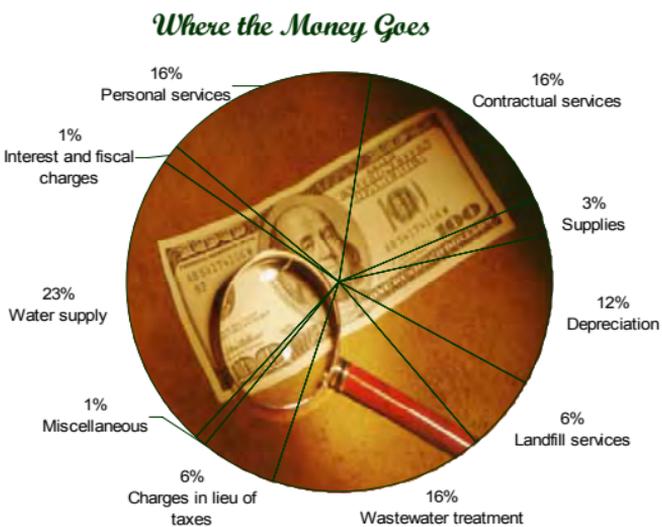
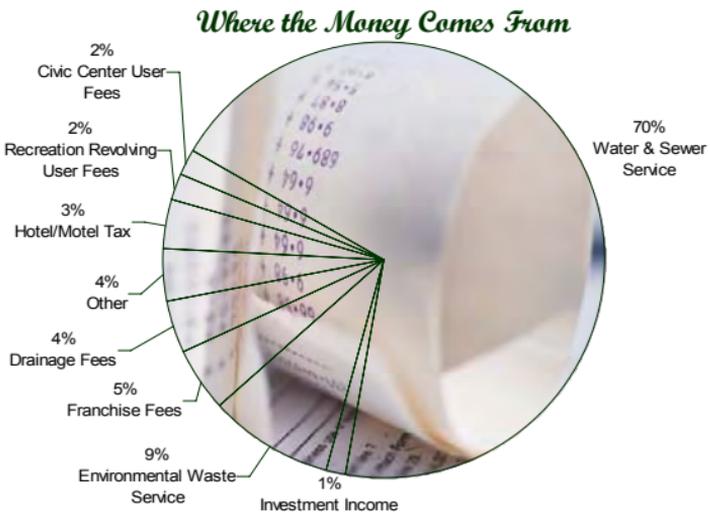
The City of Plano maintains eight individual Enterprise Funds. The City uses Enterprise Funds to account for its water and sewer, environmental waste, civic center, municipal drainage, municipal golf course, property management, downtown center development, and recreation revolving activities. These funds account for "business-type activities," similar to those found in the private sector, that include services primarily funded through user charges.

The Enterprise Funds current assets increased \$7.0 million as compared to the prior fiscal year, mainly attributable to a \$4.0 million increase in cash due to increased charges for sales and services as well as a \$3.4 million increase in investments due to the rise in the investment economy. Overall, the combined Enterprise net assets increased \$12.4 million or 3.4% as compared to last years balance of \$370.6 million.



In fiscal year 2005-06, a large variety of drainage, water and sewer improvements were made possible due to a healthy net asset balance primarily funded by municipal bonds and fees for services. These projects included \$2.8 million in defect repairs to service laterals, main lines and manholes identified by the Sanitary Sewer Evaluation Study, \$1.4 million in various waterline rehabilitation, \$0.4 in million water main replacement on P Ave. from Park to 18th, and \$0.3 million in construction of a storm sewer from G Ave. to the existing system at the Harvey/Southfork Hotel to relieve flooding problems at a near-by apartment complex.

The Enterprise Funds had a combined net income of \$14.3 million before transfers or contributions from developers, an increase of \$7.3 million or 105.8% from prior fiscal years activity. Compared to the prior fiscal year, charges for sales and services have increased \$11.4 million while operating expenses have increased \$6.4 million.



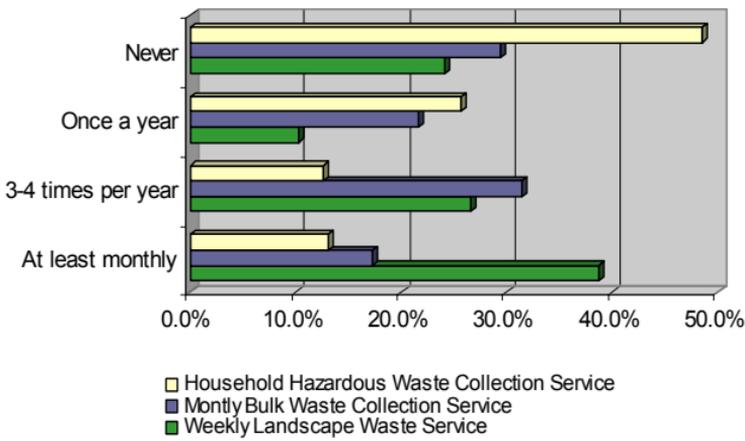
Individually, the City's Municipal Drainage activity operated with revenues exceeding expenses by \$2.3 million, compared to \$1.7 million in the prior year. The Municipal Drainage system recorded charges for services of \$4.9 million, a slight increase of \$0.2 million as compared to the prior fiscal year. Operating expenses were slightly higher in the current year as well, increasing \$0.2 million to \$2.4 million for the year. The majority of the operating expenses in the Municipal Drainage fund are personal services of \$1.2 million, followed by Contractual services of \$0.7 million mainly pertaining to street sweeping and equipment maintenance and replacement. Overall, the City's Municipal Drainage Fund net assets increased by \$2.0 million to \$15.2 million representing an increase of 15.2% over the prior fiscal year. This increase is mainly attributable to a lower amount of transfers out the Municipal Drainage fund in fiscal year 2006.

Plano's Performance

Enterprise Funds

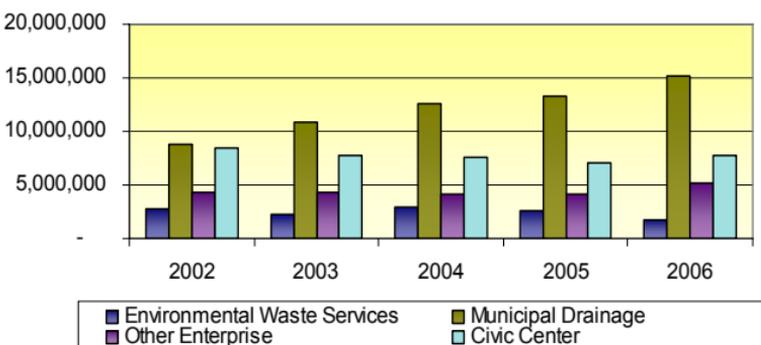
The City of Plano's Environmental Waste Services activities operated with expenses exceeding revenues by \$0.8 million. Contractual expenses increased \$1.0 million due to increased municipal garage charges of \$0.4 million for maintenance on environmental waste services equipment. In addition, a trammel screen, tractor, tractor trailer and front-end loader in the amount of \$0.7 million were purchased in the current year. To offset these expense increases, the Environmental Waste Services franchise fees and service charges revenues increased in the current year by \$0.6 million and \$0.4 million, respectively. Overall, at the close of the fiscal year, the City's Environmental Waste Services Fund net assets were \$1.8 million, a decrease of \$0.8 million as compared to the prior fiscal year.

Citizen Use of Select Environmental Waste Services



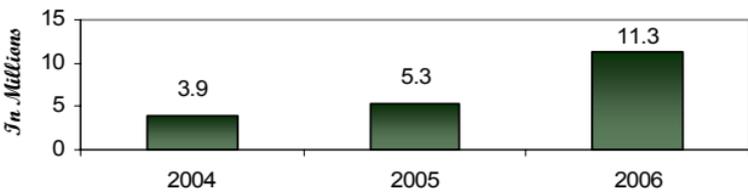
The City's Other Enterprise Funds operated with combined revenues exceeding expenses of \$1.4 million. Civic Center activity continued to operate at a deficit, with operating expenses exceeding charges for sales and services by \$3.5 million. To offset this deficit, the Civic Center recorded \$4.4 million of hotel/motel tax nonoperating revenue. Net income before transfers at fiscal year end September 30, 2006 were \$1,069,850 for the Civic Center, \$276,497 for Recreation Revolving, \$73,814 for Property Management, \$26,816 for Downtown Center Development and a deficit of \$56,055 for the Municipal Golf Course.

Net Assets Trend



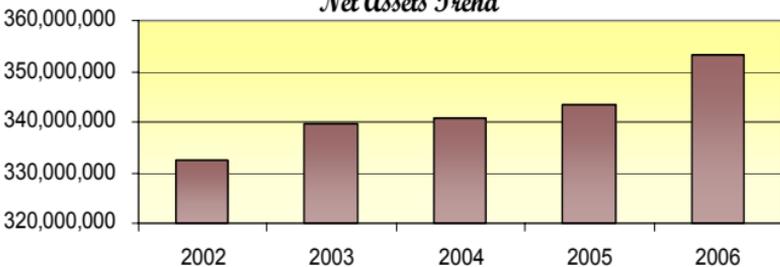
The City's largest enterprise fund, the Water and Sewer Fund, recorded service charges of \$87.7 million, an increase of \$9.1 million or 11.6% from the prior period, primarily due to overall consumption being up in the first three quarters of the current fiscal year. Due to drought conditions, stage 3 water restrictions were implemented in the final quarter of the fiscal year. In addition, sewer income charges for services increased as a result of increased winter consumption, which raised the residential winter quarterly average. A significant non-cash revenue source of \$10.0 million of capital contributions which represent developers contributions and impact fees increased over prior year by \$2.3 million. Developers contributions is when the developer is required to make a one-time contribution of resources to the City when the project infrastructure is substantially complete. Excluding the capital contributions of \$10.0 million, the Water and Sewer system revenues exceeded expenses by \$11.3 million. Water and Sewer system expenses increased over prior year by \$4.4 million due to increased payments to North Texas Municipal Water District (NTMWD) in the amount of \$2.6 million for wastewater and water services. In addition, electric utility payments increased over the prior year by \$0.7 million attributed to higher natural gas prices.

*Water & Sewer Fund
Net Income before Contributions & Transfers*



Overall, the current year's operating income increased the City's Water and Sewer Fund's net assets to \$353.1 million, an increase of \$9.6 million over the prior year net asset balance.

*Water & Sewer Fund
Net Assets Trend*



Next Year's Rates

- ∂ 5.0% increase to water and sewer rates
- ∂ \$1.10 increase to 95-gallon waste cart
- ∂ \$3.30 will remain the average homeowner rate for municipal drainage
- ∂ Golf fees will remain unchanged

Plano's Performance

Internal Service Funds

The Internal Service Funds account for the financing of goods or services provided by one department for another. The City of Plano maintains six individual Internal Service Funds. The City uses Internal Service Funds to account for its equipment maintenance, office services, municipal warehouse, technology services, property/liability loss, and health claims activities. These services benefit both governmental as well as business type functions.

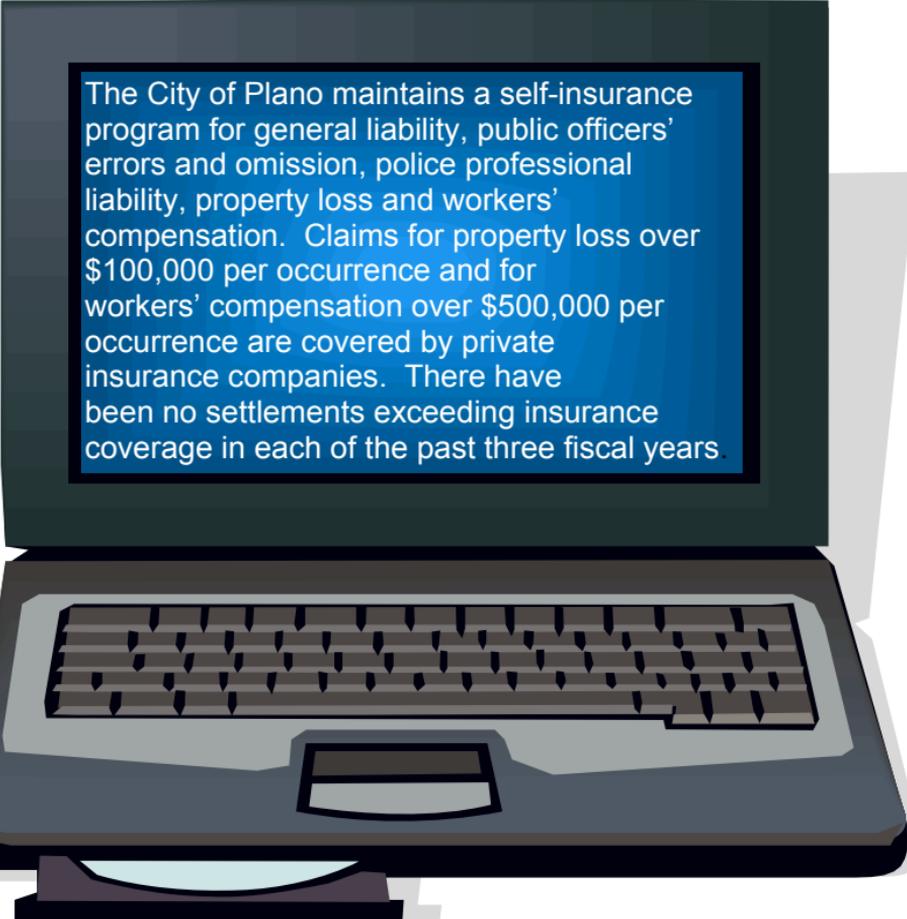
Equipment Maintenance Fund: accounts for the cost of operating and maintaining automotive and other equipment used by City departments. Charges for maintenance and replacement of equipment and fleet are billed to user departments.

Municipal Warehouse Fund: accounts for the operation of a central warehouse facility to store and distribute, in volume, supplies and materials used by City departments. An overhead charge is applied to departments on the purchase price of items handled.

Technology Services Fund: accounts for the data processing and information systems. Charges for software, hardware and maintenance of the systems are billed to the user funds.

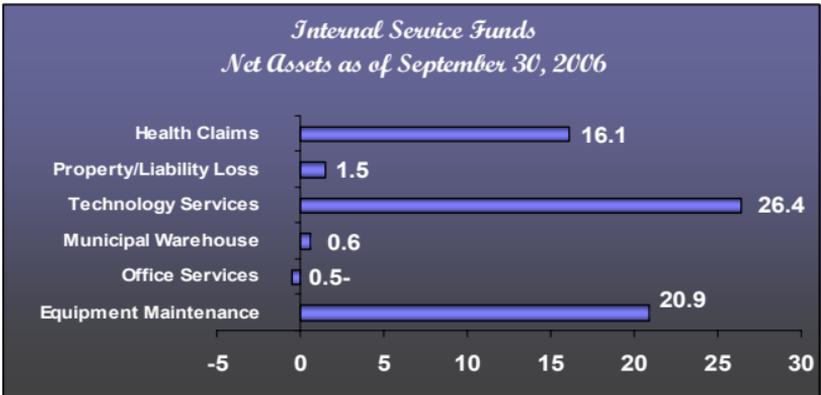
Property/Liability Loss Fund: accounts for the self-insurance operation for general liability, public officials' errors and omission, police professional liability, property loss and worker's compensation.

Health Claims Fund: accounts for the self-insurance operation of group accident and health insurance coverage for all City employees. Coverage is financed by billings to the departments and employee payroll deductions.

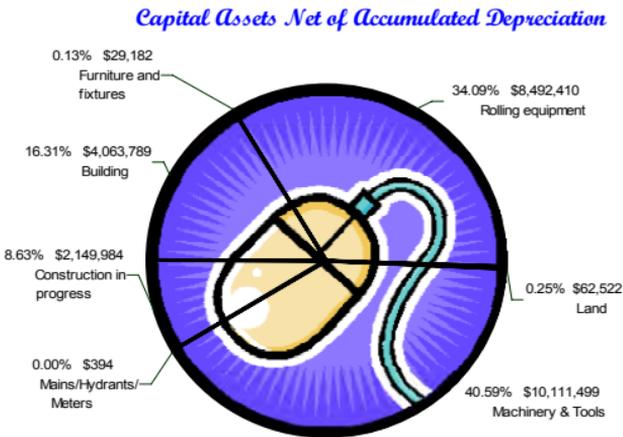


The City of Plano maintains a self-insurance program for general liability, public officers' errors and omission, police professional liability, property loss and workers' compensation. Claims for property loss over \$100,000 per occurrence and for workers' compensation over \$500,000 per occurrence are covered by private insurance companies. There have been no settlements exceeding insurance coverage in each of the past three fiscal years.

Internal Services combined net assets were \$65.0 million, a \$13.2 million or 25.5% increase as compared to the prior fiscal year.



At year end, 51.9% or \$40.3 million of the Internal Service Funds \$77.7 million in assets are investments, of which \$6.4 million are restricted for public safety technology and technology infrastructure. Capital assets, net of depreciation, account for 32.0% of total assets.



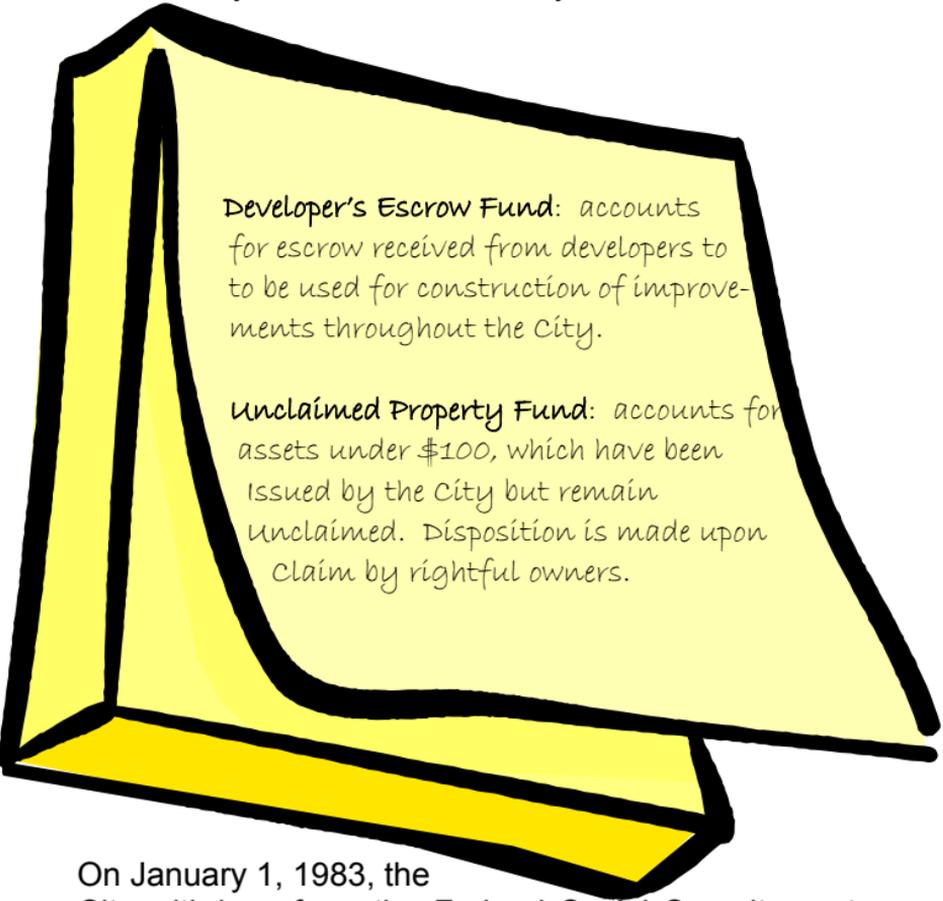
Approximately 70.6% of all the Internal Service Funds \$12.7 million in liabilities are tax anticipation notes payable and liabilities for insurance claims. As of year end, the Internal Service Funds had \$2.6 million in tax anticipation notes payable, which have been issued to fund network infrastructure and will be repaid from tax revenues of the City. Liability for insurance claims were \$6.4 million, of which the General Fund bears approximately 77% of the liability, Enterprise Funds bear approximately 17% of the liability, and Internal Service and Special Revenue Funds bear approximately 5% and 1%, respectively. The current years liability of \$6.4 million has increased \$0.6 million or 9.8% as compared to the prior fiscal year.

Fund	Liability beginning of year	Current year claims and changes in estimates	claim payments	Liability End of Year
2006:				
Property/Liability Loss	\$ 3,277,182	\$ 2,571,933	\$ 2,275,344	\$ 3,573,771
Health Claims	2,569,236	12,830,023	12,554,177	2,845,082
Total	5,846,418	15,401,956	14,829,521	6,418,853
2005:				
Property/Liability Loss	3,108,599	2,029,688	1,861,105	3,277,182
Health Claims	2,842,209	11,519,951	11,792,924	2,569,236
Total	\$ 5,950,808	\$ 13,549,639	\$ 13,654,029	\$ 5,846,418

Plano's Performance

Fiduciary Funds

The Fiduciary Trust Funds of the City of Plano consist of the City's Pension Trust Fund and the Agency Trust Funds. The Agency Trust Funds are comprised of developers escrow and unclaimed property activities. The Pension Trust Fund consists of the City's Retirement Security Plan.



Developer's Escrow Fund: accounts for escrow received from developers to be used for construction of improvements throughout the City.

Unclaimed Property Fund: accounts for assets under \$100, which have been issued by the City but remain unclaimed. Disposition is made upon claim by rightful owners.

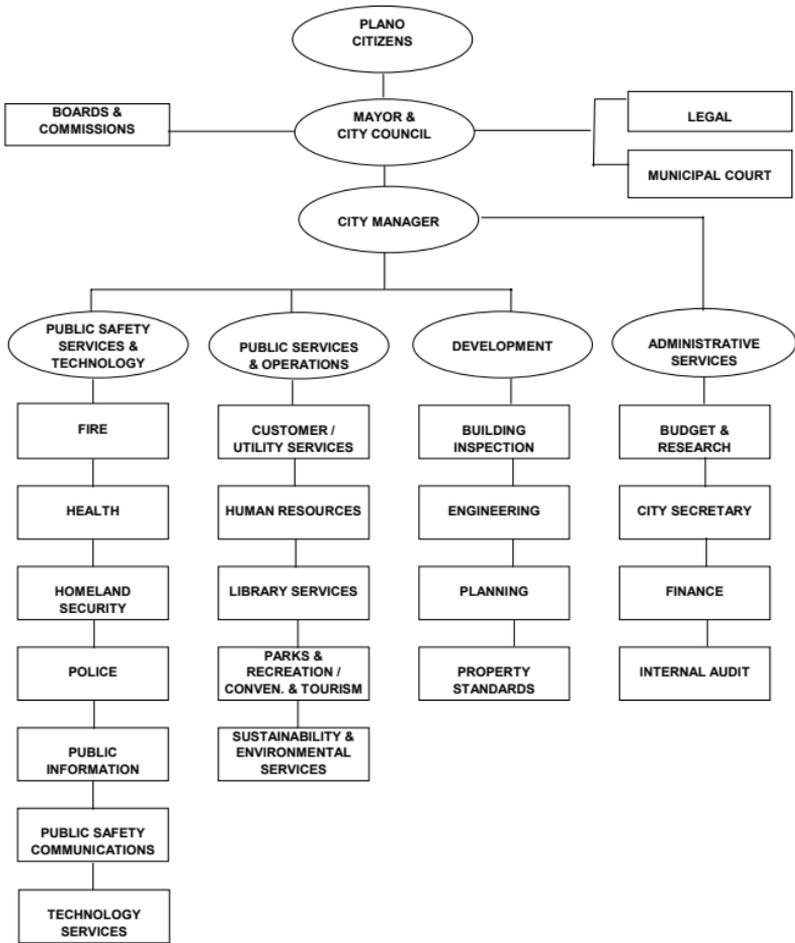
On January 1, 1983, the City withdrew from the Federal Social Security system and created the Retirement Security Plan (RSP), a single-employer, defined benefit pension trust fund, to provide retirement benefits for all full-time employees of the City.

City contributions are recognized when due and benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Contributions by the City are established as part of the City budget process. No employee contributions are required by the plan. The City contributed \$2.8 million or 2.9% of the covered payroll for the year ended September 30, 2006, as compared to the biennial actuarial requirement of 3.13%.

Normal retirement benefits are paid upon attaining age 65 with 5 years of service. Early retirement benefits are paid upon completion of 20 years of vesting service or upon attaining age 60 with 5 years of vesting service. At least 5 years must be with the City.

As of the December 31, 2005 actuarial valuation, there were 1,952 active members of whom 1,311 were vested and 641 were non-vested. There are 249 terminated participants receiving benefits.

Plano's Personnel Organizational Chart



The mission of the City of Plano is to provide outstanding services and facilities, through cooperative efforts with our citizens that contribute to the quality of life in our community.

Plano's Personnel

Administrative Offices

Main Number	972-941-7000
City Manager	972-941-7121
City Secretary	972-941-7120
Accounting	972-941-5221
Animal Services	972-769-4360
Budget/ Research	972-941-7194
Building Inspections (Main Office)	972-941-7140
Building Inspections (Westside Office)	972-208-8101
Convention/Visitor Bureau	972-422-0296
Customer/Utility Services (Main Office)	972-941-7105/7106
Customer/Utility Services (Westside)	972-208-8103
Davis Library	972-208-8000
Economic Development	972-985-3700
Engineering	972-941-7152
Enterprise Center	972-941-7305
Environmental Health	972-941-7143
Finance	972- 941-7135
Fire	972-941-7159
Haggard Library	972-769-4250
Harrington Library	972-941-7159
Human Resources	972-941-7115
Intergovernmental Relations	972-941-7510
Internal Audit	972-941-7304
Legal	972-941-7125
Legal Prosecutor	972-941-2056
Library Administration	972-769-4208
Municipal Court	972-941-2199
Municipal Reference Library	972-941-7377
Park Planning	972-941-7235
Parks & Recreation Administration	972-941-7255
Parks & Recreation (Main Number)	972-941-7250
Parr Library	972-769-4300
Planning	972-941-7151
Plano Centre	972-422-0296
Plano Television Network	972-941-7131
Police (Non Emergency)	972-941-2135
Property Standards	972-941-7124
Public Information	972-941-7307
Public Safety Communications	972-941-7930
Public Works Administration	972-769-4104
Public Works Operations	972-769-4140
Purchasing	972-941-7557
Records Management	972-941-5196
Risk Management	972-941-7129
Schimelpfenig Library	972-769-4200
Senior Center	972-941-7155
Solid Waste	972-769-4100
Treasury	972-941-7135
Utility Operations	972-769-4160

Websites

www.Plano.gov
www.PlanoCityNews.com
www.Planocvb.com