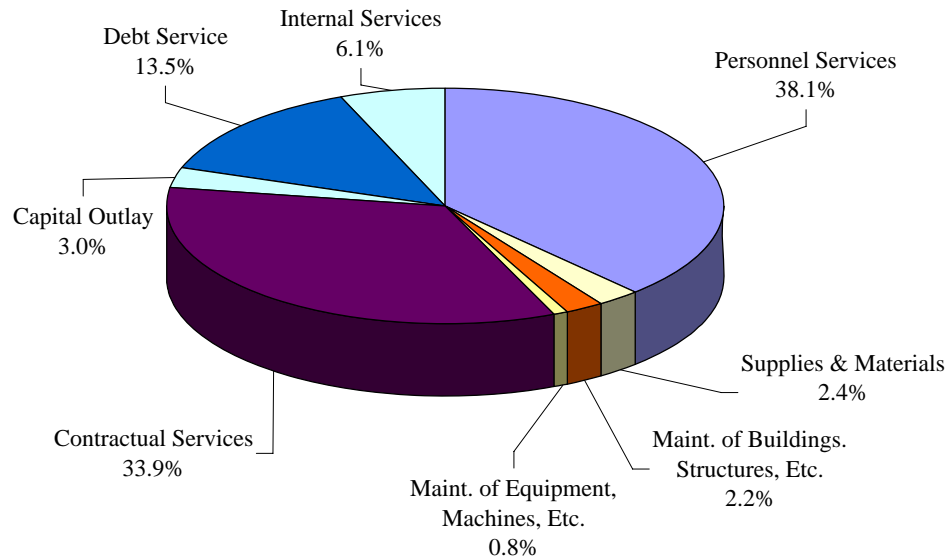


Consolidated Budget Summary Expenditures by Object Code Category

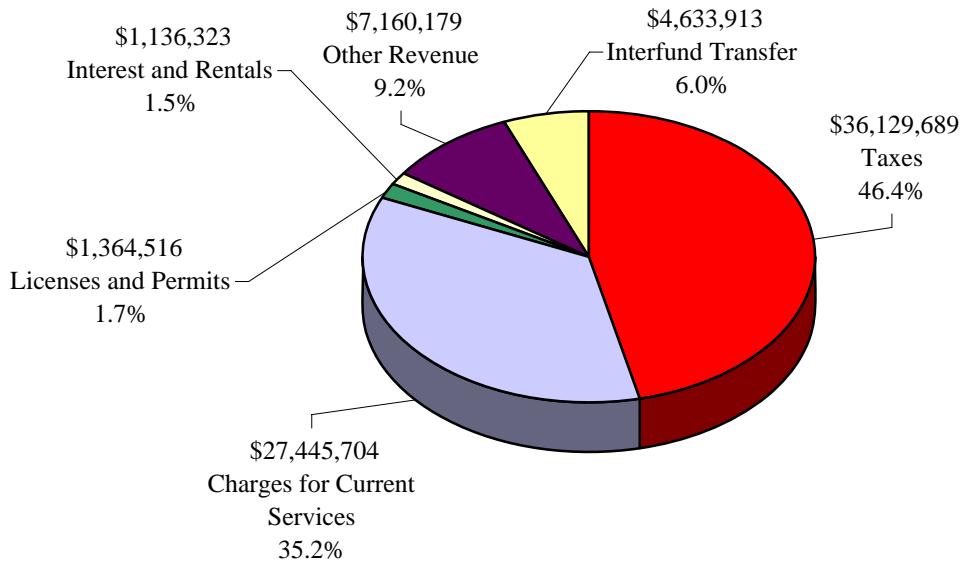


	<u>Personnel Services</u>	<u>Supplies & Materials</u>	<u>Maint. of Buildings, Structures, Etc.</u>	<u>Maint. of Equipment, Machines, Etc.</u>	<u>Contractual Services</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Internal Services</u>	<u>Totals</u>
Administrative Services	\$ 1,005,635	\$ 31,525	\$ -	\$ 250	\$ 121,680	\$ -	\$ -	\$ -	\$ 1,159,090
Legislative Services	260,883	21,902	-	-	171,579	-	-	-	454,364
Development Services	1,414,865	32,906	-	4,328	46,586	-	-	-	1,498,685
Community Services	3,856,592	277,912	44,930	84,289	1,235,205	100,000	-	-	5,598,928
Police Services	8,337,548	310,338	-	207,754	168,705	-	-	-	9,024,345
Financial Services	4,157,396	463,926	656,241	52,650	2,230,515	25,442	-	-	7,586,170
Fire & Emergency Services	6,043,665	220,537	-	97,462	109,312	55,575	-	-	6,526,551
Non-Departmental	-	-	-	-	5,862,904	-	-	-	5,862,904
Infrastructure Services	5,004,830	434,936	1,040,256	212,204	16,284,224	709,092	-	-	23,685,542
Internal Services Fund	-	-	-	-	-	-	-	4,832,913	4,832,913
Library Development Fund	-	-	-	-	-	25,000	-	-	25,000
Loan Star Libraries Grant	-	5,500	-	-	2,500	-	-	-	8,000
Park Development Fund	-	-	-	-	-	343,500	-	-	343,500
Tree Preservation Fund	11,114	2,400	-	-	6,617	-	-	-	20,131
Special Events	-	17,500	-	-	42,500	-	-	-	60,000
Summer Day Camp	57,376	16,300	-	500	42,088	-	-	-	116,264
Sports Leagues	-	17,800	-	500	65,700	-	-	-	84,000
Concessions	-	750	-	-	750	-	-	-	1,500
Tennis	-	250	-	-	1,750	-	-	-	2,000
Seniors in Motion	-	-	-	-	20,000	-	-	-	20,000
Keep Flower Mound Beautiful	-	2,000	-	-	-	-	-	-	2,000
Police Seizures Fund	-	500	-	-	30,000	-	-	-	30,500
Animal Care	-	2,400	-	-	4,500	-	-	-	6,900
S.T.E.P. Grant	-	2,550	-	-	450	-	-	-	3,000
S.T.E.P. WAVE Grant	-	-	-	-	23,186	-	-	-	23,186
Community Development Block Grant	13,182	-	-	-	206,526	-	-	-	219,708
Municipal Court Security Fund	52,561	1,300	-	-	6,815	-	-	-	60,676
Municipal Court Technology Fund	-	52,478	-	-	11,338	-	-	-	63,816
Vehicle & Equipment Replacement Fund	-	-	-	-	-	1,123,583	-	-	1,123,583
General Debt Service	-	-	-	-	88,074	-	6,863,079	-	6,951,153
Utility Debt Service	-	-	-	-	110,000	-	3,859,303	-	3,969,303
TOTAL ALL FUNDS	\$ 30,215,647	\$ 1,915,710	\$ 1,741,427	\$ 659,937	\$ 26,893,504	\$ 2,382,192	\$ 10,722,382	\$ 4,832,913	\$ 79,363,712

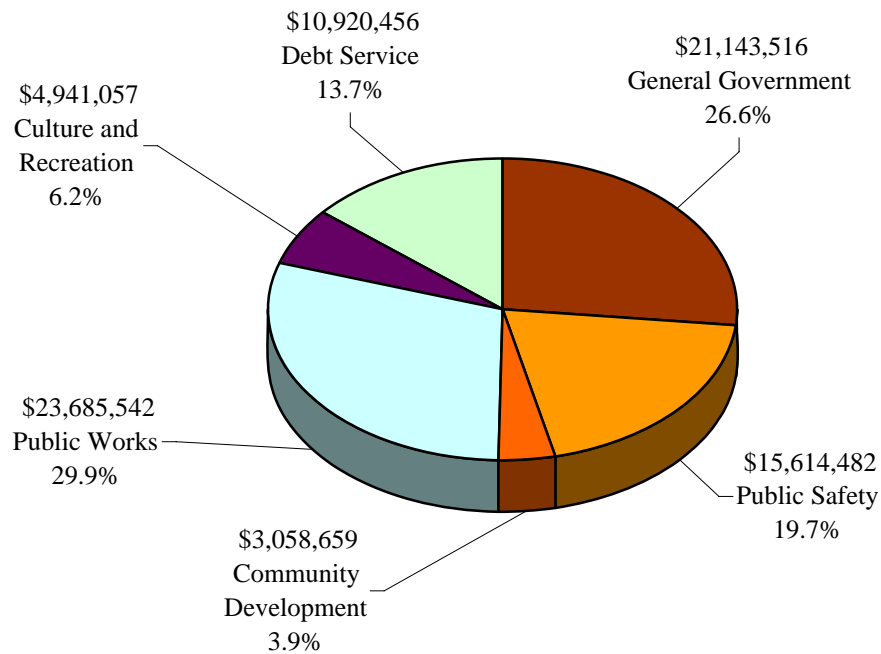
Consolidated Budget Summary by Fund Fiscal Year 2006-2007

	General Fund	Enterprise Funds	Internal Services Funds	Special Revenue Funds	General Debt Service	Utility Debt Service	Grand Total
Revenues:							
Property Taxes	\$ 18,753,469	\$ -	\$ -	\$ -	\$ 6,743,093	\$ -	\$ 25,496,562
Utility Franchise Taxes	4,086,923	-	-	-	-	-	4,086,923
Sales Tax Collections	6,456,173	-	-	-	-	-	6,456,173
Other Taxes	90,031	-	-	-	-	-	90,031
Charges for Current Services	253,525	25,252,515	-	270,000	-	-	25,776,040
Licenses and Permits	1,179,516	160,000	-	25,000	-	-	1,364,516
Fines and Forfeitures	1,371,881	215,783	-	82,000	-	-	1,669,664
Interest and Rentals	712,197	121,680	11,300	137,146	67,000	87,000	1,136,323
Intergovernmental Revenue	285,486	-	-	253,894	-	-	539,380
Other Revenue	1,561,031	10,000	4,818,128	166,640	-	-	6,555,799
Interfund Transfer	-	65,000	-	774,610	-	3,859,303	4,698,913
Total Revenues	\$ 34,750,232	\$ 25,824,978	\$ 4,829,428	\$ 1,709,290	\$ 6,810,093	\$ 3,946,303	\$ 77,870,324
Beginning Fund Balances	6,982,667	6,279,221	2,451,347	2,746,666	343,605	2,923,130	21,726,636
Total Available Resources	\$ 41,732,899	\$ 32,104,199	\$ 7,280,775	\$ 4,455,956	\$ 7,153,698	\$ 6,869,433	\$ 99,596,960
Expenditures:							
General Government	\$ 10,153,881	\$ 4,908,647	\$ 4,832,913	\$ 1,248,075	\$ -	\$ -	\$ 21,143,516
Public Safety	15,550,896	-	-	63,586	-	-	15,614,482
Community Development	2,650,908	165,912	-	241,839	-	-	3,058,659
Public Works	2,829,937	20,855,605	-	-	-	-	23,685,542
Culture and Recreation	4,280,793	-	-	660,264	-	-	4,941,057
Debt Service:							
Principal	-	-	-	-	3,417,274	2,055,800	5,473,074
Interest	-	-	-	-	3,502,807	1,895,385	5,398,192
Administrative Fees	-	-	-	-	31,072	18,118	49,190
Total Expenditures	\$ 35,466,415	\$ 25,930,164	\$ 4,832,913	\$ 2,213,764	\$ 6,951,153	\$ 3,969,303	\$ 79,363,712
Ending Fund Balances	6,266,484	6,174,035	2,447,862	2,242,192	202,545	2,900,130	20,233,248
Total Fund Commitments/ Fund Balance	\$ 41,732,899	\$ 32,104,199	\$ 7,280,775	\$ 4,455,956	\$ 7,153,698	\$ 6,869,433	\$ 99,596,960

Consolidated Summary of Revenues by Source



Consolidated Summary of Expenditures by Function





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Statistical Analysis of the FY 2006-2007 Proposed Budget By Fund Type

This executive summary recaps the most significant factors included in the annual budget: revenue assumptions, major initiatives, a reserve analysis, and a fund-by-fund and category synopsis of expenditures. Please note that any references to comparative increases or decreases are based on projections for FY 2005-2006.

GENERAL FUND

The General Fund is the general operating fund of the Town and is used to account for all transactions and operations of governmental units which are not accounted for in another fund and/or which are financed from taxes or other general revenues.

Revenue Assumptions:

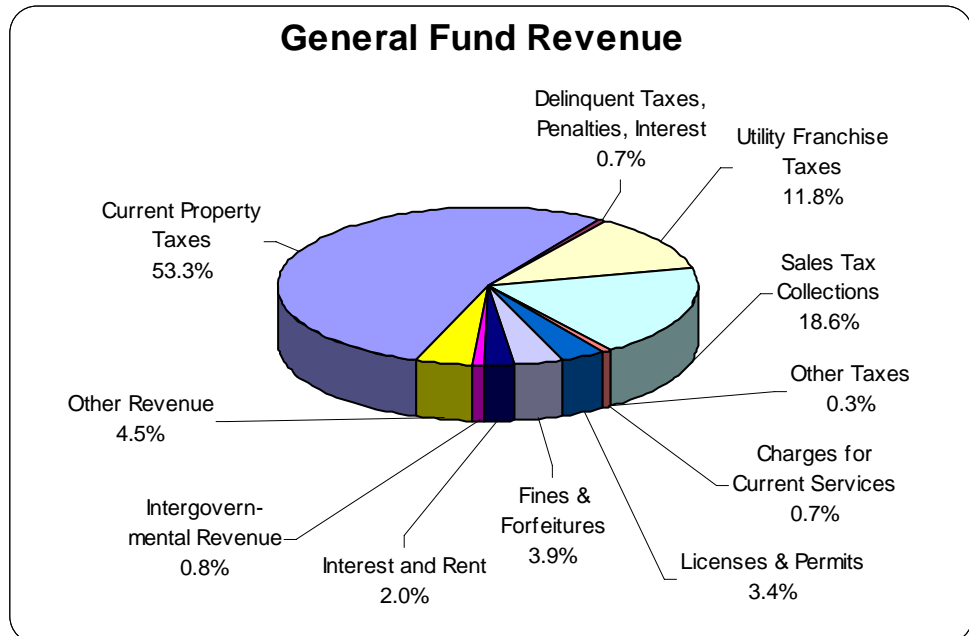
The budget document assumes a cautious approach in dealing with revenues, especially growth-oriented revenues. Proposed revenues for FY 2006-2007 assume an overall increase of 5.12 percent over FY 2005-2006 projections. The revenue projections are net of changes in certain revenue categories. Funding of the Town's General Fund operations is derived from eleven (11) major revenue categories. Each of these categories is detailed below with a brief description of how internal and external factors affect revenue amounts and how amounts differ from the prior year.

Current Property

Taxes: \$18,506,087 (up \$305,190 or 1.68 percent)

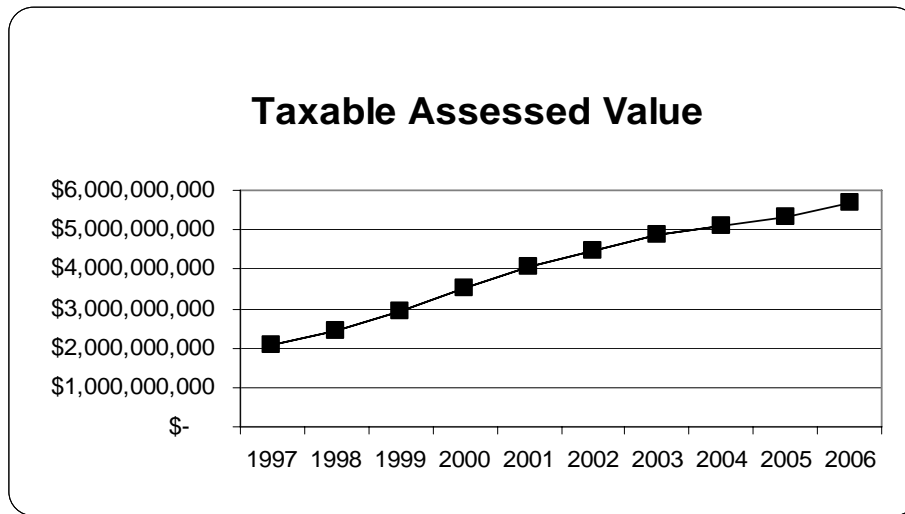
The largest revenue source of the General Fund is the ad valorem tax (property tax). Property taxes are levied each October 1 on the assessed value listed as of the prior January 1, for all real and personal property located within the Town. Assessed values represent the appraised value less applicable

exemptions authorized by the Town Council. Appraised values are established by the Denton Central Appraisal District at 100 percent of estimated market values. Current Property Taxes account for 53.3 percent of all General Fund revenues.



Taxes are levied October 1, immediately following the January 1 lien date, and are delinquent after the following January 31.

The certified property valuations, which are provided by the Denton Central Appraisal District totaled \$5,679,697,906 for 2006, an increase of \$377,742,880 over the 2005 certified tax roll. The certified tax roll is reflective of all taxable property in the Town as of January 1, 2006.



Delinquent Property Taxes, Penalties and Interest: \$247,382 (down \$8,984 or -3.50 percent)

Delinquent taxes may be subject to a 12.0 percent penalty and 12.0 percent interest rate per annum according to Texas State Law. Taxes are due on receipt and delinquent on February 1 of the year following the year in which imposed. Delinquent taxes incur a penalty and accrue interest for each month the taxes remain unpaid. Delinquent Taxes, Penalties, and Interest account for 0.7 percent of all General Fund revenues.

The attorney representing the Town of Flower Mound in the legal enforcement of delinquent property tax collections has consistently maintained the highest levels of collection in this County and the North Texas region. The Town's current delinquent tax collection rate is predicted to remain at relatively the same level as the previous year. Within the past five years, the ratio of accumulated delinquent taxes to current levy has decreased significantly.

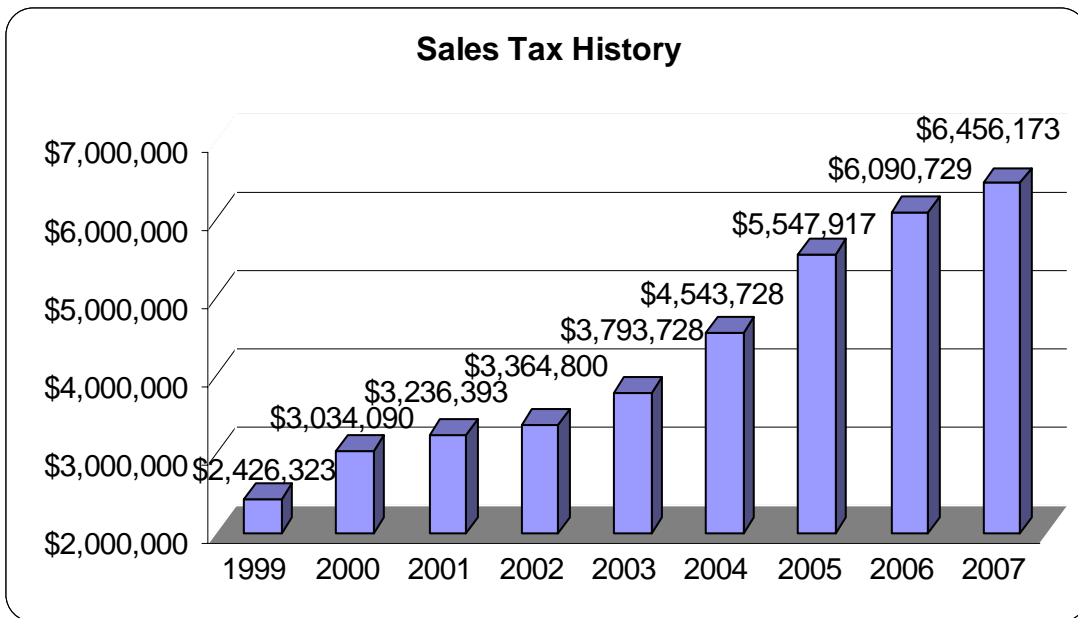
Utility Franchise Taxes: \$4,086,923 (up \$295,487 or 7.79 percent)

Franchise taxes represent those revenues collected from utilities operating within the Town's right-of-way to conduct their business (i.e., Allied Waste Services, ATMOS Gas, TXU Electric Delivery, CoServ {electric and gas}, Comcast Cable, Advantex/Grande Communication, Verizon, and Southwestern Bell). Utility Franchise Taxes are anticipated to increase 7.79 percent, which is primarily due to an increased demand for utility services and the creation of the Verizon FiOS cable franchise. Over the past several years, franchise taxes have experienced steady growth in some areas, while in others deregulation has diminished local

revenues. The FY 2006-2007 projections for each franchise fee are based on varying methodologies, according to the type of utility. Utility Franchise Taxes account for 11.8 percent of all General Fund revenues.

Sales Tax Collections: \$6,456,173 (up \$365,444 or 6.00 percent)

The sales tax increase is consistent with the Town's past experience of steady and strong growth every year. As economic development initiatives produce a greater diversification in the Town's tax base (new commercial retail sales), it is anticipated that sales and use taxes will continue to increase. Sales tax receipts are the result of a tax levy on the sale of goods and services within the Town as authorized by the State of Texas. The sales tax in the Town of Flower Mound is seven and one-quarter cents per dollar (\$0.0725) on all goods and services deemed taxable. Sales and use taxes constitute the second largest revenue source for the General Fund. This revenue source accounts for 18.6 percent of all General Fund revenues.



Other Taxes: \$90,031 (up \$1,331 or 1.50 percent)

The Other Taxes category includes Alcohol Beverage Taxes. Alcohol beverage taxes are the result of mixed beverage sales and private club registrations. The state statutes levy a tax of 14.0 percent on the gross receipts from the sale of mixed beverages in Texas. Each city and county is entitled to receive an allocation of 10.7143 percent. The FY 2006-2007 projections are based on three-year trend analysis of collections. Other Taxes accounts for 0.3 percent of all General Fund revenues.

Charges for Current Services: \$253,525 (up \$13,525 or 5.64 percent)

This revenue category accounts for funds earned by the Town in exchange for specific types of services provided. Examples of services include zoning and platting fees, and inspection fees. FY 2006-2007

revenues are anticipated to be slightly higher due to the implementation of a Seniors in Motion program. Charges for Current Services account for 0.7 percent of General Fund revenues.

Licenses and Permits: \$1,179,516 (down \$103,724 or -8.08 percent)

This revenue category includes license and permit revenue fees charged by the Town for certain types of operator licenses and permits for construction and other items regulated by Town ordinances. Building activity is expected to decrease throughout FY 2006-2007. Licenses and Permits account for 3.4 percent of all General Fund revenues.

Fines and Forfeitures: \$1,371,881 (up \$33,344 or 2.49 percent)

Fines and forfeitures represent revenue generated from the municipal court and other punitive actions such as animal control fees and library fines. Fines and forfeitures are anticipated to be slightly above the prior year. The Town has maintained a high level of operating efficiency and an aggressive traffic enforcement program. This revenue source accounts for 3.9 percent of General Fund revenues.

Interest and Rent: \$712,197 (up \$57,045 or 8.71 percent)

The Town has an aggressive plan to invest funds with no increased risk to the Town. Interest and Rent revenues for next year are conservatively budgeted and account for 2.0 percent of General Fund revenues.

Intergovernmental Revenue: \$285,486 (down \$5,161 or -1.78 percent)

Intergovernmental revenues are the result of contracts with Denton County for the provision of library, fire, and ambulance services to the unincorporated areas of the county, with Lewisville ISD for one-half of the cost for three School Resource Officers, and with the U.S. Army Corp of Engineers for the provision of security for Corp property adjacent to Lake Grapevine. Revenues in this category are anticipated to decrease due to a change in the U.S. Army Corp of Engineers contract fees. Intergovernmental Revenues account for 0.8 percent of General Fund revenues.

Other Revenue: \$1,561,031 (up \$738,137 or 89.70 percent)

The remaining revenue sources in the General Fund include Allied Waste Services' contribution to the Town's Customer Relations program, contractual-based income, interfund transfers, and other miscellaneous revenues. The projected increase is due to reinstating the administrative transfer from the Enterprise funds. Other Revenue accounts for 4.5 percent of General Fund revenues.

Expenditure Synopsis:

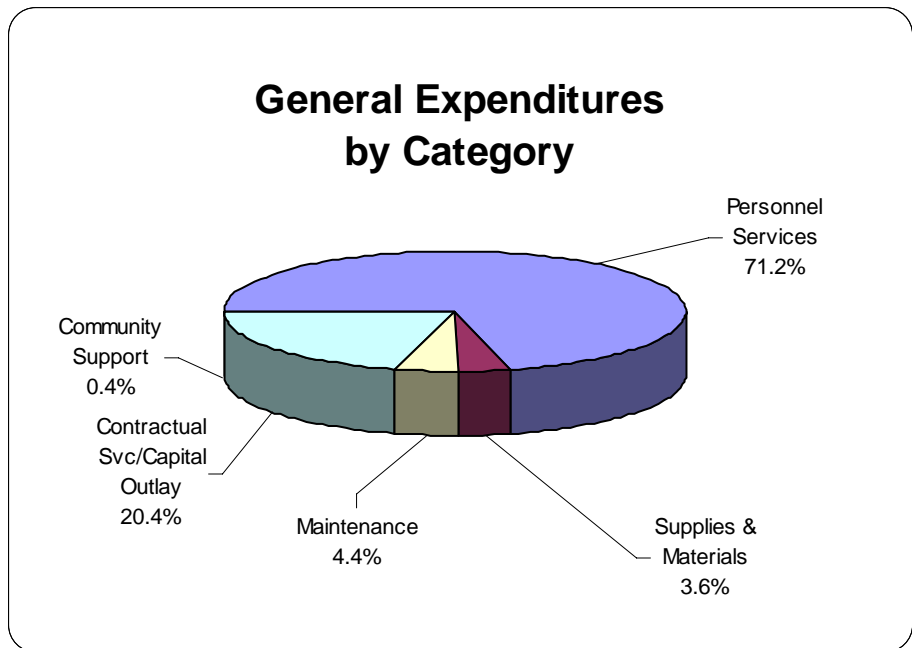
Personnel Services: \$25,251,060 (up \$1,649,799 or 6.99 percent)

As the single largest expenditure category, personnel expenses account for 71.2 percent of General Fund expenditures. Increases in FY 2006-2007 are mainly due to market adjustments for all pay plans and the addition of six full time equivalent employees.

Supplies and Materials: \$1,257,432 (up \$395,264 or 45.85 percent)

These object classifications are for expendable materials and operating supplies necessary to conduct departmental activities.

The anticipated increase for FY 2006-2007 is primarily related to the increased cost of fuel and one-time expenses for network improvements. Expenditures within this classification account for 3.6 percent of all General Fund expenditures.



Maintenance of Buildings, Structures, Land, and Improvements; Equipment and Machinery: \$1,576,435 (up \$218,771 or 16.11 percent)

These object classifications are for expendable upkeep of physical properties in condition for use or occupancy and tangible property of a more or less permanent nature which is used in carrying out operations. The decreases in expenditures are associated with one-time costs for facilities improvements and increases to on-going signal, signs, and markings maintenance. Expenditures within these classifications account for 4.4 percent of all General Fund expenditures.

Contractual Services and Capital Outlay: \$7,246,327 (up \$1,832,964 or 33.86 percent)

These object classifications are for obligations resulting in services rendered to Town activities by either private firms or other Town departments, along with large expenditures which result in either the acquisition of fixed assets or property with a life expectancy of longer than three years. The increases in expenditures are due to an expected increase of tax rebates, three signal lights, and various one-time capital purchases. Expenditures within these classifications account for 20.4 percent of all General Fund expenditures.

Internal Services: \$0 (down \$2,538,902 or -100.00 percent)

An Internal Service Fund is used to report activity that provides goods or services to other funds, departments, or agencies of the primary government, on a cost-reimbursement basis. Three departments, Information Technology, Facilities Management and Purchasing have been budgeted as Internal Service Funds for the past several years, but don't meet the requirements to be an internal service fund. Starting in FY 2006-2007, they will be budgeted in the General Fund Financial Services department in order to increase efficiency and decrease unnecessary paper work.

Community Support: \$135,161 (up 5,649 or 4.36 percent)

The Community Support Division accounts for funding to support activities, programs, and services provided by various community organizations to the citizens of Flower Mound. The Town Council is proposing a total of \$135,161 for these programs in FY 2006-2007.

The following agencies will receive Community Support funding in FY 2006-2007:

- Camp Summit, Inc.
- CASA of Denton County
- Children's Advocacy Center of Denton County
- Chisholm Trail Retired and Senior Volunteer
- Day Stay for Adults
- Denton County Friends of the Family, Inc.
- Expressions Theater
- Flower Mound Community Orchestra
- Flower Mound Humane Society
- Lewisville Lake Symphony Orchestra
- Pedi Place
- SPAN
- Youth and Family Counseling

ENTERPRISE FUNDS

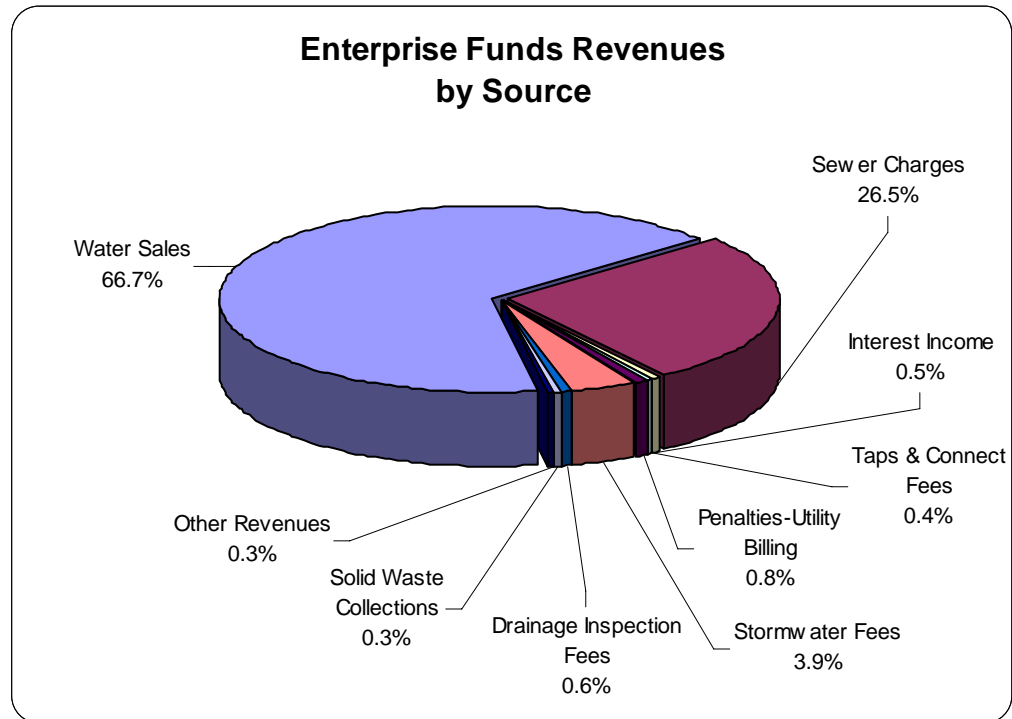
Enterprise Funds are those that fully support their own administration, acquisition of facilities, operation, and maintenance through the collection of user charges such as the sale of water and sewer fees. The Town of Flower Mound operates two enterprise funds: the Utility Fund and the Stormwater Utility Fund.

Revenue Assumptions:

Proposed revenues for FY 2006-2007 assume an overall increase of 1.01 percent over FY 2005-2006 Projections. The Enterprise Funds derive their revenue from nine major sources: Water Sales; Sewer Charges; Taps and Connect Fees; Solid Waste Collections Administrative Fees; Penalties-Utility Billing; Stormwater Fees; Drainage Inspection Fees; Interest Income; and Other Revenues. The following is a brief description of how internal and external factors affect these revenue sources and how the estimated amounts differ from the previous year.

Water Sales: \$17,216,202 (down \$238,416 or -1.37 percent)

Residential growth is expected to average approximately 27 new households per month in FY 2006-2007. Actual revenue in this category can vary substantially based on weather conditions. Water Sales account for 66.7 percent of all Enterprise Fund revenues.



Sewer Charges: \$6,838,042 (down \$96,224 or -1.39 percent)

Projections in this revenue category reflect a stabilized growth rate anticipated in FY 2006-2007. Sewer revenues are, however, also derived from commercial usage, which is expected to slightly decrease. Sewer Charges account for 26.5 percent of all Enterprise Fund revenues.

Taps and Connect Fees: \$99,369 (down \$7,997 or -7.45 percent)

Lower revenues in FY 2006-2007 will be attributable to stabilized residential growth and commercial accounts. Taps and Connect Fees account for 0.4 percent of all Enterprise Fund revenues.

Solid Waste Collection: \$84,978 (up \$1,666 or 2.00 percent)

This revenue source is projected to increase slightly in FY 2006-2007, and is the 4.0 percent administrative fee charged by the Town for billing and collecting from solid waste customers on behalf of Allied Waste Services. Solid Waste Collections account for 0.3 percent of all Enterprise Fund revenues.

Penalties-Utility Billing: \$215,783 (down \$15,463 or -6.69 percent)

The implementation of a sixth utility billing cycle in FY 1999-2000 has worked to minimize the number of late payments, in addition to the Town's historically low rate of bad debt. Penalties-Utility Billing revenues account for 0.8 percent of all Enterprise Fund revenues.

Stormwater Fees: \$1,013,924 (up \$619,832 or 157.28 percent)

In FY 2002-2003, in order to meet the new Environmental Protection Agency (EPA) National Pollutant Discharge Elimination System (NPDES) Phase II Stormwater requirements, the Town created a Stormwater Utility Fund. A rate increase is needed to remain in compliance with EPA requirements. Stormwater fee revenues account for 3.9 percent of all Enterprise Funds revenue.

Drainage Inspection Fees: \$160,000 (same as FY 05-06)

Drainage Inspection Fees are also a part of the stormwater program, and are charged for drainage-related inspections conducted during the development process. This revenue will account for 0.6 percent of all Enterprise Fund revenues.

Interest and Rent Income: \$121,680 (down \$800 or -0.65 percent)

Although the Town has an aggressive plan to invest funds with no increased risk to the Town, interest income in the Enterprise Funds is projected to decrease due to a lower working capital balance. Interest and Rent revenues for FY 2006-2007 are conservatively budgeted and account for 0.5 percent of Enterprise Fund revenues.

Other Revenue: \$75,000 (down \$3,567 or -4.54 percent)

This revenue category includes sales of equipment and other miscellaneous revenues, including copies of maps, videos, newcomers lists, plats, street signs, and interfund transfers from CIP funds for services performed by various Town personnel. Other Revenue accounts for 0.3 percent of all Enterprise Fund revenues.

Expenditure Synopsis:

Personnel Services: \$4,830,353 (up \$426,935 or 9.70 percent)

Personnel Services is the second largest expenditure category in the Enterprise Funds, and it accounts for 18.6 percent of the total Enterprise Funds' budgets. Increases in FY 2006-2007 are primarily related to market adjustments to Pay Plans.

Supplies and Materials: \$536,553 (up \$39,837 or 8.02 percent)

These object classifications are for expendable materials and operating supplies necessary to conduct departmental activities. The purchase of supplies and materials constitutes 2.1 percent of all Enterprise Funds' expenditures.

Maintenance of Buildings, Structures, Land, and Improvements; Equipment and Machinery: \$823,929 (up \$211,412 or 34.52 percent)

These object classifications are for expendable upkeep of physical properties in condition for use or occupancy and tangible property of a more or less permanent nature, which is useful in carrying out operations. Expenditures within these classifications account for 3.2 percent of all Enterprise Funds expenditures.

Contractual Services and Capital Outlay: \$19,739,329 (up \$3,149,672 or 18.99 percent)

The largest expenditure category in the Enterprise Funds is Contractual Services, which accounts for 76.1 percent of the total Enterprise Funds' budgets. Conversely, Capital Outlay makes up 0.9 percent and is the smallest category. The single largest budgeted expenditure is for water, which the Town purchases from Dallas Water Utilities and the Upper Trinity Regional Water District. The amount of water the Town will purchase in FY 2006-2007 is directly related to demand, contractual agreements with the above entities, and projected population growth. In addition to the increased cost of water, the administrative transfer made to the General Fund has been reinstated.

Internal Services: \$0 (down \$552,163 or -100.00 percent)

An Internal Service Fund is used to report activity that provides goods or services to other funds, departments, or agencies of the primary government, on a cost-reimbursement basis. Three departments, Information Technology, Facilities Management and Purchasing have been budgeted as Internal Service Funds for the past several years, but don't meet the requirements to be an internal service fund. Starting in FY 2006-2007, they will be budgeted with in General Fund Financial Services department in order to increase efficiency and decrease unnecessary paper work.

**Enterprise Funds Expenditures
by Category**

