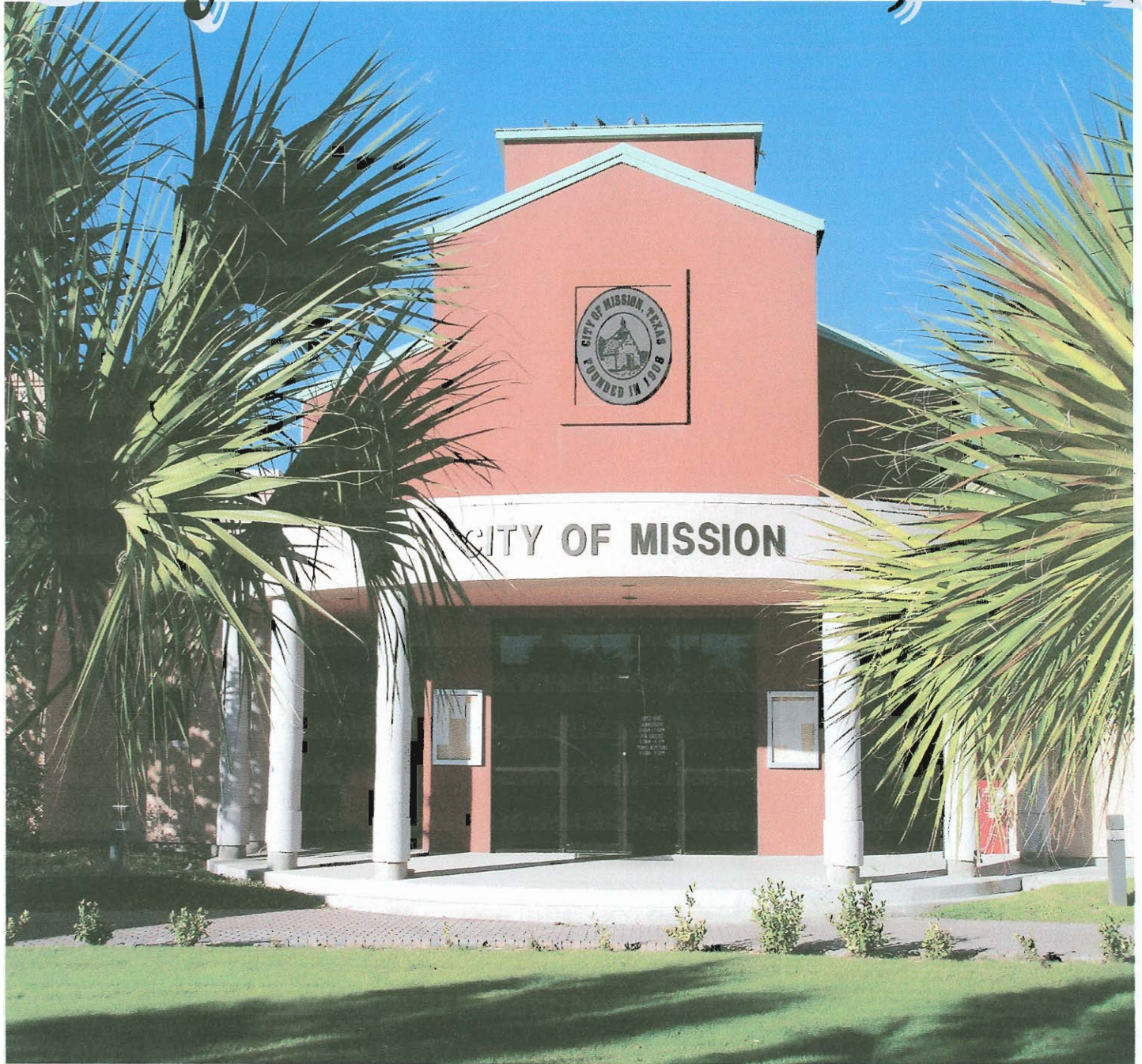


City of Mission, TX



Comprehensive Annual Financial Report For Fiscal Year Ended September 30, 2007

City of Mission, Texas

CITY OF MISSION, TEXAS

Comprehensive Annual Financial Report

*For Fiscal Year Ended
September 30, 2007*

*Prepared By:
Finance Department*

MISSION CITY COUNCIL



Norberto "Beto" Salinas
Mayor



Leo Olivarez
Mayor Pro Tem



Celestino Ramirez
Council Member



Norie Gonzalez Garza
Council Member



Ruben Plata
Council Member

CITY OF MISSION, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended September 30, 2007

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INTRODUCTORY SECTION

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CITY OF MISSION

"Home Of The Grapefruit"

January 28, 2008

To the Honorable Mayor and
Members of the City Council
Citizens of Mission

NORBERTO "BETO" SALINAS
MAYOR
LEO OLIVAREZ
MAYOR PRO TEM
CELESTINO RAMIREZ
COUNCILMAN
RUBEN PLATA
COUNCILMAN
NORIE GONZALEZ GARZA
COUNCILWOMAN
JULIO C. CERDA, P. E.
CITY MANAGER

As mandated by both state statutes and local ordinances, submitted herewith is the Comprehensive Annual Financial Report (CAFR) of the City of Mission for the year ended September 30, 2007. This report has been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and by the American Institute of Certified Public Accountants in its industry audit guide "Audits of State and Local Governmental Units".

This report contains management's representations concerning the finances of the City of Mission. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Mission has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Mission's financial statements in conformity with GAAP. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Mission's financial statements have been audited by Long Chilton, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Mission for the fiscal year ended September 30, 2007, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The independent auditor concluded that based upon the audit, there was a reasonable basis for rendering an unqualified opinion that the City of Mission's financial statements for the fiscal year ended September 30, 2007 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The City of Mission is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 as amended and the U.S. Office of Management and Budget's Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements but also, on the audited government's internal

controls and compliance with legal requirements with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Mission's single audit section of this report.

GASB requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Mission's MD&A can be found immediately following the report of the independent auditors.

CITY PROFILE, STRUCTURE, AND ECONOMIC CONDITION

The City of Mission was incorporated on March 19, 1910 and is located along the U.S. - Mexico border in South Texas. The City currently occupies a land area of approximately 32 square miles. The City's population has grown since the 1990 Census from 28,653 to 45,408 as per the 2000 Census, an increase of 58%. The City is empowered to levy a property tax on both real and personal properties located within its boundaries and it is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

The City of Mission is a political subdivision located in Hidalgo County operating as a home rule city under the City's Home Rule Charter, which was last amended on January 17, 1987. The City operates under a Council/Manager form of government where the Mayor and four Council members are elected at large to three-year staggered terms. The City Council is responsible, among other things, to enact local legislation, adopt budgets, determine policies and appoint the City Manager and City Attorney. The City Manager is responsible for executing the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the City's departments. The City provides a full range of services, including police and fire protection; the construction and maintenance of streets, and other infrastructure; recreational and cultural events; water, sewer, and sanitation services; and a municipal golf course.

The annual budget serves as the foundation for the City's financial planning and control. The department heads of the City are required to submit request for appropriations to the City Manager by the second Friday in June; the City Manager uses these requests as the starting point in developing a proposed budget. The City Manager then presents the proposed budget to the City Council for their review by mid-August. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than fifteen (15) days prior to October 1, the beginning of the new fiscal year. The budget is prepared in order of fund, function, and department. The legal level of budgetary control is in the department level within each fund. Any change to the original budget, which will exceed or deplete the appropriated amount at the department level requires City Council approval. Any change to the original departmental budget between line items will be processed through a budget reclassification form, which will require the City Manager, Finance Director, and Department Head approval. Budget adjustments may not be made between different departments nor can they be used to increase or decrease wages and benefits; such changes will require City Council approval.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund and the Community Development Block Grant Fund, this comparison is presented on pages 99-107 as part of the required supplementary information. For governmental funds, other than the General Fund and the Community Development Block Grant Fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 128.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Mission operates.

Local economy. Mission is one of the major cities of the McAllen-Edinburg-Mission Metropolitan Statistical Area (MSA). Mission is among the fastest growing cities in the Rio Grande Valley, State of Texas, and United States. Because of the semi-tropical weather, culture, friendliness, and proximity to Mexico, Mission has become home to over 30,000 “Winter Texans” for four to six months out of the year. Winter Texans are mostly retired citizens from the northern states who visit the Rio Grande Valley to escape the cold winter weather. Thousands of visitors from Mexico also contribute to the growing economy of the City.

With the help of the Mission Economic Development Authority (MEDA), the Greater Mission Chamber of Commerce, and the Mission Redevelopment Authority, Mission has experienced substantial commercial and residential growth in the past few years. The City of Mission, through its economic development partners, MEDA and Mission Economic Development Corporation (MEDC), has been able to assist in the creation of numerous jobs. Several of the best Global 1000 companies have made Mission their home. They include:

Progressive Moulded Products
Symbol Technologies
Jabil Circuit
Panasonic

Emerson Electric
Global Logistics
Black & Decker

Other major companies that have made Mission their home include:

Hi-Tech Plastics
T-Mobile, USA

Frito Lay, Inc
Vanity Fair Intimates

According to the Texas Labor Market Review January 2008 report, the City of Mission unemployment rate was 5.6% as of December 2007. The unemployment rate for the City has steadily been declining over the past 10 years. This is attributed to the various manufacturing plants, commercial businesses, industrial plants, retailers, and distribution centers that have relocated or expanded their business in Mission. The unemployment rate is expected to either remain stable or continue decreasing due to the anticipated development in commercial and industrial growth with the opening of the Anzalduas International Bridge expected in year 2009.

The economic growth in Mission and its' surrounding areas have attracted retailers such as Kohl's Department Store, TJ Max, Ross Dress for Less, Petco, Office Depot, and many other retail stores. Restaurants that also open their doors include Wendy's, Chick-Fil-A, and other local restaurants.

The City of Mission has implemented a Tax Increment Reinvestment Zone (Tax Increment Financing) to address development and redevelopment of residential, educational facilities, commercial and park/open space properties including the acquisition of land for redevelopment purposes.

The following list identifies the major accomplishments that the city undertook to improve the community and its economy.

Major Accomplishments For the Year 2006-07

1. Tax rate was decreased from \$0.5589 to \$0.5566 per \$100.00 valuation.
2. Continued a Tax Freeze for the elderly and the disabled and \$10,000 Tax Exemptions for the elderly and the disabled.
3. Completed the North EDAP Project that includes over 45 colonias for sewer collection system.
4. Continued the upgrade of the existing sewer plant from 4.6 to 9.2 MGDs for a total amount of \$35 million (\$20M grant and \$15M in revenue bonds). Project is to be completed in 2008.
5. Completed the expansion of the Inspiration Road Bridge.
6. Working closely with Texas Department of Transportation (TxDOT), Mission Redevelopment Authority, and Hunt Development to ensure that the infrastructure is in place before for the opening of the Anzalduas International Bridge in 2009.
7. Continued residential and commercial growth in our city that will impact economic growth and opportunities to our citizenry.
8. Continued working closely with Mission Economic Development Corporation (MEDC), Mission Economic Development Authority (MEDA), and Chamber of Commerce in order to promote commerce and industrial growth.
9. Increased the number of recreation programs for our adult citizens and teenagers.
10. Start the expansion of Mile 2 from Conway to Taylor Road. This project is in conjunction with Texas Department of Transportation.

Goals for FY 2007-08

1. Maintain the tax rate at \$.5566 per \$100.00 per valuation.
2. Continue the improvement and maintenance of the City's infrastructure.
3. With the help of MEDA, MEDC, and the Chamber of Commerce, attract new businesses that will create new jobs for our citizens and increase the economic growth of the City.
4. Complete the construction of the central fire station in the downtown area.

5. Complete the Bentsen Palm Community Park, which will include walking trails, tennis courts, baseball fields, ponds, and other recreational activities, and also commence the Northwest Park.
6. Continue the Mission Police Academy to train and educate new police cadets and provide the necessary resources to ensure that our citizens and businesses have the best protection.
7. Assessment of all City departments and services to ensure efficiency and effectiveness of tax dollars by maximizing all resources and implementation of new ideas in order to provide a better municipal government.
8. Complete the construction of a new water tower in the Northeast section of the City.
9. Continue obtaining water rights that had not been transferred to the City by Developers.
10. Upgrade the City's website and improve the technology needs of the City's offices.
11. Decommission a portion of the South Water Treatment Plant and expand the North Water Treatment Plant for maximum water treatment capacity of 19.5MGD.
12. Install 7,920 LF of 16' water lines and 10,560 LF of 12" water lines.
13. Continue evaluating golf course fees and make them compatible to surrounding golf courses.
14. Renovate the La Lomita Chapel, which attracts hundreds of visitors every year.
15. Continue to work closely with TxDOT, Mission Redevelopment Authority, and Hunt Development to ensure that the infrastructure is in place before for the opening of the Anzalduas International Bridge in 2009.
16. Continue the expansion of Mile 2 from Conway to Taylor Road. This project is in conjunction with TXDOT.
17. Implement the Comprehensive Master Plan.

Long-term financial planning. In fiscal year 1999, the City Council had passed resolution #963 establishing an unreserved, undesignated fund balance to equal to a minimum of three months of operations for the general operating fund; however, this fund balance requirement has not been met. At the end of this fiscal year, the fund balance increased by approximately \$1 million dollars. Bonds issued in prior fiscal year funded various street projects; therefore not using operating revenues.

Careful long-term financial planning is an important goal for the City; therefore, during the next three fiscal years, the City Council's goal shall be to meet this requirement. The City Council has approved the updating of the Comprehensive Master Plan to guide city staff in future needs and demands of our fast growing community and still maintain the necessary fund balance. In September 2007, \$7 million in bonds were authorized but unissued until October 2007. The proceeds for these bonds will be for park improvements, street improvements, and machinery and equipment.

Cash management policies and practices. Cash temporarily idle during the year was invested in interest-bearing demand deposit accounts, certificate of deposit, and other investment instruments authorized under the Public Funds Investment Act of 1987, as amended by the 77th Legislature, effective September 1, 2001, "The Act" (Chapter 2256 of the Government Code). "The Act" requires cities and other political subdivisions to adopt a written investment policy, conduct an annual review of the policy, have an annual compliance audit performed, have the designated investment officers undergo training, and submit quarterly investment reports to the governing

body.

The City's investment policy states the City's investment objectives are in order of safety, liquidity, yield, and public trust. The maturities of investments range from 7 days to 365 days with an average maturity of 175 days. The average yield on investments for fiscal year 2007 was 5.04 percent. A significant amount of the City's portfolio has been allocated to certificate of deposits and agency securities. Texpool is also being used to invest City funds.

The bank depository contract requires that all City deposits and investments other than direct purchases of U.S. Treasuries or Agencies shall be secured by pledged collateral. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC or FSLIC. Collateral securing the City's funds is kept at the Amegy Bank of Texas.

Risk Management. The City of Mission is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the City has established a limited risk management program for worker's compensation and health insurance.

Health insurance premiums are paid into the Internal Service Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. The interfund premiums are used to reduce the amount of claim expenditures reported in the general fund; liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Effective December 1, 1996, the City became fully insured for workers compensation insurance through a conventional policy and therefore, continues its aggressive risk management program for worker's compensation.

Pension and other postemployment benefits. On November 1, 1970, the City elected to participate in the state-operated Texas Municipal Retirement System Pension Plan. The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of over 774 administered by TMRS, an agent multiple-employer public employee retirement system. The Plan provides service and disability retirement benefits and death benefits to plan members and beneficiaries. Benefits are based on the sum of the employee's contributions to the Plan with interest and the City-financed monetary credits and interest. Effective January 1, 2007, the contribution rate for the employees increased from 5% to 6% and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary determines the City's contribution rate annually.

Members can retire at the age of 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The City of Mission also provides postretirement benefits for certain retirees and their dependents. Included with the retirement benefits described, the City has elected to provide a supplemental death benefit in the form of a \$7,500 life insurance policy for the retirees under the plan. The City also provides 24 months of free health insurance for all retirees who serviced the City for 20 years or more.

The City of Mission contributes to the Texas Statewide Emergency Services Personnel Retirement Fund (TSESPRF), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Texas. TSESPRF provides retirement, disability and death benefits to emergency services personnel who serve without monetary remuneration.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Mission, Texas for its comprehensive annual financial report for the fiscal year ended September 30, 2006. This is the sixth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the Finance Department and other City departments who assisted and contributed to its preparation. Due credit also should be given to the Mayor, City Council, Mission Economic Development Corporation, Mission Economic Development Authority, and Mission Redevelopment Authority for their interests and support in planning and conducting the operations of the City in a responsible and progressive manner.

Respectfully submitted,



Julio Cerna
City Manager



Janie Flores
Finance Director

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Mission
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2006

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.



Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

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CITY OF MISSION, TEXAS

*List of Principal Officials
Year Ended September 30, 2007*

CITY OFFICIALS

<i>Mayor</i>	<i>Norberto "Beto" Salinas</i>
<i>Mayor Pro Tem</i>	<i>Leo Olivarez</i>
<i>Council Member</i>	<i>Celestino Ramirez.</i>
<i>Council Member</i>	<i>Norie Gonzalez Garza</i>
<i>Council Member</i>	<i>Ruben Plata</i>

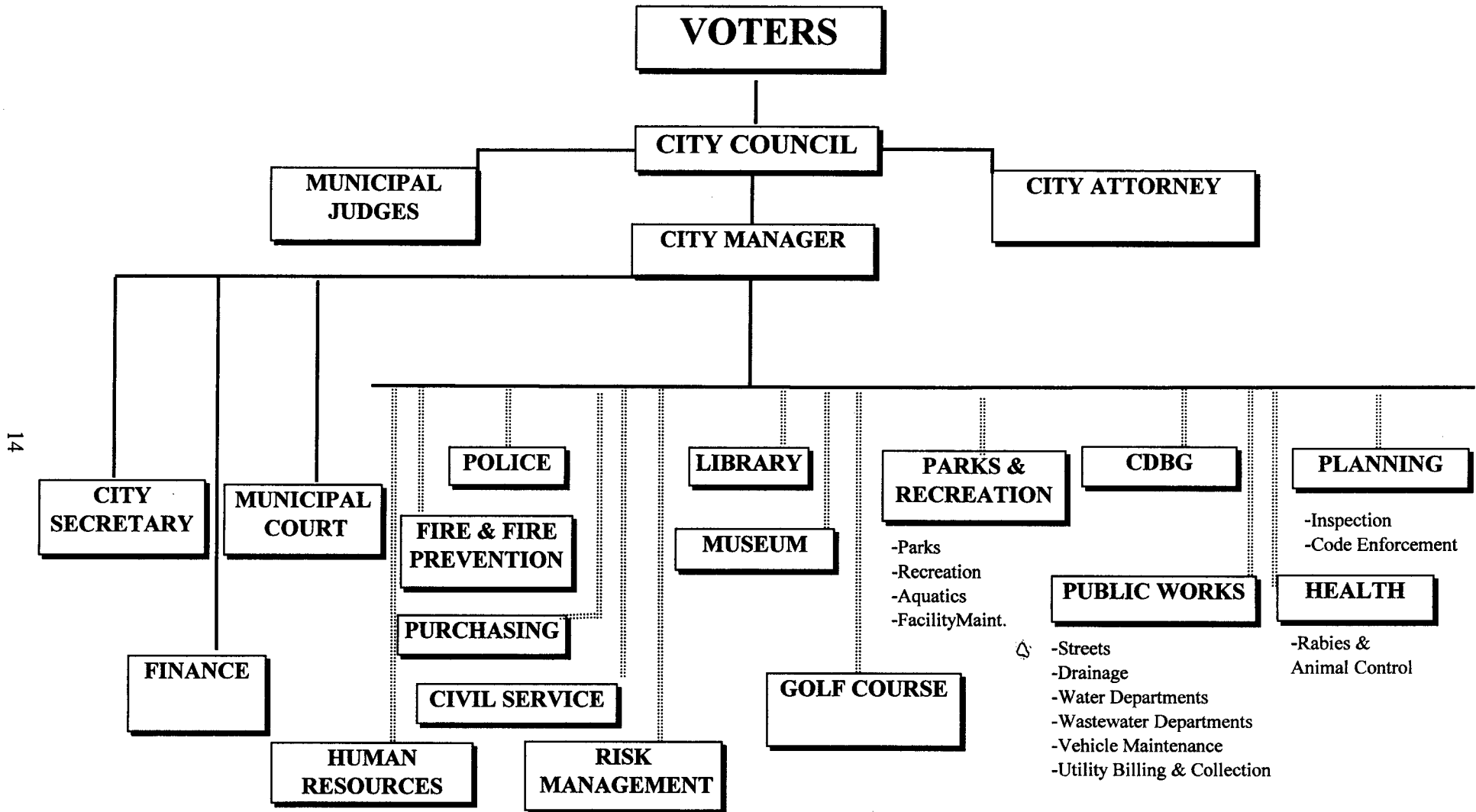
CITY ADMINISTRATION

<i>City Manager</i>	<i>Julio Cerda</i>
<i>City Secretary</i>	<i>Anna Carrillo</i>
<i>Finance Director</i>	<i>Janie Flores</i>
<i>Chief Accountant</i>	<i>Randy Perez</i>
<i>City Attorney</i>	<i>David H. Guerra</i>
<i>CDBG Director</i>	<i>Joanne Longoria</i>
<i>Civil Service Director</i>	<i>Jesse Lerma</i>
<i>Fire Chief</i>	<i>Ricardo Saldana</i>
<i>Golf Course Director</i>	<i>Paul Schaefer, Jr.</i>
<i>Health Director</i>	<i>Noel Barrera</i>
<i>Library Director</i>	<i>Rusty Dove</i>
<i>Municipal Judge</i>	<i>Jonathan Wehrmeister</i>
<i>Museum Director</i>	<i>Adela Ortega</i>
<i>Parks and Recreation Director</i>	<i>Joe Villegas</i>
<i>Planning and Zoning Director</i>	<i>Sergio Zavala</i>
<i>Police Chief</i>	<i>Leo Longoria Jr.</i>
<i>Public Works Director</i>	<i>Ruben Diaz</i>
<i>Purchasing Director</i>	<i>Elizabeth Cabrera</i>
<i>Risk Management Director</i>	<i>Rosie Salazar</i>

OFFICIAL ISSUING REPORT

*Janie Flores
Finance Director*

ORGANIZATIONAL CHART



FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Council
City of Mission, 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 Mission, Texas, as of and for the year ended September 30, 2007, 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 Mission's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Mission Redevelopment Authority, which represent 69 percent, 66 percent and 35 percent, respectively, of the assets, net assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Mission Redevelopment Authority is based upon the report of the other auditors.

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. The financial statements of the Mission Redevelopment Authority were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, 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 Mission, Texas, as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of

In accordance with *Government Auditing Standards*, we have also issued a report dated January 28, 2008 on our consideration of the City of Mission'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 the 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.

The Management's Discussion and Analysis (MD&A) and the required supplementary information schedules as listed in the table of contents on pages 19 through 32 and 97 through 112 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mission's basic financial statements. The introductory section, the other supplementary information section, the capital assets used in the operation of governmental funds section, the supplemental schedules section, the statistical section and the federal awards section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information section, the capital assets used in the operation of governmental funds section, and the supplemental schedules section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them. The accompanying schedule of expenditures of federal awards required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and the schedule of expenditures of state awards required by the Texas Governor's Office of Budget and Planning, State of Texas Single Audit Circular is also not a required part of the basic financial statements of the City of Mission, Texas. The accompanying schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Long Chilton, LLP

LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
January 28, 2008

Management's Discussion and Analysis

As management of the City of Mission, we offer the City of Mission financial statements readers this narrative overview and analysis of the financial activities of the City of Mission for the fiscal year ending September 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that has been furnished in our letter of transmittal, which can be found on pages 3-10 of this report.

Financial Highlights

- The assets of the City exceeded liabilities at the close of the most recent fiscal year by \$143,547,839 (net assets). Of this amount, \$13,012,147 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$11,037,354. Governmental activities contributed \$5,973,871 with the balance of \$5,063,483 resulting from Business-type activities. Approximately 18.81% of this increase is a result of operating grants and contributions, which increased by 61.77% compared to the prior year. Approximately 19.99% of the increase is attributed to taxes. Property taxes and other taxes increased 9.62% compared to the prior year. Charges for services slightly declined due to the reduction of water sales to La Joya Water Supply Corporation.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,464,767 an increase of \$941,586 or 9.89% in comparison with the prior year.
- At the end of the current fiscal year, the unreserved fund balance for the general fund was \$5,121,470 or 18.71% of total general fund expenditures.
- The City of Mission total debt increased by \$5,884,808 or 9.92% during the current fiscal year. The increase was attributed to the issuance of \$8,765,000 in revenue bonds for the Utility Fund. The bond proceeds will be used to decommission a portion of the South Water Treatment Plant and future expansion of the North Water Plant for a maximum water treatment capacity of 19.5MGD.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Mission's basic financial statements. The City of Mission's basic financial statements comprise 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.

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

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

The statement of activities presents information showing how the government's net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Mission that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Mission include general government, public safety, highways and streets, health and welfare, sanitation, economic development, and culture and recreation. The business-type activities of the City of Mission include a utility system (water and sewer), a golf course operation, and a solid waste operation.

The government-wide financial statements include not only the City of Mission itself (known as the primary government), but also legally separate component units for which the City of Mission is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 35-37 of this report.

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide

financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Mission maintains twenty-five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the community development block grant fund, which are all considered to be major funds. Data from the other twenty-two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* starting on page 117 of this report.

The City of Mission adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 38-44 of this report.

Proprietary funds. The City of Mission maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Mission uses enterprise funds to account for its water and sewer system, golf course operations, and solid waste operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Mission uses an internal service fund to account for its health insurance premiums, medical claims, and health administrative fees. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer system, golf course operations, and solid waste operations, all of which are considered to be major funds of the City of Mission. Conversely, the internal service fund is a single presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 45-49 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 50-51 of this report.

Notes to the financial statements. The notes provide additional information that is essential for 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 52-96 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Mission's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 97-112 of this report.

The combining statements referred to earlier in connection with non-major governmental funds, are presented immediately following the required supplementary information on pensions. Combining statements and individual fund schedules begin on page 117 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Mission, assets exceeded liabilities by \$143,547,839 at the close of the most recent fiscal year.

The following table summarizes the City's net assets as of September 30, 2007.

City of Mission Net Assets September 30, 2007						
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 15,882,641	\$ 15,724,632	\$ 28,451,196	\$ 18,013,265	\$ 44,333,837	\$ 33,737,897
Capital assets	89,803,170	86,499,064	83,293,465	82,325,880	173,096,635	168,824,944
Total assets	105,685,811	102,223,696	111,744,661	100,339,145	217,430,472	202,562,841
Long-term liabilities	23,923,030	24,827,742	42,537,719	36,083,819	66,460,749	60,911,561
Other liabilities	2,505,940	4,112,985	4,915,946	5,027,810	7,421,886	9,140,795
Total liabilities	26,428,970	28,940,727	47,453,665	41,111,629	73,882,635	70,052,356
Net assets						
Invested in capital assets, net of related debt	70,919,116	67,235,280	53,882,018	50,914,486	124,801,134	118,149,766
Restricted	2,061,067	1,288,945	3,673,491	1,993,403	5,734,558	3,282,348
Unrestricted (deficit)	6,276,658	4,758,745	6,735,489	6,319,627	13,012,147	11,078,372
Total net assets	\$ 79,256,841	\$ 73,282,970	\$ 64,290,998	\$ 59,227,516	\$ 143,547,839	\$ 132,510,486

By far the largest portion of the City's net assets (86.94 percent) reflects its investments in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Mission uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Mission'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.

Consequently, these long-term considerations have a significant impact on the resulting net assets of which 3.95% are subject to external restrictions on how they may be used, leaving the

remaining balance of 9.11% unrestricted net assets to meet the government's ongoing obligations to citizens and creditors.

- At the end of the current fiscal year, the City of Mission is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities. The total net assets reflect an increase of 8.33% compared to the prior year. Approximately 18.81% of this increase is a result of operating grants and contributions, which increased by 61.77% compared to the prior year. Approximately 19.99% of the increase is attributed to taxes. Property taxes and other taxes increased 9.62% compared to the prior year. Charges for services slightly declined due to the reduction of water sales to La Joya Water Supply Corporation.

Analysis of Changes in Net Assets

The following table summarizes the changes in the City's net assets from its activities for the fiscal year ended September 30, 2007.

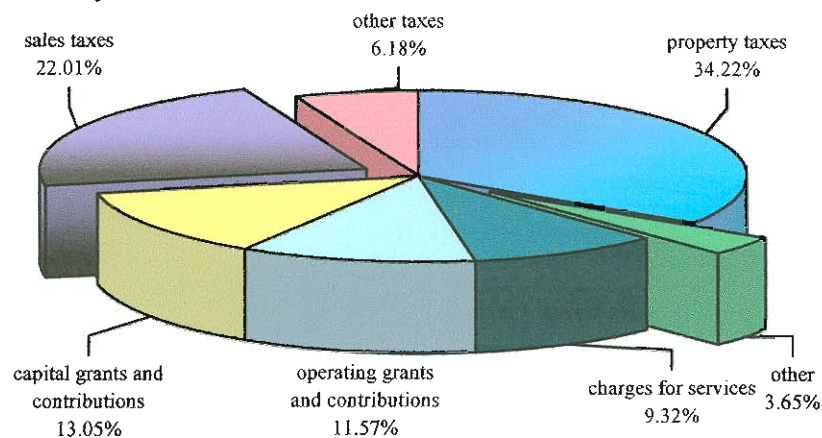
City of Mission Changes in Net Assets September 30, 2007						
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 3,752,975	\$ 3,633,620	\$ 19,192,427	\$ 19,457,804	\$ 22,945,402	\$ 23,091,424
Operating grants and contributions	4,659,478	3,146,796	778,236	214,527	5,437,714	3,361,323
Capital grants and contributions	5,251,523	8,801,715	2,866,803	5,739,699	8,118,326	14,541,414
General Revenues:						
Property taxes	13,778,424	12,569,230	-	-	13,778,424	12,569,230
Other taxes	11,347,053	10,350,429	-	-	11,347,053	10,350,429
Grants and contributions not restricted to specific programs	-	70,184	-	-	-	70,184
Other	1,471,027	2,060,356	421,642	263,116	1,892,669	2,323,472
Total revenues	<u>40,260,480</u>	<u>40,632,330</u>	<u>23,259,108</u>	<u>25,675,146</u>	<u>63,519,588</u>	<u>66,307,476</u>
Expenses:						
General government	7,742,186	8,112,275	-	-	7,742,186	8,112,275
Public safety	14,890,373	13,451,483	-	-	14,890,373	13,451,483
Highways and streets	5,479,786	5,466,843	-	-	5,479,786	5,466,843
Economic development	1,147,192	897,118	-	-	1,147,192	897,118
Culture and recreation	4,320,014	4,619,038	-	-	4,320,014	4,619,038
Health and welfare	359,074	526,449	-	-	359,074	526,449
Interest on long-term debt	1,027,984	1,096,972	-	-	1,027,984	1,096,972
Utility system	-	-	12,225,436	11,362,995	12,225,436	11,362,995
Golf course operations	-	-	1,319,407	1,285,326	1,319,407	1,285,326
Solid waste operations	-	-	3,970,782	3,552,159	3,970,782	3,552,159
Total expenses	<u>34,966,609</u>	<u>34,170,178</u>	<u>17,515,625</u>	<u>16,200,480</u>	<u>52,482,234</u>	<u>50,370,658</u>
Increases in net assets before transfers	5,293,871	6,462,152	5,743,483	9,474,666	11,037,354	15,936,818
Transfers	680,000	550,000	(680,000)	(550,000)	-	-
Changes in net assets	5,973,871	7,012,152	5,063,483	8,924,666	11,037,354	15,936,818
Net assets-10/01/06	<u>73,282,970</u>	<u>66,270,818</u>	<u>59,227,515</u>	<u>50,302,851</u>	<u>132,510,485</u>	<u>116,573,669</u>
Net assets-09/30/07	<u>\$ 79,256,841</u>	<u>\$ 73,282,970</u>	<u>\$ 64,290,998</u>	<u>\$ 59,227,517</u>	<u>\$ 143,547,839</u>	<u>\$ 132,510,487</u>

Total revenues generated from both governmental and business-type activities for this year amounted to \$63,519,588 reflecting a decrease of \$2,787,888 or 4.2% compared to last year. Capital grants and contributions reflect the largest decrease in revenues. Expenses were \$52,482,234, an increase of 4.19%, thus increasing net assets by \$11,037,354.

Governmental activities. Governmental activities increased the City of Mission's net assets by \$5,973,871 thereby accounting for 54.12% of the total growth in net assets. The major contribution to the increase in governmental activities net assets is from property taxes and sales taxes. Taxes reflect a 9.62% increase compared to prior year.

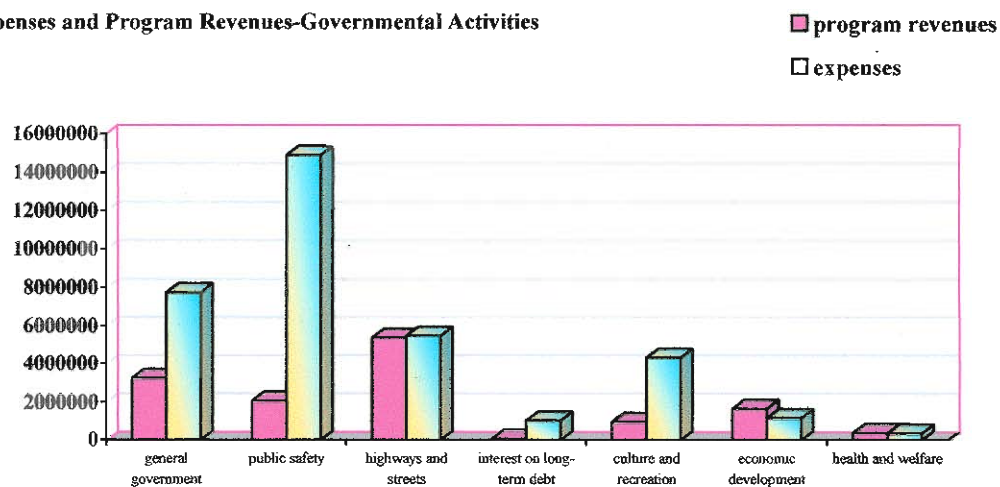
Taxes represent 62.41% of all governmental activities revenues. As displayed in the following graph, property taxes are the largest single source of funds comprising 34.22% of total revenues while sales taxes make up 22.01% of total revenues.

Revenues by source-Governmental Activities



The following graph displays the portion of expenses funded by program revenues. Overall, general revenues funded approximately 60.92% of total expenses for fiscal year 2007.

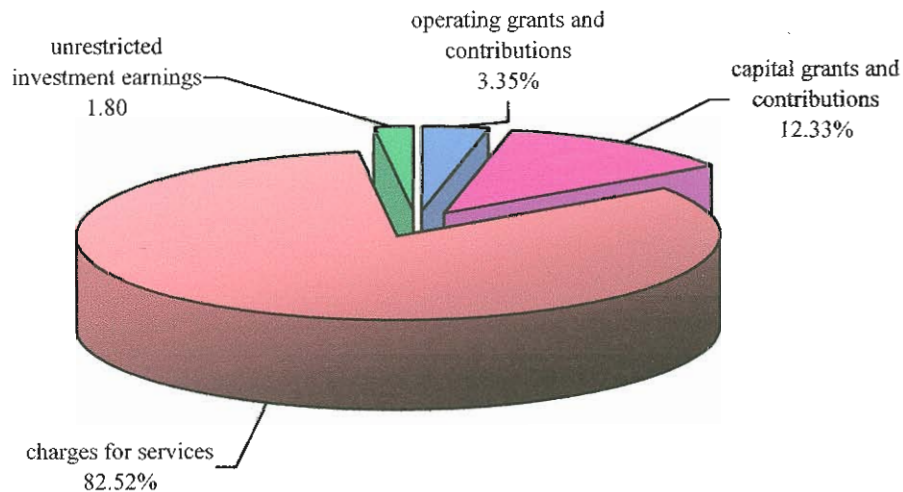
Expenses and Program Revenues-Governmental Activities



Expenses for governmental activities for the City totaled \$34,966,607 for the year ended September 30, 2007. Expenses increased by 2.3% compared to fiscal year 2007. The most significant increase was in the public safety activities (10.7% increase) compared to prior year. In FY 2006 the Fire Department received a grant for 12 additional firefighters and the City's share of the cost increased in FY 2007 to 20% from 10%.

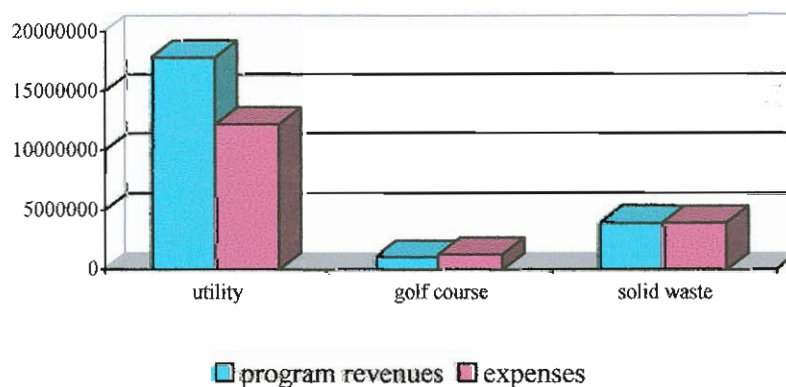
Business-type activities. Business-type activities increased the City of Mission's net assets by \$5,063,483 accounting for 45.88% percent of the total growth in the City's net assets. Revenues reflect a 9.41% decrease compared to prior year. Reduction of water sales to La Joya Water Supply Corporation was the major component to the reduction of revenues.

Revenues by Source-Business-type Activities



The following graph displays the portion of expenses funded by program revenues.

Expenses and Program Revenues-Business-type Activities



Expenses for business-type activities for the City totaled \$17,515,625 an increase of 8.12% compared to last year. The increase was attributed to an increase in personnel cost and interest expense.

Financial Analysis of Government's Funds

As noted earlier, the City of Mission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Mission'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 of Mission's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Mission's governmental funds reported combined ending fund balances of \$10,464,767, an increase of \$941,586 or 9.89% in comparison with the prior year. \$5,889,893 constitutes unreserved fund balance for all governmental funds, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$199,640), or 2) for a variety of other restricted purposes (\$4,375,234).

The general fund is the chief operating fund of the City of Mission. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$5,121,470 while the total fund balance was \$5,373,634. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 18.71% of total general fund expenditures, while total fund balance represents 19.63% of that same amount.

During the current fiscal year, the fund balance of the City of Mission's general fund increased by \$924,633. The key components and factors in this increase are as follows:

- Reimbursement from Mission Redevelopment Authority (MRA) component unit for various projects that improved the economic status of the City. Total reimbursement was for \$368,477.
- Revenues increased by \$2,136,678 compared to prior year. The major component which attributed to this increase was property taxes, which increased \$1,440,759 or 11.68% compared to prior year.
- Expenditures increased by \$3,061,788 or 12.59% compared to prior year. The major component which attributed to the increase was salaries and benefits for the public safety activity. The Police Department overall expenditures increased by \$1,945,314 or 23.37% compared to prior year.
- Net other financing uses totaled \$2,180,519, a decrease of 22.15% compared to prior year. This is comprised of transfers-out of \$3,407,266 for debt service, transfer-out of \$882,693 to special revenue funds and a transfer out of \$170,000 to the Golf Course fund, and transfers-in of \$850,000 for alley and street resurfacing, and \$325,177 for equipment.

The debt service fund has a total fund balance of \$828,009, all of which is reserved for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$95,290.

Proprietary funds. The City of Mission proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the year, total unrestricted net assets amounted to \$6,271,416. The utility fund and the solid waste fund had unrestricted net assets of \$6,712,414 and \$194,615 respectively. The golf course fund ended the year with an unrestricted net assets deficit of \$635,612.

The utility fund unrestricted net assets increased by \$427,216. Revenues reflected a slight decrease of \$597,088, which is a result of the decrease in water sales to La Joya Water Supply Corporation.

The golf course fund borrowed funds from the utility fund to meet its daily operations during the year. The golf course revenues reflect an increase of \$19,963 from prior year. The Golf Course has been trying to recover from loss of revenue during the time that it had major renovations and improvements to 9 holes of the 27-hole course. The general fund contributed \$170,000 to the Golf Course during the year. The 2008 budget is reflecting a golf fee rate increase to offset the increasing expenses.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget for the general fund were a net increase in appropriations of \$1,690,097 or 6.27%. The major differences can be briefly summarized as follows:

- General government appropriations increased by \$64,675. Facility Maintenance appropriations increased by \$31,673 for maintenance of various roofs that leaked during the year. Organizational appropriations increased by \$183,000 for principal and interest expenditures on various capital leases (\$105,177) and additional engineering services for the GIS system (\$57,613).
- Public safety appropriations increased by \$1,329,751. Police department overtime increased by \$346,620. The police department was required to provide security services at the Hay Sammons Building for several months. A security service company was contracted to continue providing security at this location. Capital outlay was also increased by \$641,943 for the purchase of ten police cars (five through a capital lease and five direct purchases). The fire department capital outlay appropriations increased by \$391,295 for the purchase of furniture and equipment for the new central fire station.
- Highways and streets appropriations increased by \$238,197. Overall, expenditures were \$133,224 more than the original budget. Personal services and employee benefits constituted the largest increase in appropriations (\$71,736). Four temporary part-time employees were hired to clean up graffiti within the city limits. The fiscal year was the

major factor in the increase. Professional and technical services category (\$43,328) was the second factor for the increase. The City requires that certain tests be performed on all new subdivisions before the City accepts them; therefore, the City engaged an engineering firm to perform these tests.

- Culture and recreation appropriations decreased by \$47,703. The Library's final budget reflects a \$30,561 reduction from the original budget. This was attributed to the reduction of one staff member. The museum also had a reduction of appropriations by \$31,000. Various projects that were to be contracted out were performed in-house.

Of the increase in budgeted expenditures (\$1,690,097), \$408,500 is to be funded through intergovernmental sources, \$500,000 from property taxes, \$204,926 from miscellaneous revenues, and the remaining \$576,671 was to be funded from available resources.

The final projected revenues compared to actual revenues also reflect some differences (\$410,068); however, these differences are identified with budgeted expenditures. The major revenue differences between actual and final budget can be summarized as follows:

Intergovernmental

- Mission Redevelopment Authority reimbursed the City for furniture and equipment for the new central fire station. The total reimbursement was for \$364,244. The Hidalgo County Drainage District #1 also reimbursed the City for drainage projects in the Hunt Development.

Taxes

- Property taxes, sales taxes, and other taxes actual collections came higher than final budget by \$27,647. The property tax collection rate varies from 92% to 94% of total tax levy; however, for budget purposes the City uses 92% tax collection rate; therefore actual will normally be higher than budget. Sales tax reflects a 1.3% decrease from final projected budget.

Charges for Services

- Charges for services actual revenues came in higher than final budget by \$270,453. The majority of this increase is due to the vital statistics revenues which reflect \$81,770 higher than final budget. With the new requirement for a passport by the U.S. Department of Immigration, the City had an unusual amount of citizens requesting their birth certificates. Other charges for services that reflect an increase were the inspection fees and the construction material testing fees.

Capital Asset and Debt Administration

Capital assets. The City of Mission's investment in capital assets for its governmental and business type activities as of September 30, 2007, amounts to \$173,096,632 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, streets, storm drainage, sanitary sewer system, and a

water system. The total increase in the City of Mission's investment in capital assets for the current fiscal year was 2.53% (an 3.82% increase for governmental activities and a 1.18% increase for business-type activities).

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

- Infrastructure increased in the governmental activities by \$2,815,111 (net) or 7.76% compared to prior year. The increase is attributed to contributions from developers.
- Buildings and systems in the business-type activities increased by \$14,559,735 (net) or 35.05% compared to prior year. The North EDAP project that included connection of 45 colonias to the City's sewer collection system was completed and capitalized.
- Construction in progress (CIP) for both the governmental activities (net increase of \$7,584) and business-type activities (net decrease of \$13,312,059) also reflects changes. See buildings and systems above.

The following table summarizes the City's total capital assets.

City of Mission Capital Assets Net of Depreciation						
	Governmental Funds		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land and water rights	\$ 30,787,239	\$ 30,152,862	\$ 4,380,102	\$ 4,327,102	\$ 35,167,341	\$ 34,479,964
Buildings and system	7,587,715	7,873,928	56,098,993	41,539,258	63,686,708	49,413,186
Improvements other than buildings	2,987,171	2,957,809	631,203	678,288	3,618,374	3,636,097
Machinery and equipment	4,670,856	4,566,973	1,942,335	2,228,342	6,613,191	6,795,315
Infrastructure	39,085,584	36,270,473	-	-	39,085,584	36,270,473
Construction in progress	4,684,603	4,677,019	20,240,831	33,552,890	24,925,434	38,229,909
Total	<u>\$ 89,803,168</u>	<u>\$ 86,499,064</u>	<u>\$ 83,293,464</u>	<u>\$ 82,325,880</u>	<u>\$ 173,096,632</u>	<u>\$ 168,824,944</u>

Additional information on the City of Mission's capital assets can be found in note 6 on pages 72-73 of this report.

Long-term debt. At the end of the current fiscal year, the City of Mission had total long-term debt outstanding of \$65,184,180, an increase of \$5,884,808 or 9.92% compared to prior year. The increase was largely attributable to the issuance of \$8,765,000 in revenue bonds in the Business-type Activities. The \$8.7 million was to decommission a portion of the South Water

Treatment Plant and future expansion of the North Water Plant for a maximum water treatment capacity of 19.5 MGD. In addition, this bond will also expand the delivery system with the installation of 7,920 LF of 16" water lines and 10,650 LF of 12" water lines.

City of Mission
General Obligations, Revenue Bonds, and Other Debt

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Public property financing contractual obligations	\$ 1,540,000	\$ 2,135,000	\$ 570,000	\$ 935,000	\$ 2,110,000	\$ 3,070,000
Certificate of obligations	19,865,000	20,600,000	275,000	360,000	20,140,000	20,960,000
Revenue bonds	-	-	42,514,570	35,050,000	42,514,570	35,050,000
Capital Leases	284,959	-	84,651	119,372	369,610	119,372
Other lending sources	50,000	100,000	-	-	50,000	100,000
Total	\$ 21,739,959	\$ 22,835,000	\$ 43,444,221	\$ 36,464,372	\$ 65,184,180	\$ 59,299,372

Moody's Investors Service rated the bonds issued in fiscal year 2007, "A3". The City's other outstanding bonds underlying rating is "Aaa" by Moody's and "AAA" by Standard & Poor's Rating Services.

As of September 30, 2007, the City had authorized but unissued bonds for the governmental activities. Certificates of obligation in the amount of \$7 million were authorized in September 2007 and settled in October 2007. Proceeds are to be used for various park improvements, street projects, and purchase of machinery and equipment. Additional information on the City of Mission's long-term debt can be found in note 9 on pages 74-80 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Mission is currently 5.6%, increasing from 5.2% in prior year. The state and national average unemployment rates are 4.4 percent and 4.5 percent respectively.
- Appraisal values used in preparing the 2008 budget were up \$377 million higher than prior year. The majority of the increase is derived from appraised improvements, which increased \$303 million from the prior year. Land appraisal also increased by \$127.6 million from the prior year. Although property values increased, so did exemptions. Exemptions increased by \$94.7 million.
- With the increase in appraised values and the increasing tax rates by other local entities, the City's governing body decided to give its' citizens a tax break and maintain the same tax rate instead of adopting the rollback tax rate of .5625 per \$100 valuation. The 2008 budget was prepared using the adopted tax rate of .5566 per \$100 valuation.

- The 2008 budget also reflects an increase in various golf course fees but does not reflect an increase for the water and sewer rates.
- The 2007 general fund operating budget was prepared using \$4,245,259 as the estimated unreserved fund balance at September 30, 2007. The actual unreserved fund balance for the general fund was \$5,121,470; nevertheless, a \$3,327,972 fund balance is projected at September 30, 2008.
- The City is currently analyzing its current financial situation and will implement the necessary measures to increase its fund balance.

Requests for Information

This financial report is designed to provide a general overview of the City of Mission's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 1201 East 8th Street, City of Mission, Texas, 78572.

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BASIC FINANCIAL STATEMENTS

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CITY OF MISSION, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2007

EXHIBIT A-1

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	MEDC	MRA
ASSETS					
Cash and cash equivalents	\$ 2,559,412	\$ 1,272,382	\$ 3,831,794	\$ 1,204,399	\$ 1,450,548
Investments	6,900,432	4,049,414	10,949,846	1,140,795	932,138
Prepaid items	7,490	6,430	13,920	-	-
Receivables, net	4,121,909	3,331,659	7,453,568	500,180	-
Internal balances	(445,571)	445,571	-	-	-
Due from component unit	2,085,955	189,400	2,275,355	-	-
Inventory	859	143,620	144,479	-	-
Deferred charges	486,333	870,622	1,356,955	-	571,381
Notes receivable, net	2,400	105,036	107,436	-	-
Long-term receivable	123,785	-	123,785	-	-
Restricted assets	39,637	18,037,061	18,076,698	573,850	-
Capital assets:					
Land, water rights, and construction in progress	35,471,843	24,620,934	60,092,777	-	4,834,121
Other capital assets, net of accumulated depreciation	54,331,327	58,672,531	113,003,858	-	-
Total Assets	<u>105,685,811</u>	<u>111,744,660</u>	<u>217,430,471</u>	<u>3,419,224</u>	<u>7,788,188</u>
LIABILITIES					
Accounts payable	1,049,463	943,488	1,992,951	6,780	55,692
Customer deposits	-	1,651,248	1,651,248	-	-
Accrued interest payable	124,720	97,736	222,456	40,808	33,657
Other liabilities	359,076	83,090	442,166	-	78,427
Subdividers deposits	-	1,337,900	1,337,900	-	-
Retainage payable	70,810	709,796	780,606	-	1,053,681
Accrued payroll	205,205	39,860	245,065	-	-
Due to primary government	-	-	-	299,935	1,975,421
Unearned revenues	696,666	52,828	749,494	-	-
Noncurrent liabilities:					
Due in more than one year	21,327,065	39,773,652	61,100,717	4,905,000	8,260,000
Due within one year	2,595,965	2,764,067	5,360,032	215,000	305,000
Total Liabilities	<u>26,428,970</u>	<u>47,453,665</u>	<u>73,882,635</u>	<u>5,467,523</u>	<u>11,761,878</u>
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	70,919,116	53,882,018	124,801,134	-	-
Restricted for:					
Debt Service	1,062,780	3,366,658	4,429,438	533,042	898,481
Construction	-	289,018	289,018	-	232,951
Perpetual Care-expendable	62,146	-	62,146	-	-
Held in trust for scholarships and books-expendable	27,686	-	27,686	-	-
Other purposes	908,455	17,815	926,270	-	-
Unrestricted	6,276,658	6,735,489	13,012,147	(2,581,341)	(5,105,122)
Total Net Assets	<u>\$ 79,256,841</u>	<u>\$ 64,290,998</u>	<u>\$143,547,839</u>	<u>\$ (2,048,299)</u>	<u>\$ (3,973,690)</u>

The accompanying notes are an integral part of this statement.

CITY OF MISSION, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	\$ 7,742,186	\$ 2,494,543	\$ 728,739	\$ 679
Public safety	14,890,373	94,884	1,765,518	180,948
Highways and streets	5,479,786	571,890	238,489	4,562,147
Health and welfare	359,073	308,457	65,849	-
Culture and recreation	4,320,014	283,201	161,935	507,749
Economic development	1,147,191	-	1,632,888	-
Interest and fiscal charges on long-term debt	1,027,984	-	66,060	-
Total Governmental Activities	34,966,607	3,752,975	4,659,478	5,251,523
Business-type Activities:				
Utility	12,225,436	14,184,351	778,236	2,866,803
Golf Course	1,319,407	1,056,872	-	-
Solid Waste	3,970,782	3,951,204	-	-
Total Business-type Activities	17,515,625	19,192,427	778,236	2,866,803
Total Primary Government	\$ 52,482,232	\$ 22,945,402	\$ 5,437,714	\$ 8,118,326
COMPONENT UNITS:				
Mission Economic Development Corporation	\$ 3,272,299	\$ -	\$ 407,293	\$ 12,864
Mission Redevelopment Authority	1,285,657	-	-	-
Total Component Units	\$ 4,557,956	\$ -	\$ 407,293	\$ 12,864

General Revenues:

Property taxes
Sales taxes
Franchise taxes
Hotel/motel taxes
Alcoholic beverage taxes
Shared revenue-tax increment zone
Grants and contributions
Interest earned
Miscellaneous

Transfers

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expenses) Revenues and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	MEDC	MRA
\$ (4,518,225)	\$ -	\$ (4,518,225)		
(12,849,023)	-	(12,849,023)		
(107,262)	-	(107,262)		
15,233	-	15,233		
(3,367,130)	-	(3,367,130)		
485,697	-	485,697		
(961,924)	-	(961,924)		
(21,302,634)	-	(21,302,634)		
-	\$ 5,603,954	5,603,954		
-	(262,535)	(262,535)		
-	(19,578)	(19,578)		
-	5,321,841	5,321,841		
\$ (21,302,634)	\$ 5,321,841	\$ (15,980,793)		
			\$ (2,852,142)	\$ -
			-	(1,285,657)
			(2,852,142)	(1,285,657)
13,778,424	-	13,778,424	-	-
8,859,345	-	8,859,345	2,953,115	-
2,069,904	-	2,069,904	-	-
358,276	-	358,276	-	-
59,529	-	59,529	-	-
421,603	-	421,603	-	1,089,831
-	-	-	-	-
371,301	317,265	688,566	108,516	744,591
678,123	104,377	782,500	-	-
680,000	(680,000)	-	-	-
27,276,505	(258,358)	27,018,147	3,061,631	1,834,422
5,973,871	5,063,483	11,037,354	209,489	548,765
73,282,970	59,227,515	132,510,485	(2,257,788)	(4,522,455)
\$ 79,256,841	\$ 64,290,998	\$ 143,547,839	\$ (2,048,299)	\$ (3,973,690)

CITY OF MISSION, TEXAS

BALANCE SHEET-GOVERNMENTAL FUNDS

SEPTEMBER 30, 2007

	General Fund	Community Development Fund
ASSETS		
Cash and cash equivalents	\$ 682,507	\$ -
Investments	1,150,000	-
Receivables:		
Taxes, including interest and penalties	1,687,990	-
Accounts	852,711	-
Special assessments	-	-
Less: allowance for uncollectibles	(812,900)	-
Accrued interest receivable	16,425	-
Due from other governments	1,638,695	51,067
Due from other funds	283,095	-
Due from component unit	2,085,955	-
Inventory	859	-
Prepaid items	6,999	-
Restricted assets	-	-
Long-term receivable	123,785	-
Total Assets	<u>\$ 7,716,121</u>	<u>\$ 51,067</u>
LIABILITIES		
Accounts payable	\$ 496,819	\$ 45,385
Accrued interest payable	-	-
Other liabilities	327,279	693
Retainage payable	-	-
Accrued payroll	196,220	1,188
Due to other funds	-	3,801
Deferred Revenue	1,322,169	-
Total Liabilities	<u>2,342,487</u>	<u>51,067</u>
FUND BALANCES:		
Reserved for encumbrances	120,521	-
Reserved for long-term receivable	123,785	-
Reserved for capital projects	-	-
Reserved for debt service	-	-
Reserved for perpetual care	-	-
Reserved for scholarships and books	-	-
Reserved for inventory	859	-
Reserved for prepaid items	6,999	-
Reserved for other purposes	-	-
Unreserved	5,121,470	-
Unreserved, reported in nonmajor:		
Special revenue funds	-	-
Total Fund Balances	<u>5,373,634</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 7,716,121</u>	<u>\$ 51,067</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 58,799	\$ 1,682,150	\$ 2,423,456
743,000	3,318,517	5,211,517
-	-	1,687,990
-	230,281	1,082,992
-	118,370	118,370
-	(39,918)	(852,818)
26,210	2,286	44,921
-	313,979	2,003,741
-	-	283,095
-	-	2,085,955
-	-	859
-	490	7,489
-	39,637	39,637
-	-	123,785
<u>\$ 828,009</u>	<u>\$ 5,665,792</u>	<u>\$ 14,260,989</u>
\$ -	\$ 353,867	\$ 896,071
-	-	-
-	12,274	340,246
-	70,810	70,810
-	7,796	205,204
-	261,256	265,057
-	696,666	2,018,835
<u>-</u>	<u>1,402,669</u>	<u>3,796,223</u>
-	79,119	199,640
-	-	123,785
-	2,417,295	2,417,295
828,009	-	828,009
-	62,146	62,146
-	27,686	27,686
-	-	859
-	-	6,999
-	908,455	908,455
-	-	5,121,470
-	768,423	768,423
<u>828,009</u>	<u>4,263,124</u>	<u>10,464,767</u>
<u>\$ 828,009</u>	<u>\$ 5,665,793</u>	<u>\$ 14,260,990</u>

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CITY OF MISSION, TEXAS*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**TO THE STATEMENT OF NET ASSETS**SEPTEMBER 30, 2007***EXHIBIT A-4**

Total fund balances - governmental funds balance sheet	\$ 10,464,767
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	89,803,170
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,322,169
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	1,246,981
Payables for bond principal which are not due in the current period are not reported in the funds.	(21,405,000)
Payable for bond interest which are not due in the current period are not reported in the funds.	(124,720)
Payables for notes which are not due in the current period are not reported in the funds.	(50,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(284,958)
Payables for long term liability not due in the current period and not reported in the funds.	(18,830)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(2,056,229)
Unamortized issuance cost unavailable for current-period expenditures and are deferred in the SNA.	486,333
Unamortized premium unavailable for current-period expenditures and are deferred in the SNA.	<u>(126,842)</u>
Net assets of governmental activities - statement of net assets	<u>\$ 79,256,841</u>

The accompanying notes are an integral part of this statement.

CITY OF MISSION, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2007

	General Fund	Community Development Fund
Revenues:		
Taxes and special assessments	\$ 24,762,346	\$ -
Licenses and permits	1,048,873	-
Intergovernmental	1,333,769	763,209
Charges for services	809,153	-
Fines	928,498	-
Interest	232,414	-
Miscellaneous	1,362,120	-
Total Revenues	<u>30,477,173</u>	<u>763,209</u>
Expenditures:		
Current:		
General government	6,770,385	728,739
Public safety	14,429,393	-
Highways and streets	2,466,239	-
Health and welfare	291,930	34,470
Culture and recreation	3,258,898	-
Economic development	-	-
Capital projects	-	-
Debt service:		
Principal retirements	149,385	-
Interest and fiscal charges	5,791	-
Total Expenditures	<u>27,372,021</u>	<u>763,209</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>3,105,152</u>	<u>-</u>
Other Financing Sources (Uses):		
Capital leases	214,294	-
Transfers in	1,175,176	-
Transfers out	(3,569,989)	-
Total Other Financing Sources (Uses)	<u>(2,180,519)</u>	<u>-</u>
Net Change in Fund Balances	924,633	-
Fund Balances at Beginning of Year	<u>4,449,001</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 5,373,634</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 830,986	\$ 25,593,332
-	-	1,048,873
-	2,496,282	4,593,260
-	317,422	1,126,575
-	-	928,498
66,060	220,629	519,103
-	35,650	1,397,770
<u>66,060</u>	<u>3,900,969</u>	<u>35,207,411</u>
-	10,428	7,509,552
-	970,890	15,400,283
-	223,318	2,689,557
-	31,378	357,778
-	1,366,782	4,625,680
-	1,147,191	1,147,191
-	951,640	951,640
1,330,000	-	1,479,385
1,163,311	-	1,169,102
<u>2,493,311</u>	<u>4,701,627</u>	<u>35,330,168</u>
<u>(2,427,251)</u>	<u>(800,658)</u>	<u>(122,757)</u>
-	170,050	384,344
2,522,541	882,692	4,580,409
-	(330,421)	(3,900,410)
<u>2,522,541</u>	<u>722,321</u>	<u>1,064,343</u>
95,290	(78,337)	941,586
<u>732,719</u>	<u>4,341,461</u>	<u>9,523,181</u>
<u>\$ 828,009</u>	<u>\$ 4,263,124</u>	<u>\$ 10,464,767</u>

CITY OF MISSION, TEXAS

EXHIBIT A-6

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007*

Net change in fund balances - total governmental funds	\$ 941,586
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,773,719
The depreciation of capital assets used in governmental activities is not reported in the funds.	(4,483,519)
The gain or loss on the sale of capital assets is not reported in the funds.	-
Donation of capital assets increase net assets in the SOA but not in the funds.	4,547,211
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	4,858
Debt proceeds provided current financial resources in the funds but are not reported as revenues in the SOA.	-
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,330,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	50,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	99,385
Long term interest payable is not an expenditure in the funds but is an expense in the SOA.	(18,830)
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(28,374)
(Increase) decrease in accrued interest from beginning of period to end of period.	188,323
The net revenue (expense) of certain activities of internal service funds is reported with governmental activities.	766,855
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(197,343)
Change in net assets of governmental activities - statement of activities	<u>\$ 5,973,871</u>

The accompanying notes are an integral part of this statement.

CITY OF MISSION, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2007

EXHIBIT A-7

	Business-type Activities-Enterprise Funds				Nonmajor Internal Service Fund
	Utility Fund	Golf Course Fund	Solid Waste	Total	Group Health Employee Plan Fund
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 1,256,640	\$ 15,742	\$ -	\$ 1,272,382	\$ 135,955
Investments	4,049,414	-	-	4,049,414	1,688,915
Restricted assets:					
Cash and cash equivalents	2,774,572	-	-	2,774,572	-
Investments	15,216,655	-	-	15,216,655	-
Accrued interest	45,834	-	-	45,834	-
Receivables	2,391,664	5,773	845,959	3,243,396	39,040
Less: allowance for uncollectibles	(418,840)	-	(187,376)	(606,216)	-
Accrued interest	20,735	-	-	20,735	73
Due from other funds	677,970	-	-	677,970	463
Due from other governments	673,746	-	-	673,746	-
Due from component unit	189,400	-	-	189,400	-
Inventories (at cost)	126,710	16,910	-	143,620	-
Prepaid items	6,430	-	-	6,430	-
Total Current Assets	<u>27,010,930</u>	<u>38,425</u>	<u>658,583</u>	<u>27,707,938</u>	<u>1,864,446</u>
Noncurrent Assets:					
Deferred charges	868,539	2,083	-	870,622	-
	105,036	-	-	105,036	-
Capital assets:					
Land, water rights, and construction in progress	22,817,882	1,803,052	-	24,620,934	-
Other capital assets, net of accumulated depreciation	57,541,330	1,131,201	-	58,672,531	-
Total Noncurrent Assets	<u>81,332,787</u>	<u>2,936,336</u>	<u>-</u>	<u>84,269,123</u>	<u>-</u>
Total Assets	<u>\$ 108,343,717</u>	<u>\$ 2,974,761</u>	<u>\$ 658,583</u>	<u>\$ 111,977,061</u>	<u>\$ 1,864,446</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 679,221	\$ 21,590	\$ 242,676	\$ 943,487	\$ -
Claims payable	-	-	-	-	153,393
Accrued payroll	31,623	8,237	-	39,860	-
Compensated absences payable	187,357	49,903	-	237,260	-
Due to other funds	18,502	506,958	171,011	696,471	-
Unearned revenue	-	52,828	-	52,828	-
Accrued interest	96,661	1,075	-	97,736	-
Other liabilities	18,991	13,818	50,281	83,090	-
Subdividers deposits	1,337,900	-	-	1,337,900	-
Retainage payable	709,796	-	-	709,796	-
Customer deposits	1,651,248	-	-	1,651,248	-
Current portion of long-term debt	2,398,759	128,048	-	2,526,807	-
Total Current Liabilities	<u>7,130,058</u>	<u>782,457</u>	<u>463,968</u>	<u>8,376,483</u>	<u>153,393</u>
Other Non-Current Liabilities:					
Long term compensated absences	31,075	19,628	-	50,703	-
Capital lease payable	-	46,603	-	46,603	-
Public Property Finance Contractual Obligations payable, net of current portion	245,000	185,000	-	430,000	-
Revenue bonds, net of current portion, discount, and deferred amount on refunding	39,246,346	-	-	39,246,346	-
Total Other Non-Current Liabilities	<u>39,522,421</u>	<u>251,231</u>	<u>-</u>	<u>39,773,652</u>	<u>-</u>
Total Liabilities	<u>46,652,479</u>	<u>1,033,688</u>	<u>463,968</u>	<u>48,150,135</u>	<u>153,393</u>
NET ASSETS					
Invested in capital assets, net of related debt	51,305,333	2,576,685	-	53,882,019	-
Restricted for:					
Debt service	3,366,658	-	-	3,366,658	-
Capital projects	289,018	-	-	289,018	-
Other	17,815	-	-	17,815	-
Unrestricted	<u>6,712,414</u>	<u>(635,612)</u>	<u>194,615</u>	<u>6,271,416</u>	<u>1,711,053</u>
Total Net Assets	<u>\$ 61,691,238</u>	<u>\$ 1,941,073</u>	<u>\$ 194,615</u>	<u>\$ 63,826,926</u>	<u>\$ 1,711,053</u>
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds.				464,072	
Net assets of business-type activities				<u>\$ 64,290,998</u>	

The accompanying notes are an integral part of this statement.

CITY OF MISSION, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Business-type Activities-Enterprise Funds	
	Utility Fund	Golf Course Fund
Operating Revenues:		
Charges for services	\$ 14,285,668	\$ 1,060,862
Operating Expenses:		
Insurance claim drafts	-	-
Premium payments	-	-
Utility administration	453,788	-
Water distribution	2,237,785	-
Water treatment	1,303,615	-
Wastewater treatment and collection	1,441,435	-
Industrial pretreatment	404,950	-
Utility collection	666,104	-
Rentals-machinery and equipment	-	-
Organizational expenses	171,902	-
Northside water treatment plant	1,337,090	-
Depreciation	2,659,322	144,126
Cost of sales	-	96,974
Golf course operation	-	1,101,854
Solid waste disposal	-	-
Total Operating Expenses	10,675,991	1,342,954
Operating Income (Loss)	3,609,677	(282,092)
Nonoperating Revenues (Expenses)		
Gain (Loss) on disposal of capital assets	(1,050)	(630)
Interest earned	1,085,816	847
Bond interest expense	(1,733,486)	(10,449)
Bond fiscal charges	(6,810)	-
Other interest expense	-	(5,802)
Total Nonoperating Revenues (Expenses)	(655,530)	(16,034)
Income (Loss) Before Transfers and Capital Contributions	2,954,147	(298,126)
Transfers In (Out)	(750,000)	170,000
Capital Contributions	2,866,803	-
Change in Net Assets	5,070,950	(128,126)
Net Assets-Beginning of Year	56,620,288	2,069,199
Net Assets-End of Year	\$ 61,691,238	\$ 1,941,073

The accompanying notes are an integral part of this statement.

EXHIBIT A-8

Business-type Activities-Enterprise Funds		Nonmajor Internal Service Fund
Solid Waste	Total	Group Health Employee Plan Funds
<u>\$ 3,951,951</u>	<u>\$ 19,298,481</u>	<u>\$ 3,398,866</u>
-	-	2,113,484
-	-	441,079
-	453,788	-
-	2,237,785	-
-	1,303,615	-
-	1,441,435	-
-	404,950	-
-	666,104	-
3,800	3,800	-
-	171,902	-
-	1,337,090	-
-	2,803,448	-
-	96,974	-
-	1,101,854	-
<u>3,966,982</u>	<u>3,966,982</u>	<u>-</u>
<u>3,970,782</u>	<u>15,989,727</u>	<u>2,554,563</u>
<u>(18,831)</u>	<u>3,308,754</u>	<u>844,303</u>
-	(1,680)	-
8,838	1,095,501	69,445
-	(1,743,935)	-
-	(6,810)	-
-	(5,802)	-
<u>8,838</u>	<u>(662,726)</u>	<u>69,445</u>
(9,993)	2,646,028	913,748
(100,000)	(680,000)	-
<u>-</u>	<u>2,866,803</u>	<u>-</u>
(109,993)	4,832,831	913,748
<u>304,608</u>		<u>797,305</u>
<u>\$ 194,615</u>		<u>\$ 1,711,053</u>

Some amounts reported for business-type activities in the statement of activities (EXHIBIT A-2) are different because the net revenue (expense) of the internal service fund is reported with business-type activities.

	<u>230,652</u>
Change in net assets of business-type activities	<u>\$ 5,063,483</u>

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CITY OF MISSION, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT A-9

	Business-type Activities-Enterprise Funds				Internal Service Fund
	Utility Fund	Golf Course Fund	Solid Waste Fund	Totals	Group Health
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ 14,175,709	\$ 1,054,693	\$ 3,858,904	\$ 19,089,306	\$ -
Cash Received from Interfund Services Used	-	-	-	-	3,627,056
Cash Payments from Interfund Services Used	-	-	-	-	(2,613,958)
Cash Payments to Employees for Services	(3,318,983)	(793,686)	-	(4,112,669)	-
Cash Payments to Other Suppliers for Goods and Services	(5,144,656)	(267,362)	(3,860,862)	(9,272,880)	-
Net Cash Provided (Used) by Operating Activities	5,712,070	(6,355)	(1,958)	5,703,757	1,013,098
Cash Flows from Non-Capital Financing Activities:					
Transfers From (To) Other Funds	(750,000)	170,000	(100,000)	(680,000)	-
Net Cash Provided (Used) by Non-Capital Financing Activities	(750,000)	170,000	(100,000)	(680,000)	-
Cash Flows from Capital and Related Financing Activities:					
Proceeds from issuance of Long-term Debt	8,765,000	-	-	8,765,000	-
Principal and Interest Paid	(3,924,784)	(135,399)	-	(4,060,183)	-
Acquisition or Construction of Capital Assets	(1,163,346)	(28,098)	-	(1,191,444)	-
Proceed from Sale of Capital Assets	-	-	-	-	-
Contributed Capital	673,746	-	-	673,746	-
Bond issuance cost	(241,022)	-	-	(241,022)	-
Net Cash Provided (Used) for Capital & Related Financing Activities	4,109,594	(163,497)	-	3,946,097	-
Cash Flows from Investing Activities:					
Purchase of Investment Securities	(41,070,350)	-	(150,000)	(41,220,350)	(4,369,088)
Proceeds from Sale and Maturities of Securities	32,009,983	10,000	150,000	32,169,983	3,311,025
Interest on Investments	872,431	848	8,838	882,117	64,649
Net Cash Provided (Used) for Investing Activities	(8,187,936)	10,848	8,838	(8,168,250)	(993,414)
Net Increase (Decrease) in Cash and Cash Equivalents	883,728	10,996	(93,120)	801,604	19,684
Cash and Cash Equivalents at Beginning of Year	3,147,484	4,745	93,120	3,245,349	116,271
Cash and Cash Equivalents at End of Year	\$ 4,031,212	\$ 15,741	\$ -	\$ 4,046,953	\$ 135,955
Reconciliation of Operating Income to Net Cash					
Provided by Operating Activities:					
Operating Income (Loss)	\$ 3,609,675	\$ (282,092)	\$ (18,831)	\$ 3,308,752	\$ 844,304
Adjustments to Reconcile Operating Income to Net Cash					
Provided by Operating Activities:					
Depreciation	2,659,322	144,126	-	2,803,448	-
Change in Assets and Liabilities:					
Decrease (Increase) in Receivables	30,313	3,065	(93,046)	(59,668)	228,652
Decrease (Increase) in Inventories	(22,225)	(5,694)	-	(27,919)	-
Decrease (Increase) in Prepaid Expenses	(90)	-	-	(90)	-
Decrease (Increase) in Due from Other Funds	(320,117)	-	-	(320,117)	(463)
Decrease (Increase) in Due from Other Governments	(337,576)	-	-	(337,576)	-
Increase (Decrease) in Accounts Payable	(75,630)	1,050	(65,858)	(140,438)	-
Increase (Decrease) in Customer Deposits	143,945	-	-	143,945	-
Increase (Decrease) in Accrued Wages Payable	(29,252)	(10,053)	-	(39,305)	-
Increase (Decrease) in Due to Other Funds	3,401	149,105	171,011	323,517	-
Increase (Decrease) in Other Liabilities	(9,011)	(4,006)	4,766	(8,251)	(59,395)
Increase (Decrease) in Subdividers Deposits Payable	53,359	-	-	53,359	-
Increase (Decrease) in Compensated Absences Payable	5,956	6,871	-	12,827	-
Increase (Decrease) in Deferred Revenue	-	(8,727)	-	(8,727)	-
Total Adjustments	2,102,395	275,737	16,873	2,395,005	168,794
Net Cash Provided (Used) by Operating Activities	\$ 5,712,070	\$ (6,355)	\$ (1,958)	\$ 5,703,757	\$ 1,013,098
Non-Cash Capital Financing Activities					
Contributed Capital Assets	\$ 2,193,057	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of this statement.

CITY OF MISSION, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2007

EXHIBIT A-10

	Private-purpose Trust Fund Speer Library- Breyfogle
ASSETS	
Cash and cash equivalents	\$ -
Investments	6,319
Accrued interest receivable	82
Total Assets	<u>\$ 6,401</u>
LIABILITIES	
Total Liabilities	<u>-</u>
NET ASSETS	
Held in trust for scholarships and books	<u>\$ 6,401</u>
Total Net Assets	<u>\$ 6,401</u>

The accompanying notes are an integral part of this statement.

CITY OF MISSION, TEXAS**EXHIBIT A-11****STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Private-purpose Trust Fund Speer Library- Breyfogle
Additions:	
Investment Income	\$ 305
Total Additions	305
Deductions:	
Scholarship Awards	-
Total Deductions	-
Change in Net Assets	305
Net Assets-Beginning of the Year	6,096
Net Assets-End of the Year	\$ 6,401

The accompanying notes are an integral part of this statement.

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Mission, Texas, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

The accounting policies of the City of Mission as reflected in the accompanying financial statements conform to generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

The City of Mission is a municipal corporation governed by an elected mayor and a four member Council. The accompanying financial statements of the reporting entity include those of the City of Mission (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the City.

Blended Component Units

None.

Discretely Presented Component Units

The Mission Economic Development Corporation (MEDC) was organized on behalf of the City of Mission for the specific public purpose of the promotion and development of commercial, industrial and manufacturing enterprises to promote and encourage employment and the public welfare. MEDC is governed by a five member board of directors, each of which is appointed by the City Council. Any director may be removed from office by the City Council for cause or at will. MEDC's primary source of revenues is sales tax revenues generated by the City of Mission. In addition, the City approves the programs and expenditures of MEDC and must approve amendments to MEDC's bylaws and Articles of Incorporation. MEDC is presented as a governmental fund type and has a September 30 year end.

Complete Financial Statements for the above component unit may be obtained at its administrative office at:

Mission Economic Development Corporation
1201 E. 8th St.
Mission, Texas 78572

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City of Mission, Texas authorized the creation of the Mission Redevelopment Authority (MRA) by the Resolution No. 1021 passed on November 26, 2001. The Authority was created and organized as a local government corporation pursuant to provisions of Subchapter D of Chapter 431 of the Texas Transportation Code and Chapter 394 of the Texas Local Government Code. MRA is organized as a public non-profit corporation for the purpose of aiding, assisting, and acting on behalf of the City in the performance of its governmental function to promote the common good and general welfare of Reinvestment Zone Number One (the "Zone") and neighboring areas; in the preparation and implementation of a project plan and a reinvestment zone financing plan for the zone; in the development of a policy to finance development and redevelopment of residential, educational facilities, commercial and park/open space properties in the Mission area; and in the development and implementation of redevelopment policy for the Mission area, including the acquisition of land for redevelopment purposes. MRA may issue bonds with the consent of the City Council. MRA is managed by a Board of Directors consisting of seven members, five of whom are appointed by the mayor with the approval of the City Council, and one each for other participating entities. MRA is presented as a governmental fund type and has a September 30 year end.

Complete Financial Statements for the above mentioned component unit may be obtained at its administrative office at:

Mission Redevelopment Authority
c/o Hawes, Hill & Calderon, LLP
2500 Tanglewilde Suite 260
Houston, Texas 77063

B. Government-wide and fund financial statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of 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 given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxes and other items not properly included among program revenues are reported instead 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 fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 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.

Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, interest revenue and charges for services. Sales taxes collected and held by the intermediary collecting governments at year end on behalf of the City also are recognized as revenue. Fines, permits and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The City reports the following fund types and related major governmental funds:

General Fund - 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.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than private purpose trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The only special revenue fund reported as a major fund is the Community Development Fund. This is used to account for the Community Development Block Grant, a federal program.

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Debt Service Fund - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The debt service fund is reported as a major fund.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition of capital assets or construction of major capital facilities, not being financed by the proprietary funds. None of the capital project funds are major.

The City reports the following proprietary fund types and related major funds:

Enterprise Funds - Enterprise Funds are used to account for operations (a) 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; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City reports all of its enterprise funds as major funds.

The Utility Fund accounts for the provision of water and sewer services to the residents of the City and some residents outside of the City.

The Golf Course Fund accounts for the operations and maintenance of the Shary Municipal Golf Course.

The Solid Waste Fund accounts for the provision of garbage and brush collection for the residents of the City.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The Group Health Employee Fund is used to account for health insurance premiums collected from employees and various City departments. Health insurance claims are also reflected in this fund.

The City reports fiduciary fund types, in which the City accounts for assets received and held by the City in the capacity of trustee, agent or custodian. Expenditures are made only in accordance with the purpose for which the assets are received and cannot be used to support the City's programs. Within this category of fund types, the private-purpose trust fund is used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types. All resources of the fund, including any earnings on invested resources, may be used to support the organization's activities. There is no requirement that any portion of these resources be preserved as capital.

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Private-sector standards of accounting and financial reporting issued prior to December 1, 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 this same limitation. The government 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 charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service funds 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 nonoperating revenues and expenses.

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

D. *Cash and Investments*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments consist of money market investments, certificates of deposit, and U.S. agency obligations.

Money market investments which are short-term, highly liquid debt instruments including commercial paper, bankers acceptance and U.S. Treasury and agency obligations are reported at amortized cost. All other investments are reported at fair value except for certificates of deposit which are stated at cost.

The City can legally invest in adequately secured investments in accordance with the Public Funds Investment Act. In general, this policy allows the City to invest in certificates of deposit, repurchase agreements, obligations of the U.S. Government and its Agencies or instrumentalities and State obligations.

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The Mission Economic Development Corporation (MEDC) is authorized to invest in certificates of deposit, obligations of the U.S. Government and its agencies, or instrumentalities and state obligations. Investments are reported at amortized cost in the component unit, except for certificates of deposit which are stated at cost. MEDC's bank accounts are managed by the City and the City's investment policies are followed.

The Mission Redevelopment Authority is authorized to invest in any investments that are permitted by state statutes under the Public Funds Investment Act. During the year, MRA had no investments.

E. *Interfund Receivables/Payables*

Lending/borrowing between funds that results in amounts outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds". "Due to/from other funds" represents the current portion of interfund loans. "Advances to/from other funds" represents the non-current portion of interfund loans. With respect to the government-wide financial statements, any residual balances outstanding between the governmental activities and business-type activities are reported as "internal balances."

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

F. *Property Taxes Receivable*

Property taxes receivable recorded in the General Fund include amounts levied for debt service which have been pledged irrevocably for such purpose. Tax revenues transferred to the Debt Service Fund are accounted for as operating transfers in the fund financial statements.

G. *Inventory*

Inventory held by each fund is stated at cost (primarily first-in, first-out). Inventories are recorded under the consumption method. Under this method, the expenditure is initially recorded as an asset and subsequently expended upon usage.

H. *Restricted Assets*

Certain proceeds of Utility Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "interest and sinking fund" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "reserve fund" account is used to report resources set aside to make up potential future deficiencies in the interest and sinking fund. The "extension and improvement fund" account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets

Capital assets, which includes property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$250 or more and an estimated useful life in excess of one year.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Depreciation of capital assets used by proprietary funds is charged as an expense against their operations in the fund financial statements as well as the government-wide financial statements. Depreciation of general capital assets used by funds categorized as governmental activities is not provided in the fund financial statements, however it is included in the gross expense by function in the government-wide Statement of Activities. Capital assets, net of accumulated depreciation, are reported on proprietary fund balance sheets and in both the governmental activities and business-type activities column of government-wide Statement of Net Assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

<u>Assets</u>	<u>Useful Lives</u>
Buildings	30 years
Furniture and Equipment	5-15 years
Vehicles	3-20 years
Water plant and water tower	20-50 years
Water lines	25 years
Sewer system	20 years
Infrastructure	10-45 years

J. Construction Period Interest

The Utility Fund (an enterprise fund) has capitalized interest cost during the construction period of water and wastewater projects. The capitalized interest is recorded as part of the cost of these projects and will be depreciated over the assets' estimated useful life. The amount of interest cost capitalized is net of interest earned on investments acquired with proceeds of related borrowings. Interest expense is not capitalized on capital assets of governmental funds.

K. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported only in the governmental activities column of the government-wide financial statements. Amounts vested or accumulated are only reported in the governmental funds if maturing as of year end. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of Governmental Accounting Standards

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

K. Compensated Absences (Continued)

Board Statement No. 16, Accounting for Compensated Absences, the vesting method can be used to calculate the liability related to compensated absences for sick leave. The vesting method focuses on vesting sick leave. Vesting rights include vested rights and those rights that will eventually vest. With the exception of police officers and firefighters, discussed below, the City has recognized a liability for the vested part of employee sick leave. Per the City's Personnel Policy Manual, one-half of accumulated sick days up to a maximum of 90 days will vest once an employee either reaches 15 years of service or is eligible for official retirement as defined by the Texas Municipal Retirement System.

As per the state statute, Police Officers and Firefighters are allowed to accumulate 15 sick days for 12 months of employment. They are entitled to receive a lump-sum payment of the full amount of accumulated sick leave not to exceed a total of 90 days pay. There is no requirement on vested time to receive this benefit.

L. Long-Term Obligations

In 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 governmental/business type activities or the specific proprietary fund to which each relates, as applicable. Bond premiums and discounts, as well as issuance costs, are unearned charges and amortized over the term of the related debt.

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

M. Fund Equity

In governmental fund financial statements, fund balance that represents amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose are reported as reservations of fund balance. Amounts representing tentative management plans, which are subject to change, are reported as designations of fund balance.

N. Prepaid Items

In the governmental fund types, payments made for services that benefit periods beyond the current year are recorded as expenditures in the current year.

O. Internal Service Fund Activity

Because the principal users of the internal service activities are the City's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statement. Only the net profit or loss before investment income is allocated to the operating programs benefited. The investment income is combined with other unrestricted income as general revenue in the statement of activities.

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

As mandated by the City Charter, budgets are required for all City funds each year. For the year ended September 30, 2007 budgets were not adopted for the Fiduciary Funds, but were adopted for the Internal Service Funds. Budget comparisons to actual expenditures for these funds are not required to be included in the financial statements. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds except for the Capital Projects Funds. Budgets for the Capital Projects Funds are adopted over the multiple-year term of the projects.

NOTE 3 - PROPERTY TAXES

Property taxes are levied by October 1 in conformity with the Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period and those expected to be collected during a 30 day period after the close of the City's fiscal year.

Property taxes are billed and collected by the Hidalgo County Tax Office for the city by contract agreement. Tax collections are transferred directly into the City's bank account.

The City is a Home-Rule Charter City with a maximum authorized tax rate for all purposes of \$2.50 per \$100 valuation. The combined tax rate for the year ended September 30, 2007 (2006 levy), was \$.5566 per \$100 valuation.

Taxes receivable consists of property taxes of \$1,687,990 and sales taxes of \$1,500,541 for a total taxes receivable of \$3,188,531.

NOTE 4 - DEPOSITS AND INVESTMENTS

A. Primary Government

Deposits - At September 30, 2007, the carrying value of the City's deposits was \$14,381,513 and the bank balance was \$15,968,645. Of this bank balance, \$300,000 was covered by FDIC insurance, and the remainder was fully collateralized with securities held by the City's agent in the City's name.

Investment Policy

The primary objective of the City's investment activity is the preservation of capital in the overall portfolio. Each investment transaction shall be conducted in a manner to avoid capital losses, whether they are from security defaults or erosion of market value.

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS *(Continued)*

The City's policy authorizes the following investment instruments:

1. Obligations of the United States of America, its agencies and instrumentalities, which have a liquid market with a readily determinable market value.
2. Direct obligations of the State of Texas and agencies thereof.
3. Other obligations, the principal of and interest on which are unconditionally guaranteed by the State of Texas or United States of America.
4. Obligations of the States, agencies thereof, Counties, Cities, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm, and having received a rating of not less than "A" or its equivalent.
5. Certificates of Deposit of state and national banks domiciled in Texas, guaranteed or insured by the Federal Deposit Insurance or its successor or secured by obligations described in 1 through 4 above, which are intended to include all direct agency or instrumentality issued mortgage backed securities rated AAA by nationally recognized rating agency, or by Article 2529b-1, V.T.C.S., and that have a market value of not less than the principal amount of the certificates.
6. Fully collateralized direct repurchase agreements with a defined termination date secured by obligations of the United States or its agencies and instrumentalities pledged with a third party, selected by the Finance Director, other than an agency for the pledgor. Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in Texas. A master repurchase agreement must be signed by the bank/dealer prior to investment in a repurchase agreement.
7. Joint pools of political subdivisions in the State of Texas which invest in instruments and follow practices allowed by current law. A pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

Interest Rate Risk –

The risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

The City's investment policy limits average maturities of all investments to one year or less. The maximum final stated maturity of any investment shall not exceed five years. Portfolio diversification is employed as a way to control the risk. The City's investment portfolio is required to have sufficient liquidity to meet anticipated cash flow requirements.

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

The following is the Interest Rate Risk using Specific Identification, as of September 30, 2007:

Investment Type	Amortized Cost	Maturity Period	
		3 Months or Less	4-12 Months
Freddie Discount	\$ 649,176	\$ -	\$ 649,176
Freddie Discount	1,145,258	1,145,258	-
Freddie Discount	494,003	-	494,003
Freddie Discount	393,327	-	393,327
Federal Home Loan Bank	1,065,540	1,065,540	-
Federal Home Loan Bank	494,875	494,875	-
Federal Home Loan Bank	345,035	-	345,035
Federal Home Loan Bank	929,987	-	929,987
Federal Home Loan Bank	1,762,380	-	1,762,380
Federal Home Loan Bank	1,462,309	-	1,462,309
Federal Nat'l Mortgage Assc.	649,908	649,908	-
Federal Nat'l Mortgage Assc.	548,056	-	548,056
Federal Nat'l Mortgage Assc.	2,989,335	-	2,989,335
Federal Nat'l Mortgage Assc.	721,534	721,534	-
Federal Nat'l Mortgage Assc.	745,920	-	745,920
Federal Nat'l Mortgage Assc.	496,828	-	496,828
Federal Nat'l Mortgage Assc.	644,529	-	644,529
Federal Nat'l Mortgage Assc.	790,295	-	790,295
Federal Nat'l Mortgage Assc.	1,085,979	-	1,085,979
Texpool	1,016,598	1,016,598	-
Total	<u>\$ 18,430,871</u>	<u>\$ 5,093,713</u>	<u>\$ 13,337,158</u>

Credit Risk –

The City's investment policy authorizes the following pools:

Public funds investment pools in Texas ("Pools") are established under the authority of the Inter-local Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"). Chapter 2258 of the Texas Government Code, in addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

Statutes authorize the City to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, certain municipal securities, repurchase agreements, and other investments specifically allowed by the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code).

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS *(Continued)*

The City's investment policies and types of investments are governed by the Public Funds Investments Act (PFIA). The City's management believes that it complied with the requirements of the PFIA and the City's Investment policies.

As of September 30, 2007, the following was the composition of the City's credit rating by investment:

Credit Quality Distribution of Securities With Credit Exposure as a Percentage of Total Investments		
Investment Type	Rating	Exposure
Freddie Discount	AAA	4%
Freddie Discount	AAA	7%
Freddie Discount	AAA	3%
Freddie Discount	AAA	2%
Federal Home Loan Bank	AAA	6%
Federal Home Loan Bank	AAA	3%
Federal Home Loan Bank	AAA	2%
Federal Home Loan Bank	AAA	5%
Federal Home Loan Bank	AAA	10%
Federal Home Loan Bank	AAA	8%
Federal Nat'l Mortgage Assc.	AAA	4%
Federal Nat'l Mortgage Assc.	AAA	3%
Federal Nat'l Mortgage Assc.	AAA	17%
Federal Nat'l Mortgage Assc.	AAA	4%
Federal Nat'l Mortgage Assc.	AAA	4%
Federal Nat'l Mortgage Assc.	AAA	3%
Federal Nat'l Mortgage Assc.	AAA	4%
Federal Nat'l Mortgage Assc.	AAA	5%
Federal Nat'l Mortgage Assc.	AAA	6%
Texpool	AAA	1%

Concentrations of Credit Risk –

Portfolio diversification is critically important to the City to help mitigate the risk of loss. The following are employed terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific issuer, as a way to control risk.

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

As of September 30, 2007, the following was the composition of the City's investment portfolio:

Investment Type	Rating	Exposure
Freddie Discount	AAA	4%
Freddie Discount	AAA	7%
Freddie Discount	AAA	3%
Freddie Discount	AAA	2%
Federal Home Loan Bank	AAA	6%
Federal Home Loan Bank	AAA	3%
Federal Home Loan Bank	AAA	2%
Federal Home Loan Bank	AAA	5%
Federal Home Loan Bank	AAA	10%
Federal Home Loan Bank	AAA	8%
Federal Nat'l Mortgage Assc.	AAA	4%
Federal Nat'l Mortgage Assc.	AAA	3%
Federal Nat'l Mortgage Assc.	AAA	17%
Federal Nat'l Mortgage Assc.	AAA	4%
Federal Nat'l Mortgage Assc.	AAA	4%
Federal Nat'l Mortgage Assc.	AAA	3%
Federal Nat'l Mortgage Assc.	AAA	4%
Federal Nat'l Mortgage Assc.	AAA	5%
Federal Nat'l Mortgage Assc.	AAA	6%
Texpool	AAA	1%

Custodial Credit Risk –

For an investment, custodial credit risk is the risk that the City will not be able to recover the value of investments or collateral securities that are in the possession of an outside party if the counterparty to an investment will not fulfill its obligation.

The City's investments are categorized as a level one custodial credit risk, meaning that its investments are insured or registered or securities held by the City or its' agent in the City's name.

The City is prohibited from investing in the following types of investments:

- a. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal.
- b. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest.
- c. Collateralized mortgage obligations that have a stated final maturity date of greater than ten years.

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

- d. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

A reconciliation of cash and investments as shown on the Statement of Net Assets for the primary government follows:

Cash on hand	\$ 5,940
Carrying amount deposit	14,381,513
Investments	18,430,871
Less: Statement of Fiduciary Net Assets - investments	(6,318)
Cash and Investments Statement of Net Assets	<u>\$ 32,812,006</u>
Cash and cash equivalents	\$ 3,831,794
Investments	10,949,846
Restricted assets	18,080,033
Less: Accrued interest	(49,667)
Cash and Investments Statement of Net Assets	<u>\$ 32,812,006</u>

B. Component Units

Mission Economic Development Corporation

Deposits - At September 30, 2007, the carrying value of Mission Economic Development Corporation's deposits was \$953,594 and the bank balance was \$975,262. All deposits were fully insured or collateralized.

Investments - During the year, MEDC's investments consisted of obligations of the U.S. Government or its Agencies and instrumentalities. MRA had no investments at September 30, 2007.

Interest Rate Risk -

The risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

MEDC's investment policy limits average maturities of all investments to one year or less. The maximum final stated maturity of any investment shall not exceed five years. Portfolio diversification is employed as a way to control the risk. MEDC's investment portfolio is required to have sufficient liquidity to meet anticipated cash flow requirements.

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

The following is the Interest Rate Risk using Specific Identification, as of September 30, 2007:

Investment Type	Amortized Cost	Maturity Period	
		3 Months or Less	4-12 Months
Federal Home Loan Bank	\$ 247,800	\$ 247,800	\$ -
Federal Home Loan Bank	247,437	247,437	-
Federal Home Loan Bank	147,872	-	147,872
Freddie Discount	149,810	-	149,810
Freddie Discount	248,969	248,969	-
Federal Nat'l Mortgage Assc.	198,912	-	198,912
Federal Nat'l Mortgage Assc.	198,731	-	198,731
Federal Nat'l Mortgage Assc.	247,896	-	247,896
Federal Nat'l Mortgage Assc.	74,369	-	74,369
Federal Nat'l Mortgage Assc.	197,574	-	197,574
	<u>\$ 1,959,370</u>	<u>\$ 744,206</u>	<u>\$ 1,215,164</u>

Credit Risk –

MEDC's investment policy authorizes the following pools:

Public funds investment pools in Texas ("Pools") are established under the authority of the Inter-local Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"). Chapter 2258 of the Texas Government Code, in addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

Statutes authorize MEDC to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, certain municipal securities, repurchase agreements, and other investments specifically allowed by the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code).

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

MEDC's investment policies and types of investments are governed by the Public Funds Investments Act (PFIA). The Corporation's management believes that it complied with the requirements of the PFIA and the Corporation's Investment policies.

As of September 30, 2007, the following was the composition of MEDC's credit rating by investment:

Credit Quality Distribution of Securities With Credit Exposure as a Percentage of Total Investments		
Investment Type	Rating	Exposure
Federal Home Loan Bank	AAA	13%
Federal Home Loan Bank	AAA	13%
Federal Home Loan Bank	AAA	8%
Freddie Discount	AAA	8%
Freddie Discount	AAA	13%
Federal Nat'l Mortgage Assc.	AAA	10%
Federal Nat'l Mortgage Assc.	AAA	10%
Federal Nat'l Mortgage Assc.	AAA	13%
Federal Nat'l Mortgage Assc.	AAA	4%
Federal Nat'l Mortgage Assc.	AAA	10%

Concentrations of Credit Risk –

Portfolio diversification is critically important to MEDC to help mitigate the risk of loss. The following are employed terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific issuer, as a way to control risk.

As of September 30, 2007, the following was the composition of MEDC's investment portfolio:

Federal Home Loan Bank	AAA	13%
Federal Home Loan Bank	AAA	13%
Federal Home Loan Bank	AAA	8%
Freddie Discount	AAA	8%
Freddie Discount	AAA	13%
Federal Nat'l Mortgage Assc.	AAA	10%
Federal Nat'l Mortgage Assc.	AAA	10%
Federal Nat'l Mortgage Assc.	AAA	13%
Federal Nat'l Mortgage Assc.	AAA	4%
Federal Nat'l Mortgage Assc.	AAA	10%

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

A reconciliation of cash and investments as shown on the statement of net assets for MEDC follows:

Carrying amount deposit	\$ 953,594
Investments	<u>1,959,370</u>
Cash and Investments Statement of Net Assets	<u>\$ 2,912,964</u>
Cash and cash equivalents	\$ 1,204,399
Investments	1,140,795
Restricted Assets	573,850
Less: Accrued Interest	<u>(6,080)</u>
Cash and Investments Statement of Net Assets	<u>\$ 2,912,964</u>

Custodial Credit Risk –

For an investment, custodial credit risk is the risk that MEDC will not be able to recover the value of investments or collateral securities that are in the possession of an outside party if the counterparty to an investment will not fulfill its obligation.

MEDC's investments are categorized as a level one custodial credit risk, meaning that its investments are insured or registered or securities held by MEDC or its' agent in MEDC's name.

MEDC is prohibited from investing in the following types of investments:

- e. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal.
- f. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest.
- g. Collateralized mortgage obligations that have a stated final maturity date of greater than ten years.
- h. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS *(Continued)*

Mission Redevelopment Authority

Deposits

Custodial Credit Risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporations or its successor, be continuously secured by a valid pledge to the Authority of securities eligible under the laws of Texas to secure the funds of the Authority, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At the fiscal year end, the carrying amount of the Authority's deposits were \$1,450,548 and the bank balance was \$1,486,522. Of the bank balance, \$100,000 was covered by federal depository insurance and the remaining balance was covered by collateral held in a third-party depository in the Authority's name.

Investments

Under Texas statute, the Authority is required to invest in funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all Authority funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the Authority's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. Authority's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest Authority funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the Authority and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds insured, assumed or guaranteed by the State of Israel, (7) insured or collateralized

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

As of September 30, 2007, the Mission Redevelopment Authority had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More than 10
<u>DEBT SERVICE FUND-</u> (Restricted for Payment of Debt Service Fund)					
Money Market Fund	\$ 932,138	\$ 932,138	-	-	-

Credit Risk. Credit Risk is the risk that the issuer or the counterparty to an investment will not fulfill its obligations. At September 30, 2007, the Authority's Money Market Fund investment rating was unavailable.

Interest Rate Risk. Interest Rate Risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Authority considers the investment in the Money Market Fund to have a maturity of less than one year due to the fact that share position can usually be redeemed each day at the discretion of the Authority, unless there has been a significant change in value.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. Interfund receivable and payable balances at September 30, 2007 were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Non-Major Governmental Funds	\$ 110,408
General Fund	Utility Fund	18,502
General Fund	Community Development Fund	3,801
Utility Fund	Golf Course Fund	506,958
Utility Fund	Solid Waste Fund	171,011
Employee Health Insurance Fund	Designated Purpose Fund	463
Payroll Fund	General Fund	196,470
Payroll Fund	Utility Fund	31,623
Payroll Fund	Non-Major Governmental Funds	8,985
		<u>\$ 1,048,221</u>

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

The remaining balances resulted from a routine lag between the dates that transactions are recorded in the accounting system and payments between the funds are made. All amounts are scheduled to be repaid within one year.

B. Due to/from the primary government and component unit at September 30, 2007 were as follows:

Receivable Entity	Payable Entity	Amount
Primary Government - General Fund	Component Unit - MEDC	\$ 299,935
Primary Government - General Fund	Component Unit - MRA	1,918,061
		<u>\$ 2,217,996</u>

C. Interfund Transfers:

	Transfer In:				Total
	General Fund	Golf Course Fund	Debt Service Fund	Nonmajor Governmental Funds	
Transfer Out:					
General Fund	\$ -	\$ 170,000	\$ 2,522,541	\$ 882,693	\$ 3,575,234
Nonmajor Governmental Funds	325,176	-	-	-	325,176
Solid Waste Fund	100,000				100,000
Utility Fund	750,000	-	-	-	750,000
Total Transfer Out	<u>\$ 1,175,176</u>	<u>\$ 170,000</u>	<u>\$ 2,522,541</u>	<u>\$ 882,693</u>	<u>\$ 4,750,410</u>

Transfers out of the general fund to the debt service fund were tax collections to cover debt service requirements that came due within the fiscal year. Other transfers out from the general to nonmajor governmental funds were to sustain the operating activities of those funds.

A nonmajor governmental fund transferred funds to the general fund to sustain ongoing activities within the street department. A transfer from the solid waste fund to the general fund was to sustain the ongoing maintenance of streets and alleys destroyed by the garbage trucks on a daily basis.

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2007 was as follows:

	Balance at October 1, 2006	Increases	Decreases	Balance at September 30, 2007
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 30,152,862	\$ 634,377	\$ -	\$ 30,787,239
Construction in progress	4,677,019	1,600,195	(1,592,611)	4,684,603
Total capital assets, not being depreciated	<u>34,829,881</u>	<u>2,234,572</u>	<u>(1,592,611)</u>	<u>35,471,842</u>
Capital assets, being depreciated:				
Buildings	10,786,707	-	-	10,786,707
Improvements other than buildings	5,358,507	132,675	-	5,491,182
Machinery and equipment	13,527,096	1,420,459	(109,145)	14,838,410
Infrastructure	55,869,679	5,598,513	-	61,468,192
Total capital assets, being depreciated	<u>85,541,989</u>	<u>7,151,647</u>	<u>(109,145)</u>	<u>92,584,491</u>
Less accumulated depreciation for:				
Buildings	(2,912,779)	(286,213)	-	(3,198,992)
Improvements other than buildings	(2,400,698)	(103,313)	-	(2,504,011)
Machinery and equipment	(8,960,123)	(1,310,590)	103,159	(10,167,554)
Infrastructure	(19,599,206)	(2,783,402)	-	(22,382,608)
Total accumulated depreciation	<u>(33,872,806)</u>	<u>(4,483,518)</u>	<u>103,159</u>	<u>(38,253,165)</u>
Total capital assets, being depreciated, net	<u>51,669,183</u>	<u>2,668,129</u>	<u>(5,986)</u>	<u>54,331,326</u>
Governmental Activities Capital Assets, Net	<u>\$ 86,499,064</u>	<u>\$ 4,902,701</u>	<u>\$ (1,598,597)</u>	<u>\$ 89,803,168</u>
<u>Business-type Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 3,587,102	\$ 53,000	\$ -	\$ 3,640,102
Water Rights	740,000	-	-	740,000
Construction in progress	33,552,890	1,301,920	(14,613,979)	20,240,831
Total assets, not being depreciated	<u>37,879,992</u>	<u>1,354,920</u>	<u>(14,613,979)</u>	<u>24,620,933</u>
Capital assets, being depreciated:				
Buildings and system	69,044,265	16,817,704	-	85,861,969
Improvements other than buildings	1,787,922	-	-	1,787,922
Furniture and equipment	5,034,605	214,066	(10,725)	5,237,946
Total assets, being depreciated	<u>75,866,792</u>	<u>17,031,770</u>	<u>(10,725)</u>	<u>92,887,837</u>
Less accumulated depreciation:				
Buildings and system	(27,505,007)	(2,257,968)	-	(29,762,975)
Improvements other than buildings	(1,109,634)	(47,085)	-	(1,156,719)
Furniture and equipment	(2,806,263)	(498,395)	9,047	(3,295,611)
Total accumulated depreciation	<u>(31,420,904)</u>	<u>(2,803,448)</u>	<u>9,047</u>	<u>(34,215,305)</u>
Total capital assets, being depreciated, net	<u>44,445,888</u>	<u>14,228,322</u>	<u>(1,678)</u>	<u>58,672,532</u>
Business-type Activities Capital Assets, Net	<u>\$ 82,325,880</u>	<u>\$ 15,583,242</u>	<u>\$ (14,615,657)</u>	<u>\$ 83,293,465</u>

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 6 – CAPITAL ASSETS (Continued)

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

Governmental Activities:

General government	\$ 251,142
Public safety	820,723
Highways and streets, including depreciation of general infrastructure assets	2,904,833
Sanitation	13,453
Culture and recreation	493,367
Total depreciation expense -governmental acitivities	<u>\$ 4,483,518</u>

Business-type Activities:

Utility	\$ 2,659,322
Golf Course	144,126
Total depreciation expense - business-type acitivities	<u>\$ 2,803,448</u>

NOTE 7 – RECEIVABLES

Receivables at September 30, 2007 were as follows:

	Taxes	Accounts	Special Assessments	Due From Other Governments	Other	Allowance for Uncollectibles	Net Receivables
Governmental Activities:							
General	\$ 1,687,990	\$ 889,351	\$ -	\$ 1,638,695	\$ 16,498	\$ (812,900)	\$ 3,419,634
Community Development	-	-	-	51,067	-	-	51,067
Debt Service	-	-	-	-	26,210	-	26,210
Other							
Governmental	-	230,281	118,370	313,979	2,286	(39,918)	624,998
Total Governmental Activities	<u>\$ 1,687,990</u>	<u>\$ 1,119,632</u>	<u>\$ 118,370</u>	<u>\$ 2,003,741</u>	<u>\$ 44,994</u>	<u>\$ (852,818)</u>	<u>\$ 4,121,909</u>
Business-type Activities							
Utility	\$ -	\$ 2,391,664	\$ -	\$ 673,746	\$ 20,735	\$ (418,840)	\$ 2,667,305
Golf Course	-	5,773	-	-	-	-	5,773
Solid Waste	-	845,959	-	-	-	(187,377)	658,582
Total Business-type Activities	<u>\$ -</u>	<u>\$ 3,243,397</u>	<u>\$ -</u>	<u>\$ 673,746</u>	<u>\$ 20,735</u>	<u>\$ (606,217)</u>	<u>\$ 3,331,660</u>

Revenues of the Utility and Solid Waste Funds are reported net of uncollectible amounts related to revenues of the current period.

	Utility Fund	Solid Waste Fund
Gross Operating Revenues	\$ 14,323,653	\$ 3,965,308
Uncollectibles Related to Current Year	(37,985)	(13,358)
Net Operating Revenues	<u>\$ 14,285,668</u>	<u>\$ 3,951,950</u>

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 8 – DISAGGREGATION OF OTHER LIABILITIES

A. At September 30, 2007 the City had the following Other Liabilities:

<u>Payable To</u>	<u>Governmental Activities</u>	<u>Total</u>
Due to State	\$ 144,361	\$ 144,361
Wages and Deductions	137,662	137,662
Court Deposits/Refunds	10,318	10,318
Tax Attorney	15,227	15,227
Due to Other Entities	51,508	51,508
	<u>\$ 359,076</u>	<u>\$ 359,076</u>

B. At September 30, 2007 the Mission Redevelopment Authority had the following other liabilities:

<u>Payable to</u>	
Contractors	\$ 78,427
Developers	757,994
	<u>\$ 836,421</u>

NOTE 9 - LONG-TERM DEBT

Public Property Financing Contractual Obligations

The City issues public property financing contractual obligations to finance the acquisition of personal property. These types of bonds have been issued by the City both for governmental activities as well as business-type activities. The original amount of public property financing contractual obligations, a portion of which remain outstanding, issued in prior years was \$7,340,000.

Public Property Financing Contractual Obligations payable at September 30, 2007 are comprised of the following:

Governmental and Business-type activities:

\$1,530,000 Public Property Financing Contractual Obligations Series 1995 payable in annual installments ranging from \$45,000 to \$185,000 through February 1, 2011; interest at 4.5% through 6.5%.	\$ 215,000
\$3,420,000, Public Property Financing Contractual Obligations, Series 1998, of which \$2,955,000 represents general long-term debt (\$280,000 represents Utility Fund debt and \$185,000 represents Golf Course Fund debt) due in annual installments ranging from \$260,000 to \$120,000 through September 30, 2013; interest at 4.65% to 6.00%.	800,000

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 9 - LONG-TERM DEBT (Continued)

\$2,165,000, Public Property Financing Contractual Obligations,
Series 2000, of which \$1,835,000 represents general long-term
debt (\$330,000 represents Utility Fund debt) due in annual
installments ranging from \$220,000 to \$4,000 through
February 15, 2016; interest at 4.50% to 5.75%. 320,000

\$2,390,000 Public Property Financing Contractual Obligations,
Series 2003, of which \$1,020,000 represents general, long-term
debt (\$1,370,000 represents Utility Fund debt) due in annual
installments ranging from \$40,000 to \$450,000 through
February 15, 2010; interest at 2.00% to 3.25% 775,000

Total Public Property Financing Contractual Obligations \$ 2,110,000

Public Property Financing Contractual Obligations debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 465,000	\$ 60,225	\$ 325,000	\$ 12,838
2009	225,000	45,519	120,000	6,013
2010	240,000	35,062	125,000	2,031
2011	200,000	24,895	-	-
2012	145,000	16,654	-	-
2013-2017	265,000	18,409	-	-
Total	<u>\$ 1,540,000</u>	<u>\$ 200,764</u>	<u>\$ 570,000</u>	<u>\$ 20,882</u>

Certificates of Obligation

The City issues Certificates of Obligation to finance construction projects. These types of bonds have been issued by the City both for governmental activities as well as business-type activities. The original amount of certificates of obligation, a portion of which remain outstanding, issued in prior years was \$23,840,000.

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 9 - LONG-TERM DEBT (Continued)

Certificates of Obligation payable at September 30, 2007 are comprised of the following:

Governmental activities and Business-Type Activities:

\$4,820,000 Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 1998, payable in annual installments ranging from \$100,000 to \$345,000 through September 30, 2023, interest at 6.75% to 5.00%.	\$ 3,835,000
\$4,000,000 Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2000, payable in annual installments ranging from \$80,000 to \$285,000 through February 15, 2026 interest at 4.875% to 5.875%.	3,465,000
\$4,120,000 Combination Tax & Revenue Certificates of Obligation, Series 2003, payable in annual installments ranging from \$120,000 to \$295,000 through February 15, 2028 interest at 3.00% to 5.00%	4,000,000
\$1,035,000 Combination Tax & Limited Pledge Revenue Series 2004, payable in annual installments ranging from \$50,000 to \$100,000 through September 30, 2017 interest at 4.00% to 4.375%	885,000
\$4,550,000 Combination Tax & Limited Pledge Revenue Certificates of Obligation, Series 2005, of which \$4,115,000 represents general long-term debt (\$435,000 represents Golf Course Fund debt) due in annual installments ranging from \$75,000 to \$325,000 through February 15, 2025; interest at 3.00% to 4.25%	3,855,000
\$4,100,000 Combination Tax & Limited Pledge Revenue Certificates of Obligation, Series 2005A, of which \$4,100,000 represents general long-term debt due in annual installments ranging from \$140,000 to \$325,000 through February 15, 2026; interest at 4.00% to 5.25%	<u>4,100,000</u>
Total Certificates of Obligations	\$ <u>20,140,000</u>

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 9 - LONG-TERM DEBT (Continued)

Certificates of obligation debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 900,000	\$ 907,486	\$ 90,000	\$ 7,250
2009	765,000	874,609	90,000	4,494
2010	815,000	841,883	95,000	1,544
2011	875,000	806,313	-	-
2012	905,000	768,060	-	-
2013-2017	5,060,000	3,192,516	-	-
2018-2022	5,660,000	1,952,086	-	-
2023-2027	4,590,000	543,789	-	-
2028-2033	295,000	7,375	-	-
Total	<u>\$ 19,865,000</u>	<u>\$ 9,894,117</u>	<u>\$ 275,000</u>	<u>\$ 13,288</u>

Revenue Bonds

The City also issued bonds for which it pledges net revenues derived from the waterworks and sewer system accounted for in the Utility Fund to pay debt service requirements.

Revenue bonds payable at September 30, 2007 are comprised of the following:

Business – type activities:

Utility Fund:

\$579,000 1995-A Waterworks and Sewer System EDAP Junior Lien Revenue Serial Bonds due in annual installments ranging from \$16,000 to \$50,000 from April 1, 1996 through 2015; interest at 5.3% to 7.0%.		\$ 321,000
\$2,032,000 1995-B Waterworks and Sewer System SRF Junior Lien Revenue Serial Bonds due in annual installments ranging from \$64,000 to \$156,000 from April 1, 1996 through 2015; interest at 4.05% to 5.35%.		1,048,000
\$14,645,000 2004-A Waterworks and Sewer System Junior Lien Revenue Serial Bond due in annual installments ranging from \$460,000 to 1,155,000 from September 30, 2007 through 2027; interest payments starting October 1, 2004 at 3.15% to 5.20%.		14,185,000
\$603,000 2004-B Waterworks and Sewer System Junior Lien Revenue Serial Bond due in annual installments ranging from \$18,000 to \$49,000 from October 1, 2005 through 2018; interest payments starting October 1, 2004 at 3.93% to 5.53%.		585,000

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 9 - LONG-TERM DEBT (Continued)

\$ 18,300,000 2006 Waterworks and Sewer System Revenue Refunding
Serial Bonds due in annual installments ranging from \$630,000 to
\$1,185,000 from February 15, 2007 through 2027; interest at 4.25% to 5.0%. 17,425,000

\$ 8,765,000 2006-A Waterworks and Sewer System Revenue Serial
Bonds due in monthly installments of \$38,443 beginning
November 1, 2007 and every first Wednesday of each month
through November 5, 2025; with a variable interest. These bonds
were issued through a special program from the Office of the Texas
Governor called the Texas Industry Development Loan Program.
This program is administered by the Texas Small Business Industrial
Development Corporation (TSBIDC). Project revenues from the State
of Texas program may partially or totally offset interest requirements
of the debt.

8,380,570

Total Revenue Bonds Payable \$ 41,944,570

Revenue bonds debt service requirements to maturity are as follows:

Year Ending September 30,	Business-type Activities	
	Principal	Interest
2008	\$ 2,073,759	\$ 1,809,913
2009	2,056,873	1,691,464
2010	2,172,316	1,625,904
2011	2,242,316	1,536,489
2012	2,042,316	1,448,664
2013-2017	11,178,579	5,862,254
2018-2022	10,048,579	3,576,657
2023-2027	10,129,834	1,083,073
Total	<u>\$ 41,944,570</u>	<u>\$ 18,634,418</u>

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 9 - LONG-TERM DEBT (Continued)

Prior Year Advance Refunding:

In a previous year, the City of Mission defeased two bond issues for the Utility Fund. U.S. Government, State and Local Government securities were purchased and placed in an escrow account for the purpose of generating resources for all future debt service payments of that debt.

As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Utility Fund and the business activities column of the statement of net assets. On November 1, 2007, the 2001 Waterworks and Sewer System Revenue Bond were fully redeemed.

At September 30, 2007 the amount of defeased debt outstanding for the 1996 Waterworks and Sewer System Revenue Bond was \$8,355,000.

Notes Payable

The City entered into a loan agreement to purchase land to be donated to the Veterans Land Board for a cemetery. Note payables at September 30, 2007 consist of the following:

Governmental-type activities:

\$250,000 Note payable to Bentsen Palm, Ltd. dated, December 27, 2002, non-interest bearing, payable in four annual installments of \$50,000 each commencing on the anniversary date Bentsen Palm, Ltd. conveyed the property to the City.

\$ 50,000

Note payable debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2008	\$ 50,000	\$ -
Total	<u>\$ 50,000</u>	<u>\$ -</u>

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 9 - LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2007 was follows:

	Balance at September 30, 2006	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2007	Amounts Due within One Year
<u>Governmental Activities:</u>					
Bonds Payable:					
Public Property Financing					
Contractual Obligations	\$ 2,135,000	\$ -	\$ 595,000	\$ 1,540,000	\$ 465,000
Certificates of Obligation	20,600,000	-	735,000	19,865,000	900,000
Plus Issuance Premium	133,856	-	7,014	126,842	-
Total Bonds Payable	22,868,856	-	1,337,014	21,531,842	1,365,000
Notes Payable	100,000	-	50,000	50,000	50,000
Capital Leases	-	384,344	99,385	284,958	98,483
Compensated Absences	1,858,886	1,751,667	1,554,324	2,056,229	1,082,482
Governmental Activity					
Long-term Liabilities	<u>\$ 24,827,742</u>	<u>\$ 2,136,011</u>	<u>\$ 3,040,723</u>	<u>\$ 23,923,029</u>	<u>\$ 2,595,965</u>
<u>Business-type Activities:</u>					
Bonds Payable:					
Public Property Financing					
Contractual Obligations	\$ 935,000	\$ -	\$ 365,000	\$ 570,000	\$ 325,000
Certificate of Obligations	360,000	-	85,000	275,000	90,000
Revenue Bonds	35,050,000	8,765,000	1,870,430	41,944,570	2,073,759
Less: Loss On refunding	(796,695)	-	(37,937)	(758,758)	-
Plus issuance premium	141,006	-	6,715	134,291	-
Total Bonds Payable	35,689,311	8,765,000	2,289,208	42,165,103	2,488,759
Capital Leases	119,372	-	34,721	84,651	38,048
Compensated Absences	275,136	223,516	210,689	287,963	237,260
Business-type Activity					
Long-term Liabilities	<u>\$ 36,083,819</u>	<u>\$ 8,988,516</u>	<u>\$ 2,534,618</u>	<u>\$ 42,537,717</u>	<u>\$ 2,764,067</u>

Generally, the general and special revenue funds liquidate the portion of compensated absences that pertain to its own fund.

The Utility Fund capitalized \$44,362 of bond interest expense as part of various construction projects for the year-ended September 30, 2007.

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 10 - COMPONENT UNIT - LONG-TERM DEBT PAYABLE

A. Mission Economic Development Corporation (MEDC)

Mission Economic Development Corporation (MEDC) has issued sales tax revenue bonds to finance various construction projects to enhance economic development in the Mission area. These bonds are to be repaid with sales tax revenue.

Sales tax revenue bonds payable at September 30, 2007 for the MEDC are comprised of the following:

\$1,415,000 (Tax-Exempt) Sales Tax Revenue Serial Bonds		
Series 1995 due in annual installments ranging from		
\$30,000 to \$110,000 from January 1, 1997 through 2020;		
interest at 5.25% to 6.60%.		\$ 1,005,000
 \$5,180,000 Subordinate Lien Sales Tax Revenue Bonds		
Series 1999 due in annual installments ranging from		
\$110,000 to \$345,000 from February 15, 2000 through 2024;		
interest at 4.15% to 5.0%. Bonds maturing in 2010 and beyond		
are subject to being called in increments of \$5,000.		<u>4,115,000</u>
Total		<u>\$ 5,120,000</u>

The annual requirements to retire the MEDC revenue bonds including interest are as follows:

Year Ending September 30,	Principal	Interest
2008	\$ 215,000	\$ 257,042
2009	225,000	246,528
2010	235,000	235,416
2011	245,000	223,624
2012	260,000	210,995
2013-2017	1,525,000	833,125
2018-2022	1,740,000	385,624
2023-2027	675,000	34,125
Total	<u>\$ 5,120,000</u>	<u>\$ 2,426,479</u>

The following is a summary of changes in long-term debt obligations for the MEDC for the year ended September 30, 2007:

	Balance at September 30, 2006	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2007	Amounts Due within One Year
Sales Tax Revenue Bonds	<u>\$ 5,325,000</u>	<u>\$ -</u>	<u>\$ 205,000</u>	<u>\$ 5,120,000</u>	<u>\$ 215,000</u>

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 10 - COMPONENT UNIT - LONG-TERM DEBT PAYABLE (Continued)

B. Mission Redevelopment Authority

Revenue Bonds Payable

At September 30, 2007 Mission Redevelopment Authority has issued bonds to pay for the costs incurred within the tax increment Reinvestment Zone (TIRZ) improvements. These bonds will be repaid from property taxes collected on property within TIRZ. Developers have also indicated they have paid on behalf of the Authority approximately \$1,751,700 for projects to be reimbursed from a future bond sale. These assets have not been recorded in the Statement of Net Assets.

Bonds payable at September 30, 2007 for the MRA are comprised of the following:

\$8,610,000 Tax Increment Contract Revenue Contract Revenue
Bonds due in annual installments ranging from \$295,000 to \$380,000
from September 1, 2006 through 2025 with interest ranging from
3.815% to 5.125%. \$ 8,315,000

As of September 30, 2007, the debt service requirements on the bonds outstanding were as follows:

Year Ending September 30,	Principal	Interest	Total
2008	\$ 305,000	\$ 403,888	\$ 708,888
2009	320,000	391,306	711,306
2010	330,000	377,706	707,706
2011	345,000	363,268	708,268
2012	360,000	347,744	707,744
2013-2017	2,080,000	1,466,893	3,546,893
2018-2022	2,650,000	903,281	3,553,281
2023-2025	1,925,000	200,644	2,125,644
	<u>\$ 8,315,000</u>	<u>\$ 4,454,730</u>	<u>\$ 12,769,730</u>

Loan Payable

On August 10, 2007 the Mission Redevelopment Authority executed a loan agreement with the Frost National Bank in the amount of \$2,500,000. The Authority agrees to pay interest on each advance at the LIBOR rate, calculated at 65% of the London Interbank Offered Rate plus 120 basis points. Interest payments are to be made each March 1, June 1, September 1, and December 1. The maturity date will be the earlier of (1) August 10, 2009, (2) the date of the issuance of bonds, or (3) an even of default. On August 15, 2007, the Authority received it first advance on this loan in the amount of \$250,000.

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 10 - COMPONENT UNIT - LONG-TERM DEBT PAYABLE (Continued)

Current year activity related to the loan was as follows:

	Balance at October 1, 2006	Increase	Decrease	Balance at September 30, 2007	Amounts Due Within One Year
Loan-Frost National Bank	\$ -	\$ 250,000	\$ -	\$ 250,000	\$ -

The following is a summary of changes in long-term debt obligations for the MRA for the year ended September 30, 2007:

	Balance at September 30, 2006	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2007	Amounts Due within One Year
Revenue Bonds Payable	\$ 8,610,000	\$ -	\$ 295,000	\$ 8,315,000	\$ 305,000
Loan Payable	-	250,000	-	250,000	-
	<u>\$ 8,610,000</u>	<u>\$ 250,000</u>	<u>\$ 295,000</u>	<u>\$ 8,565,000</u>	<u>\$ 305,000</u>

NOTE 11 – DEFERRED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes	\$ 1,322,169	\$ -
Park dedication fees	-	551,743
Grants	-	6,291
Loans receivable - HOME	-	138,631
	<u>\$ 1,322,169</u>	<u>\$ 696,665</u>

Unearned revenues of \$52,828 in the Golf Course Fund, an enterprise fund, represent collections of annual membership dues that will be recognized as revenue in the next fiscal year.

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 12 – NOTES RECEIVABLE

A. Utility Fund Note Receivable

The City's Utility Fund has the following note receivable at September 30, 2007 :

Note receivable from Rio Grande Snack Company in the original amount of \$400,000 payable in 180 monthly installments of \$3,484.43 including interest at 6.5% beginning July 1996. \$ 138,820

During the year ended September 30, 2007, the following changes occurred in Enterprise Fund Notes Receivable:

Utility Fund:

	Balance at 9/30/2006	Additions	Reductions	Balance Outstanding 9/30/2007	Less Current Portion	Amount Net of Current Portion
Note Receivable	<u>\$ 170,484</u>	<u>\$ -</u>	<u>\$ 31,664</u>	<u>\$ 138,820</u>	<u>\$ 33,785</u>	<u>\$ 105,035</u>

NOTE 13 – LONG-TERM RECEIVABLE

Long-Term Notes Receivable at September 30, 2007 for the City of Mission are comprised of the following:

Governmental Activities:

Balance at September 30, 2007

Right of Way Reimbursement

In prior years, the City incurred costs in the amount of \$356,549 in purchasing right-of-way for road expansions which are subject to partial reimbursement from the State of Texas. In order to be reimbursed by the State, all required legal documents must be reviewed and accepted by the State. The City has been working with the State on obtaining the necessary documents.

\$ 82,385

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 13 – LONG-TERM RECEIVABLE *(Continued)*

Housing Rehab Receivable

Promissory note receivable for housing assistance provided under the Community Development Block Grant (CDBG) program to an ineligible recipient. The principal amount and interest are due and payable in equal monthly installments of \$200.00, on the ninth day of each month, beginning November 9, 2007 and continuing until the principal have been paid in full. The annual interest rate is zero percent and the final maturity date is January 9, 2026.

43,800

Total Long Term Notes Receivable	126,185
Less: Current Portion	<u>(2,400)</u>
	<u>\$123,785</u>

NOTE 14 - RESTRICTED ASSETS

A. Primary Government

The waterworks and sewer system revenue bond indentures require that during the period over which the bonds are outstanding, the City maintain certain separate accounts and funds to account for (1) the proceeds from the issuance of the revenue bonds (2) the debt service deposits made from revenues and (3) extensions and improvement deposits made from revenues. These restricted assets can be used only in accordance with the revenue bond indenture. Similar requirements exist for the debt service of the Public Property Financing Contractual Obligations.

The City also holds certain deposits from subdividers for future utility improvements, and the amount of retainage of certain construction contracts.

Restricted assets included in the Utility Fund as of September 30, 2007 consist of:

	Cash and Cash Equivalents	Investments	Accrued Interest	Total
Revenue Bond Reserve Fund	\$ 4,481	\$ 1,525,700	\$ 20,934	\$ 1,551,115
Bond Interest and Sinking	232,896	1,469,032	3,840	1,705,768
PPFCO's Interest and Sinking	842	108,000	934	109,776
Revenue Bond Extension and Improvement Fund	116,126	167,000	5,891	289,017
Subdividers Deposits	215,373	1,140,343	687	1,356,403
Capital Recovery Fund	34,566	428,051	5,413	468,030
Water and Sewer Plant Improvements	1,475,318	10,378,531	8,135	11,861,984
2003 PPFCO	5,271	-	-	5,271
Contractor Retainage	689,701	-	-	689,701
	<u>\$ 2,774,574</u>	<u>\$ 15,216,657</u>	<u>\$ 45,834</u>	<u>\$ 18,037,065</u>

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 14 - RESTRICTED ASSETS (Continued)

Restricted assets of governmental funds as of September 30, 2007 consisted of cash and cash equivalents for contractor retainage as follows:

Police Department Special	\$ 87
Designated Purpose Fund	500
2005 CO Construction	5,907
2003 CO Construction	33,144
	<u>\$ 39,638</u>

B. Component Unit

Restricted assets held by Mission Economic Development Corporation at September 30, 2007 consist of the following:

	Cash and Cash Equivalents	Investments	Accrued Interest	Total
Reserve Fund	\$ 172	\$ 136,500	\$ 5,233	\$ 141,905
Debt Service Fund	1,729	429,369	847	431,945
Capital Projects	-	-	-	-
	<u>\$ 1,901</u>	<u>\$ 565,869</u>	<u>\$ 6,080</u>	<u>\$ 573,850</u>

NOTE 15 - PENSION PLAN

Plan Description

On November 1, 1970, the City elected to participate in the state-operated Texas Municipal Retirement System Pension Plan. The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of over 821 administered by TMRS, an agent multiple-employer public employee retirement system. The plan provides service and disability retirement benefits, and death benefits to plan members and beneficiaries. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within actuarial constraints also in the statutes. The System's annual financial report and the required disclosure information is available by writing the Texas Municipal Retirement System, P.O. Box 149153, 1200 North Interstate 35, 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

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 15 - PENSION PLAN (*Continued*)

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.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 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.

Contributions

The contribution rate for the employees is 6%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the City contribution rate is annually determined by the actuary. This rate consists of the normal cost contribution rate and the prior service cost 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 the 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 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Contributions are made monthly by both the employees and the City. 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 is the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2006 valuation is effective for rates beginning January, 2008).

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 15 - PENSION PLAN (Continued)

Annual Pension Cost – The City’s pension cost for the year ended September 30, 2007 and related information follow:

Contributions:	
City	12%
Plan Members	6%
Annual pension cost	1,680,672
Contribution made	1,680,672
Actuarial valuation date	12/31/06
Actuarial cost method	unit credit
Actuarial assumptions:	
Investment rate of return	7%
Projected salary increases	none
Includes inflation at	3.5%
Cost-of-living adjustments	none
Amortization method	level percent of payroll
Remaining amortization period from January 1, 2001	25 years - open period
Asset valuation method	amortized cost

Three Year Trend Information			
Fiscal Year	Annual	Percentage	Net
Funding	Pension	of APC	Pension
September 30,	Cost (APC)	Contributed	Obligation
2005	1,223,455	100%	-0-
2006	1,250,840	100%	-0-
2007	1,680,672	100%	-0-

Other Post Employment Benefits

Included with the retirement benefits described above the City has elected to provide a supplemental death benefit in the form of a \$7,500 life insurance policy for the retirees under the plan. This additional benefit is paid for by the City as an additional component of its contribution. As of January 1, 2007 the contribution rate to provide this benefit was 0.21% out a total pension contribution rate for the City of 9.85 %.

NOTE 16 - PENSION PLAN - EMERGENCY SERVICES PERSONNEL RETIREMENT FUND

As of January 1, 2006 the contribution rate to provide this benefit was 0.20% out of a total pension contribution rate for the City of 7.62%. These required contribution rates were determined by the Texas Municipal Retirement System.

The City of Mission elected to provide this additional benefit by duly adopted City Ordinance. Contributions for this additional benefit are paid along with the City’s total contribution on a

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

**NOTE 16 - PENSION PLAN - EMERGENCY SERVICES PERSONNEL RETIREMENT
FUND (Continued)**

monthly basis. The estimated cost to the City for this Supplemental Death Benefit for the year ended September 30, 2007 was \$36,582 and for the year ended September 30, 2006 was \$32,039.

Plan Description

The City of Mission contributes to the Texas Emergency Services Retirement System (TESRS), a cost – sharing multiple – employer defined benefit pension plan administered by the State of Texas. TESRS provides retirement, disability and death benefits to emergency services personnel who serve without significant monetary remuneration. The pension system was created by the S.B. 411, 65th Legislature, Regular Session (1977). The Texas Emergency Services Retirement System is considered a component unit of the State of Texas financial reporting entity and is included in the State's publicly available financial reports as a pension trust fund. That report may be obtained by writing to the Firefighter Pension Commission, Attn: Mr. Kevin Deiters, P.O. Box 12577, Austin, Texas 78711-2577, or by calling 1-512-936-3372 or website www.ffpc.state.tx.us/tesrs/tesrs.html.

Contribution requirements were established by S.B. 411, 65th Legislative, Regular Session (1977). No contributions are required by members. The governing bodies of participating department's members are required to contribute at least the minimum amount prescribed per month per each active member.

In addition to the contributions for dues and prior services made to the Texas Emergency Services Retirement System, some cities are required to make additional deposits. These additional deposits are for retirees and beneficiaries that have been in the H.B. 258 Texas Local Fire Fighters Retirement Act (TLFFRA) fund before merging into the S.B. 411. For the City of Mission, this additional deposit was \$1,200.

The City's total contributions to TESRS for the years ending September 30, 2007, 2006, and 2005 were \$5,856, \$2,712, and \$2,016, respectively, equal to the contributions required under both S.B. 411 and H.B. 258 for each year.

NOTE 17 - POSTRETIREMENT HEALTH CARE BENEFITS

In addition to the pension benefits described in Note 15 and 16, the City provides postretirement health care benefits, in accordance with City statutes, to all employees who retire or end their employment, excluding termination, from the City on or after completing 20 years of service. The City pays for the cost of insurance for the employee, excluding dependent coverage, for a maximum of 24 months at the employee's request. Currently, 2 retirees meet those eligibility requirements. During the year, expenditures of \$14,018 were recognized for postretirement health care.

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 18 - CONTINGENT LIABILITIES

A. Litigation

The City is currently a defendant in various lawsuits. Although the City plans to contest the suits, it is the opinion of management and its outside attorneys that the possible outcome of the lawsuits and an estimate of the loss, if any, cannot presently be determined.

B. Federally Assisted Grant Programs

The City participates in several Federal and State assisted grant programs. Although the City grant programs have been audited in accordance with the provisions of the Single Audit Act, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 19 - CONSTRUCTION AND IMPROVEMENT COMMITMENTS

At September 30, 2007, the City had several active construction projects. The projects include drainage improvements, renovation of parks, construction of infrastructure, and wastewater treatment facilities.

Project	Spent to Date	Remaining Commitment	Financing Sources
EDAP-Sewer Projects	\$ 2,666,523	\$ 164,410	Utility Revenue Bonds & Grant
Sewer Plant	14,218,819	165,600	Revenue Bonds
Speer Library Expansion	3,524,081	901	Bond Proceeds
South Bryan Lift Station Rehab	209,520	506,480	Bond Proceeds
Los Indios Force Main Project	189,400	239,489	Operating Funds
Business 83 Waterline Projects	84,923	33,000	Operating Funds
Bentsen Palm Park Dev. Phase 1	693,993	873,281	Bond Proceeds
Total	<u>\$ 21,587,259</u>	<u>\$ 1,983,161</u>	

NOTE 20 - OPERATING LEASE COMMITMENTS

The City leases office equipment under operating leases. Total costs for such leases were \$52,439 for the year ended September 30, 2007. The future minimum lease payments for these leases are as follows:

September 30,	
2008	\$ 47,269
2009	35,332
2010	27,005
2011	1,614
Total	<u>\$ 111,219</u>

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 21 – CAPITAL LEASE COMMITMENTS

The City has entered into a lease agreement as a lessee for financing the acquisition of golf carts and mowers for the golf course owned by the City. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2007 as stated below.

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>
Assets:		
Machinery & Equipment	\$ 384,344	\$ 149,879
Less: Accumulated Depreciation	43,274	(15,500)
Total	<u>\$ 427,618</u>	<u>\$ 134,379</u>
<hr/>		
September 30,		
2008	\$ 114,887	\$ 41,946
2009	114,887	41,946
2010	38,845	6,339
2011	38,845	-
2012	<u>9,442</u>	<u>-</u>
Total minimum lease payments	\$ 316,906	\$ 90,230
Less: amount representing interest	<u>(31,948)</u>	<u>(5,579)</u>
Present value of minimum lease payments	<u>\$ 284,958</u>	<u>\$ 84,651</u>

NOTE 22 - 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; and natural disasters for which the City carried commercial insurance. The City established a limited risk management program for workers' compensation and health insurance in a previous year.

Health insurance premiums are paid into the Internal Service Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. These interfund premiums are used to reduce the amount of claims expenditure reported in the General Fund. As of September 30, 2007, such interfund premiums did not exceed reimbursable expenditures or recommended reserves.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Effective December 1, 1996, the City became fully insured for workers compensation insurance through a conventional policy. The City has retained claims processing services related to those claims outstanding under the previous self-insurance coverage period. These remaining claims are processed through the General Fund. Therefore, the workers compensation claim information presented below is only for those claims remaining from the period prior to December 1, 1996. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. Interfund premiums are based primarily on claims experience and are reported as quasi-external transactions.

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 22 - RISK MANAGEMENT (Continued)

The following is a reconciliation of the claims liability:

	Health Insurance Claims Liability For the Year Ended September 30,	
	2007	2006
Unpaid claims, beginning of fiscal year	\$ 212,788	\$ 180,037
Incurred claims (including IBNRs) and adjustments	2,113,484	2,363,558
Claim payments	<u>(2,172,879)</u>	<u>(2,330,807)</u>
Unpaid Claims, end of Fiscal Year	<u>\$ 153,393</u>	<u>\$ 212,788</u>

NOTE 23 - COMPONENT UNIT TRANSACTIONS

On September 12, 1994 the Mission Economic Development Corporation (MEDC) was issued a Certificate of Incorporation by the State of Texas as a nonprofit corporation under the Development Corporation Act of 1979 Vernon's Ann Civ. St. Art. 5190.6 as amended by adding Sec. 413.

The bond issues of MEDC are to be repaid from the 1/2 cent sales tax levied under the Section 413 referred to above. Since the City of Mission is the entity authorized by state law to levy such a sales tax, a financing agreement was signed between the City of Mission and MEDC to permit the transfer from the City of Mission to the MEDC the amount of Section 4B sales tax collected to fund all projects of the MEDC as well as to repay the aforementioned bonds.

NOTE 24 – CONDUIT DEBT OBLIGATIONS

Mission Economic Development Corporation (the "Issuer") pursuant to Texas Civil Statutes Article 5190.6(the "Act"),and the Industrial Revenue Bond Program (the "Rules"), Title 10 Texas Administrative Code Chapter 180, promulgated by the Office of the Governor, Economic Development and Tourism Division (the "Division") has issued the following Industrial Development Bonds to finance various projects in the State of Texas:

	Balance at September 30, 2007
\$41,750,000 Solid Waste Disposal Revenue Bonds (Waste Management, Inc. Project) Series 2006 dated December 1, 2006	\$ 41,750,000
\$24,000,000 Variable Rate Demand Solid Waste Disposal Revenue Bonds (IESI Texas Corporation Project) Series 2007 dated March 1, 2007	24,000,000

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 24 – CONDUIT DEBT OBLIGATIONS (*Continued*)

\$56,800,000 Solid Waste Disposal Revenue Bonds (Allied Waste North America, Inc. Project) Series 2007 A dated April 1, 2007	56,800,000
\$6,000,000 Variable Rate Demand Industrial Development Revenue Bonds (CMI Project) Series 2007 dated May 1, 2007	<u>6,000,000</u>
	<u>\$ 128,550,000</u>

All of the bonds listed above are payable solely from, and secured solely by a pledge of payments made under loan agreements between the borrowers and MEDC which are assigned under separate Trust Indentures with various banks. The payments required under the loan agreement are further guaranteed under either Guaranty Agreements or Irrevocable Letters of Credit issued in favor of the Trustee under the Trust Indenture.

Neither the State of Texas, Mission, Texas nor any political corporation, subdivision or agency of the State of Texas shall be obligated to pay the principal of, premium, if any, the interest on, or the purchase price of the bonds, and neither the faith and credit nor the taxing power of the State of Texas, Mission, Texas or any other political corporation, subdivision, or agency thereof is pledged to the payment of the principal of, premium, if any, interest on, or the purchase price of the bonds.

In connection with the process which ultimately may lead to the issuance of conduit debt, MEDC charges an application fee of \$2,500 per application. During the year ended September 30, 2007, MEDC received a net \$5,000 (net of \$5,000 in advisor fees) in application fees.

After conduit debt has been issued, MEDC charges an annual fee based upon the original par value of the bonds, which ranges from 2 basis points to 5 basis points depending on the type of project and the rating of the bonds being issued. For the year ended September 30, 2007, MEDC received a net \$376,516 in annual fees (net of \$231,633 in advisor and local access fees).

NOTE 25 - COMPLIANCE WITH REVENUE BOND COVENANTS

A. Certain Required Annual Disclosure

The bond covenants of the Utility Fund revenues bonds require that on an annual basis the City of Mission make available certain disclosure related to the operation of the Utility Fund. A separate report containing these required disclosures is available at City Hall.

B. Revenue Bond Coverage

Per the Revenue Bond debt covenants the City's Utility Fund is required to maintain a 125% coverage over the succeeding fiscal year's debt service requirement (first lien bonds); or 125% over the greater of the average annual debt service requirements or the succeeding fiscal year's debt

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 25 - COMPLIANCE WITH REVENUE BOND COVENANTS (*Continued*)

service requirements (junior lien bonds). For the fiscal year ended September 30, 2007 the City's Utility Fund met these coverage requirements.

NOTE 26 – TAX INCREMENT REINVESTMENT ZONE

On September 24, 2001, the City established a Tax Increment Reinvestment Zone Number One (TIRZ) pursuant to chapter 311 of the Texas Tax Code. The zone was formed to facilitate the provision of public works or improvements. A portion of the real property advalorem taxes levied by participating taxing entities will be set aside for this purpose beginning with taxes levied after January 1, 2002. The amount set aside out of the annually adopted tax levy, is based upon the appraised value each January 1st compared to the base year appraised value of property in the zone as of January 1, 2001. As of September 30, 2007, the City of Mission and Hidalgo County are the only taxing entities participating in the Increment Zone. The City accounts for TIRZ as a Special Revenue Fund.

The City elected, as is permitted under the Texas Tax Code, to transfer the total tax increment for the year once the amount was known. However, Hidalgo County elected, as is also permitted under the Texas Tax Code, to transfer to the Zone only the amount of the tax increment actually collected each year. For the current year the amounts transferred were \$550,000 and \$597,191 from the County and City respectively.

At September 30, 2007, the City received information that the boundaries initially established to be designated as the area where advalorem taxes would be levied would have to be revisited to determine if the correct amount of tax increment revenue was being received.

NOTE 27 – TRANSACTIONS WITH MISSION REDEVELOPMENT AUTHORITY

During the year ended September 30, 2007 there were no completed projects transferred to the City by Mission Redevelopment Authority (a Component Unit). The Component Unit currently has projects that are under construction and will be turned over to the City as soon as they are completed. The total amount of those projects is \$4,834,121. They consist of a Fire Station & Emergency Operations Center and other various projects. At September 30, 2007, the MRA owed the City \$1,918,061 in reimbursements for project costs incurred by the City.

NOTE 28 – INTEREST IN INTERNATIONAL TOLL BRIDGE

Pursuant to the Hidalgo-Mission-McAllen Interlocal Government Agreement, dated April 1, 2003 ("2003 Agreement"), the City of McAllen, Texas and the City of Mission, Texas own and will operate, upon completing construction of the project, the Anzalduas International Crossing ("Anzalduas Bridge") linking United States, south of the City of Mission, Texas and the westernmost part of Reynosa, Tamaulipas, Mexico. According to that agreement, the ownership interest of the City of McAllen and the City of Mission are 66 2/3% and 33 1/3%, respectively. The agreement also provides that complete management and control of the Anzalduas Bridge, with the

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 28 – INTEREST IN INTERNATIONAL TOLL BRIDGE *(Continued)*

exception of fixing rates and charges for services and the issuance of debt, which is reserved by the Board of Commissioners of McAllen, shall be vested in a Board of Trustees consisting of five (5) voting-members, two of which are appointed from the existing members of the Hidalgo Bridge Board by McAllen, with the Mayors of the cities of McAllen, Hidalgo and Mission serving as ex-officio Board members. The Mayor of Granjeno also serves as an ex-officio non-voting member of the Board. In addition, the budget is subject to final approval by the Board of Commissioners of McAllen. The agreement also provides that these cities as well as the City of Hidalgo will share in the unallocated balance of surplus net revenues at the following percentages: City of McAllen, 44%; City of Mission, 23%; and the City of Hidalgo, 33%. Per separate interlocal agreement, the City of Mission will share 6% of its portion of the unallocated balance of surplus net revenues with the City of Granjeno, Texas.

In order to finance the construction of the Anzalduas Bridge, the City of McAllen issued \$39,160,000 in revenue bonds during fiscal year ending 2007 in two separate series, \$26,000,000 Series 2007A and \$13,160,000 Series B. The Bonds are secured by a pledge of net revenues of the McAllen International Toll Bridge ("Hidalgo Bridge"), located in Hidalgo, Texas and the Anzalduas Bridge. According to the 2003 Agreement, both the City of McAllen and the City of Hidalgo are responsible for the Series 2007A bonds from each city's respective share of net revenues of the Hidalgo Bridge. Only the City of McAllen is responsible for Series 2007B bonds from its share of net revenues of the Hidalgo Bridge. The estimated date of completion and commencement of operations is June 2009.

Per the Agreement, the City of Mission was not required to make any capital contributions to obtain its ownership interest; therefore no dollar amount is reflected in these financial statements as representing its ownership interest.

NOTE 29 – SUBSEQUENT EVENTS

Subsequent to year end the City closed on the issuance of Series 2007 Combination Tax and Limited Pledge Revenue Certificates of Obligation in the amount of \$7,000,000. These bonds will bear interest at rates ranging from 4.25% to 5% and are due in annual principal and semi-annual interest payments beginning February 15, 2008.

NOTE 30- COMPLIANCE AND ACCOUNTABILITY

A. Finance- Related Legal and Contractual Provision

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

CITY OF MISSION, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 30- COMPLIANCE AND ACCOUNTABILITY (Continued)

Expenditures Exceeding Appropriations:

During the year ended September 30, 2007 the City had expenditures exceeding budgets in the General Fund as follows:

<u>Function</u>	<u>Excess</u>
Fleet Maintenance Department	<u>\$ 29,000</u>

These expenditures were funded by greater than anticipated local revenues in the general fund.

Deficit Fund Balance or Fund Net Assets of Individual Funds:

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None Reported	Not Applicable	Not Applicable

*REQUIRED
SUPPLEMENTARY
INFORMATION*

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CITY OF MISSION, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT B-1
Page 1 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem taxes:				
Current ad valorem taxes	\$ 12,000,000	\$ 12,500,000	\$ 12,684,294	\$ 184,294
Delinquent ad valorem taxes	664,475	664,475	655,496	(8,979)
Interest and penalties on taxes	425,924	425,924	433,777	7,853
Less: Tax adjustments and refunds	(34,100)	(34,100)	-	34,100
Net ad valorem tax revenue	13,056,299	13,556,299	13,773,567	217,268
Sales tax	5,985,600	5,985,600	5,906,230	(79,370)
Sales tax-tax abatement	2,992,800	2,992,800	2,953,115	(39,685)
Franchise business tax	1,900,000	1,900,000	1,822,381	(77,619)
Telecommunication access fee	260,000	260,000	247,524	(12,476)
Mixed drink tax	40,000	40,000	59,529	19,529
Total Taxes	24,234,699	24,734,699	24,762,346	27,647
Licenses and Permits:				
Occupational licenses	45,000	45,000	47,980	2,980
Moving and building permits	550,000	550,000	557,508	7,508
Health permits	25,000	25,000	22,032	(2,968)
Seismograph testing permits	-	-	-	-
Electrical permits	176,000	176,000	166,305	(9,695)
Mechanical permits	85,000	85,000	78,908	(6,092)
Plumbing permits	166,000	166,000	144,602	(21,398)
Oil and gas permits	-	-	-	-
Alarm permits	45,000	45,000	15,145	(29,855)
Miscellaneous	19,800	19,800	16,393	(3,407)
Total Licenses and Permits	1,111,800	1,111,800	1,048,873	(62,927)
Intergovernmental:				
MCISD and SISD Dare Program	476,113	316,113	393,161	77,048
Reimb.-Hidalgo Co. Drain. Dist.	-	200,000	200,000	-
County contribution-rural fires	45,000	45,000	43,035	(1,965)
County restitution reimbursement	500	500	15,215	14,715
Overhead-MRA	60,000	60,000	57,360	(2,640)
TIRZ Reimbursement	-	368,500	364,244	(4,256)
Texas historical comm-Main St.	-	-	11,996	11,996
FEMA reimbursement	17,517	17,517	23,297	5,780
LEOSE Peace Officer	9,000	9,000	8,701	(299)
State Highway Revenues	92,000	92,000	99,180	7,180
FBI overtime	10,000	10,000	28,522	18,522
Task Force	-	-	51,463	51,463
Peace Officers Fire Prev.	850	850	808	(42)
DEA Overtime Task Force	28,000	28,000	27,207	(793)
Hidalgo County-library	-	-	9,580	9,580
Total Intergovernmental	738,980	1,147,480	1,333,769	186,289

CITY OF MISSION, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT B-1
Page 2 of 8

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Charges for services:				
Birth certificate service	1,200	1,200	1,600	400
Inspection fee-2%	85,000	85,000	148,210	63,210
Construction material testing fee	60,000	60,000	120,943	60,943
Fire inspection fee	18,000	18,000	30,150	12,150
Judicial fee-City	-	-	3,954	3,954
Corporation court fines tax	47,000	47,000	45,203	(1,797)
Library Reservations Fee	-	-	75	75
Lot cleaning	20,000	20,000	57,054	37,054
Lot cleaning-admin. Fee	25,000	25,000	59,793	34,793
Lease-service center complex	24,000	24,000	15,001	(8,999)
Library copies	11,000	11,000	17,707	6,707
Rent-City buildings	7,300	7,300	3,000	(4,300)
Cemetery charges	29,000	29,000	16,304	(12,696)
Vital statistics	100,000	100,000	181,770	81,770
Burial transit permit	1,600	1,600	1,220	(380)
Zoning and subdivision fees	40,000	40,000	41,910	1,910
Plans and specifications	1,600	1,600	340	(1,260)
5% credit card fee	-	-	3,156	3,156
Food manager/handler ID fee	3,500	3,500	7,020	3,520
Arrest fees-M.P.D.	55,000	55,000	42,603	(12,397)
Police Dept. service charges	9,500	9,500	12,140	2,640
Total Charges for Services	<u>538,700</u>	<u>538,700</u>	<u>809,153</u>	<u>270,453</u>
Fines:				
Corporation court fines	775,000	775,000	703,102	(71,898)
Warrant execution fee	225,000	225,000	208,014	(16,986)
Library fines	13,000	13,000	17,382	4,382
Total Fines	<u>1,013,000</u>	<u>1,013,000</u>	<u>928,498</u>	<u>(84,502)</u>
Interest:				
Interest earned on investments	45,000	45,000	182,232	137,232
Interest earned on demand deposits	30,000	30,000	50,182	20,182
Total Interest	<u>75,000</u>	<u>75,000</u>	<u>232,414</u>	<u>157,414</u>
Miscellaneous:				
Reimb.-TX Citrus Fiesta	39,000	39,000	37,956	(1,044)
Reimb.-R.G. Initiative Partnership	-	10,000	10,000	-
Child safety fees	4,500	4,500	9,558	5,058
Library donations/memorial	-	641	642	1
Insurance settlement	50,000	50,000	42,006	(7,994)
Miscellaneous income	35,000	35,000	115,600	80,600
Coke machine & vending machines	2,000	2,000	2,481	481
Street lights reimbursement	2,000	2,000	14,596	12,596
Street signs reimbursement	5,000	10,987	10,988	1
Subdividers reimb.-streets	100,000	100,000	12,905	(87,095)
Universal service fund rebate	-	18,298	18,298	-
Oil lease	4,000	4,000	4,203	203
Reimbursement-MEDC	1,000,000	1,170,000	1,082,887	(87,113)
Total Miscellaneous	<u>1,241,500</u>	<u>1,446,426</u>	<u>1,362,120</u>	<u>(84,306)</u>
Total Revenues	<u>28,953,679</u>	<u>30,067,105</u>	<u>30,477,173</u>	<u>410,068</u>

CITY OF MISSION, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT B-1
Page 3 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Current:				
General Government:				
Legislative:				
Personal services	2,600	2,600	2,075	525
Employee benefits	1,612	1,612	1,397	215
Other purchased services	15,700	15,700	14,056	1,644
Supplies	2,000	2,000	1,355	645
Miscellaneous	2,300	2,300	1,382	918
	<u>24,212</u>	<u>24,212</u>	<u>20,265</u>	<u>3,947</u>
Executive Administration:				
Personal services	275,925	291,450	291,317	133
Employee benefits	104,922	93,872	92,078	1,794
Other purchased services	10,200	11,200	11,143	57
Supplies	7,500	4,525	4,259	266
Capital outlays	2,300	-	-	-
Miscellaneous	1,750	1,550	1,227	323
	<u>402,597</u>	<u>402,597</u>	<u>400,024</u>	<u>2,573</u>
Finance Department:				
Personal services	411,789	402,789	400,409	2,380
Employee benefits	142,591	138,091	134,398	3,693
Purchased property services	52,300	57,155	53,287	3,868
Other purchased services	9,000	9,950	6,783	3,167
Capital Outlays	9,000	4,545	4,545	-
Supplies	10,750	10,150	8,704	1,446
Miscellaneous	2,250	2,250	887	1,363
	<u>637,680</u>	<u>624,930</u>	<u>609,013</u>	<u>15,917</u>
Municipal Court:				
Personal services	453,382	417,882	406,061	11,821
Employee benefits	161,293	156,293	150,679	5,614
Professional & technical services	22,000	22,000	16,238	5,762
Purchased property services	2,200	2,200	2,148	52
Other purchased services	5,250	6,750	5,976	774
Supplies	6,650	6,682	6,053	629
Miscellaneous	57,450	35,950	26,221	9,729
	<u>708,225</u>	<u>647,757</u>	<u>613,376</u>	<u>34,381</u>
Planning:				
Personal services	653,558	589,558	579,562	9,996
Employee benefits	240,123	229,623	220,353	9,270
Purchased property services	7,540	8,340	7,736	604
Other purchased services	19,500	27,000	26,113	887
Supplies	32,550	29,750	23,411	6,339
Capital outlays	-	300	300	-
Miscellaneous	14,800	17,000	14,949	2,051
	<u>968,071</u>	<u>901,571</u>	<u>872,424</u>	<u>29,147</u>

CITY OF MISSION, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT B-1
Page 4 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Facilities Maintenance:				
Personal services	339,041	348,041	338,713	9,328
Employee benefits	155,163	150,663	145,890	4,773
Purchased property services	36,000	43,673	32,722	10,951
Other purchased services	1,750	5,825	3,901	1,924
Supplies	140,400	155,800	111,290	44,510
Miscellaneous	400	425	25	400
	<u>672,754</u>	<u>704,427</u>	<u>632,541</u>	<u>71,886</u>
Fleet Maintenance:				
Professional & technical services	613,182	613,182	654,110	(40,928)
Miscellaneous	15,000	20,000	8,072	11,928
	<u>628,182</u>	<u>633,182</u>	<u>662,182</u>	<u>(29,000)</u>
Organizational Expense:				
Professional & technical services	623,000	680,613	517,029	163,584
Purchased property services	181,000	174,300	144,387	29,913
Other purchased services	115,135	120,635	116,200	4,435
Supplies	13,125	13,165	11,454	1,711
Capital outlays	26,000	50,941	50,939	2
Miscellaneous	859,500	961,106	934,291	26,815
	<u>1,817,760</u>	<u>2,000,760</u>	<u>1,774,300</u>	<u>226,460</u>
Purchasing:				
Personal services	98,117	74,537	77,056	(2,519)
Employee benefits	29,460	28,160	27,405	755
Purchased property services	2,750	2,250	1,919	331
Other purchased services	5,150	5,584	3,497	2,087
Supplies	1,800	1,866	1,715	151
Miscellaneous	900	900	568	332
	<u>138,177</u>	<u>113,297</u>	<u>112,160</u>	<u>1,137</u>
City Secretary:				
Personal services	188,481	188,481	182,194	6,287
Employee benefits	75,850	75,850	72,239	3,611
Professional & technical services	6,800	6,800	6,800	-
Purchased property services	200	315	314	1
Other purchased services	15,350	15,350	15,843	(493)
Supplies	4,300	4,185	1,967	2,218
Capital outlays	1,000	1,000	-	1,000
Miscellaneous	2,350	2,350	1,790	560
	<u>294,331</u>	<u>294,331</u>	<u>281,147</u>	<u>13,184</u>
Risk Management:				
Personal services	78,137	71,137	70,557	580
Employee benefits	32,152	32,152	26,688	5,464
Professional & technical services	3,250	3,250	2,995	255
Purchased property services	1,000	1,600	1,588	12
Other purchased services	300,300	276,450	276,179	271
Supplies	11,500	15,650	15,216	434
Capital outlays	1,500	600	450	150
Miscellaneous	550	550	322	228
	<u>428,389</u>	<u>401,389</u>	<u>393,995</u>	<u>7,394</u>

CITY OF MISSION, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT B-1
Page 5 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Elections:				
Professional & technical services	8,000	8,000	6,504	1,496
Purchased property services	4,200	4,200	2,825	1,375
Other purchased services	6,500	6,500	4,522	1,978
Supplies	3,150	3,150	3,079	71
Miscellaneous	100	100	-	100
	<u>21,950</u>	<u>21,950</u>	<u>16,930</u>	<u>5,020</u>
Civil Service:				
Personal services	72,755	72,755	72,714	41
Employee benefits	23,931	23,931	23,577	354
Professional & technical services	60,000	62,000	51,495	10,505
Purchased property services	-	-	-	-
Other purchased services	6,500	5,000	4,547	453
Supplies	5,250	25,250	20,730	4,520
Capital outlays	-	-	-	-
	<u>168,436</u>	<u>188,936</u>	<u>173,063</u>	<u>15,873</u>
Human Resources:				
Personal Services	130,725	132,825	131,287	1,538
Employee Benefits	41,381	41,381	40,649	732
Professional & Technical Services	13,000	27,000	25,689	1,311
Other purchased services	7,550	7,525	7,395	130
Supplies	1,800	2,100	2,103	(3)
Capital Outlays	600	525	525	-
Miscellaneous	1,575	1,375	1,317	58
	<u>196,631</u>	<u>212,731</u>	<u>208,965</u>	<u>3,766</u>
Total General Government	<u>7,107,395</u>	<u>7,172,070</u>	<u>6,770,385</u>	<u>401,685</u>
Public Safety:				
Police Department:				
Personal services	6,474,650	6,771,270	6,649,157	122,113
Employee benefits	2,378,236	2,327,095	2,340,142	(13,047)
Professional & technical services	17,000	22,000	21,348	652
Purchased property services	283,500	283,500	277,123	6,377
Other purchased services	199,950	184,459	172,909	11,550
Supplies	386,532	381,042	327,997	53,045
Capital outlays	60,000	701,943	439,199	262,744
Miscellaneous	19,000	57,100	41,734	15,366
	<u>9,818,868</u>	<u>10,728,409</u>	<u>10,269,609</u>	<u>458,800</u>
Fire Department:				
Personal services	2,394,765	2,406,475	2,351,070	55,405
Employee benefits	798,382	808,262	781,727	26,535
Professional & technical services	1,500	-	-	-
Purchased property services	84,900	97,720	91,143	6,577
Other purchased services	43,525	48,975	46,971	2,004
Supplies	130,250	153,105	147,713	5,392
Capital outlays	-	391,295	379,110	12,185
Miscellaneous	17,250	14,950	13,416	1,534
	<u>3,470,572</u>	<u>3,920,782</u>	<u>3,811,150</u>	<u>109,632</u>

CITY OF MISSION, TEXAS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT B-1

Page 6 of 8

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Fire Prevention Bureau:				
Personal services	294,753	264,753	227,194	37,559
Employee benefits	99,134	99,134	83,716	15,418
Professional & technical services	2,500	2,800	2,374	426
Purchased property services	1,000	1,000	156	844
Other purchased services	27,800	27,800	19,557	8,243
Supplies	22,025	22,025	14,061	7,964
Capital outlays	2,000	2,000	1,026	974
Miscellaneous	1,400	1,100	550	550
	<u>450,612</u>	<u>420,612</u>	<u>348,634</u>	<u>71,978</u>
Total Public Safety	<u>13,740,052</u>	<u>15,069,803</u>	<u>14,429,393</u>	<u>640,410</u>
Highways and Streets:				
Street Department:				
Personal services	583,979	666,079	646,588	19,491
Employee benefits	330,136	341,086	339,263	1,823
Professional & technical services	80,000	120,000	123,328	(3,328)
Purchased property services	1,016,500	1,080,060	1,021,916	58,144
Other purchased services	9,900	14,900	12,247	2,653
Supplies	285,130	296,117	280,285	15,832
Capital outlays	26,720	52,320	42,095	10,225
Miscellaneous	650	650	517	133
	<u>2,333,015</u>	<u>2,571,212</u>	<u>2,466,239</u>	<u>104,973</u>
Total Highways and Streets	<u>2,333,015</u>	<u>2,571,212</u>	<u>2,466,239</u>	<u>104,973</u>
Health and Welfare:				
Health regulations and inspections:				
Personal services	186,239	182,739	180,192	2,547
Employee benefits	78,197	78,197	71,103	7,094
Purchased property services	800	800	237	563
Other purchased services	8,950	12,097	11,671	426
Supplies	23,875	27,728	26,869	859
Capital outlays	1,500	1,500	1,197	303
Miscellaneous	4,200	700	661	39
	<u>303,761</u>	<u>303,761</u>	<u>291,930</u>	<u>11,831</u>
Total Health and Welfare	<u>303,761</u>	<u>303,761</u>	<u>291,930</u>	<u>11,831</u>
Culture and Recreation:				
Mission Historical Museum:				
Personal services	115,326	110,326	108,917	1,409
Employee benefits	38,052	34,052	29,164	4,888
Professional & technical services	-	182	182	-
Purchased property services	38,000	16,000	7,602	8,398
Other purchased services	12,250	9,940	6,098	3,842
Supplies	5,250	5,250	3,948	1,302
Capital outlays	1,500	3,300	1,605	1,695
Miscellaneous	1,750	2,078	1,158	920
	<u>212,128</u>	<u>181,128</u>	<u>158,674</u>	<u>22,454</u>

CITY OF MISSION, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT B-1
Page 7 of 8

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Parks and Recreation Administration:				
Personal services	124,089	129,089	126,382	2,707
Employee benefits	47,519	47,519	46,485	1,034
Purchased property services	30,200	32,200	32,431	(231)
Other purchased services	3,400	3,400	2,351	1,049
Supplies	2,700	2,700	1,560	1,140
Capital outlays	200	200	-	200
Miscellaneous	400	400	309	91
	<u>208,508</u>	<u>215,508</u>	<u>209,518</u>	<u>5,990</u>
Parks:				
Personal services	607,717	607,717	591,422	16,295
Employee benefits	300,111	293,111	281,034	12,077
Purchased property services	260,200	274,200	281,583	(7,383)
Other purchased services	7,500	12,280	10,875	1,405
Supplies	115,600	115,758	115,456	302
Capital outlays	34,200	22,420	22,143	277
Miscellaneous	75,000	75,000	67,953	7,047
	<u>1,400,328</u>	<u>1,400,486</u>	<u>1,370,466</u>	<u>30,020</u>
Recreation:				
Personal services	211,342	216,342	210,068	6,274
Employee benefits	58,912	58,912	55,635	3,277
Other purchased services	4,750	6,950	5,840	1,110
Supplies	3,500	6,297	5,513	784
Capital outlays	2,500	-	-	-
Miscellaneous	6,000	5,203	5,203	-
	<u>287,004</u>	<u>293,704</u>	<u>282,259</u>	<u>11,445</u>
Library:				
Personal services	732,241	710,241	696,701	13,540
Employee benefits	258,669	252,169	243,826	8,343
Professional & technical services	5,000	-	-	-
Purchased property services	110,750	118,250	107,379	10,871
Other purchased services	48,200	38,200	30,538	7,662
Supplies	38,500	43,000	36,845	6,155
Capital outlays	50,000	49,739	49,629	110
Miscellaneous	73,950	75,150	73,063	2,087
	<u>1,317,310</u>	<u>1,286,749</u>	<u>1,237,981</u>	<u>48,768</u>
Total Culture and Recreation	<u>3,425,278</u>	<u>3,377,575</u>	<u>3,258,898</u>	<u>118,677</u>
Debt Service:				
Principal retirement	50,000	149,327	149,385	(58)
Interest	-	5,850	5,791	59
	<u>50,000</u>	<u>155,177</u>	<u>155,176</u>	<u>1</u>
Total Debt Service	<u>50,000</u>	<u>155,177</u>	<u>155,176</u>	<u>1</u>
Total Expenditures	<u>26,959,501</u>	<u>28,649,598</u>	<u>27,372,021</u>	<u>1,277,577</u>

CITY OF MISSION, TEXAS**GENERAL FUND****BUDGETARY COMPARISON SCHEDULE****FOR THE YEAR ENDED SEPTEMBER 30, 2007****EXHIBIT B-1**

Page 8 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess (Deficiency) of Revenues Over Expenditures	<u>1,994,178</u>	<u>1,417,507</u>	<u>3,105,152</u>	<u>1,687,645</u>
Other Financing Sources (Uses):				
Sale of capital assets	10,000	10,000	-	(10,000)
Capital leases	-	213,943	214,294	351
Transfers in	1,070,000	1,175,177	1,175,176	(1)
Transfers out	<u>(3,379,197)</u>	<u>(3,645,294)</u>	<u>(3,569,989)</u>	<u>75,305</u>
Total Other Financing Sources (Uses)	<u>(2,299,197)</u>	<u>(2,246,174)</u>	<u>(2,180,519)</u>	<u>65,655</u>
Net Change in Fund Balance	(305,019)	(828,667)	924,633	1,753,300
Fund Balance at Beginning of Year	<u>4,449,001</u>	<u>4,449,001</u>	<u>4,449,001</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 4,143,982</u>	<u>\$ 3,620,334</u>	<u>\$ 5,373,634</u>	<u>\$ 1,753,300</u>

CITY OF MISSION, TEXAS
COMMUNITY DEVELOPMENT FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT B-2

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental:				
Community Development Block Grant	\$ 851,836	\$ 1,034,758	\$ 763,209	\$ (271,549)
Total Intergovernmental	851,836	1,034,758	763,209	(271,549)
Total Revenues	851,836	1,034,758	763,209	(271,549)
Expenditures:				
Current:				
General Government:				
General administration	161,336	183,093	173,795	9,298
Housing rehabilitation	656,000	817,165	554,944	262,221
Total General Government	817,336	1,000,258	728,739	271,519
Health and Welfare:				
Other social services	34,500	34,500	34,470	30
Total Health and Welfare	34,500	34,500	34,470	30
Total Expenditures	851,836	1,034,758	763,209	271,549
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	-
Fund Balance at Beginning of Year	-	-	-	-
Fund Balance at End of Year	\$ -	\$ -	\$ -	\$ -

**TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued (AAL) Liability (b)	Percent Funded (a/b)	Unfunded AAL (UAAL) (b-a)	Annual Covered Payroll (c)	UAAL as a Percentage Covered Payroll ((b-a)/c)
2004	17,615,414	21,472,179	82.00%	3,856,765	14,280,305	27.01%
2005	19,035,044	23,448,855	81.20%	4,413,811	15,054,405	29.32%
2006	20,992,770	28,629,555	73.30%	7,636,785	16,128,632	47.35%

CITY OF MISSION, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2007

The City follows these procedures in establishing the budgetary data reflected in the budgetary schedules:

1. The City Manager submits a proposed operating budget for all funds, as mandated by the City Charter, to the City Council 60 to 90 days prior to the beginning of each fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. The City Council selects the time and place of a public hearing on the budget to obtain taxpayer comments.
3. The appropriated budget is adopted by a majority vote of the City Council, and signed into law by a budget ordinance.
4. The budget amounts used in this report are as amended by the City Council.
5. Budgetary appropriations lapse at the end of each fiscal year.
6. The total estimated expenditures of the General Fund and Debt Service Fund may not exceed the total estimated revenues plus cash on hand of each fund.
7. The current level of budgetary control is the department level within each fund.

Due to the City's budgetary control level (department), the City Council approved several supplemental budgetary appropriations throughout the year. Approved budgetary appropriations increased the following budgets by:

General Fund	\$ 1,956,194
Special Revenue Funds	5,674,726
*Capital Project Funds	3,299,338

* The original approved budget does not include the Capital Project Funds since these are project-length budgets; therefore, budgets for these funds are included with the supplemental appropriations approved throughout the year.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

CITY OF MISSION, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2007

At September 30, 2007, Community Development, Aquatics Fund, Recreation Fund, Police State Sharing Fund, Designated Purpose Fund, and Records Preservation Fund, all Special Revenue Funds had outstanding encumbrances of \$219,980, \$3,880, \$1,092, \$98,212, \$21,520 and \$2,173, respectively. Capital Projects Funds 2003 PPFCO Construction, and 2005A Certificates of Obligation had outstanding encumbrances of \$13,970 and \$65,149, respectively.

During the year ended September 30, 2007, expenditures in the following General Fund departments exceeded appropriations by \$103,736

Department	General Fund Excess of Expenditure Over Appropriations
Fleet Maintenance	\$ 29,000
	<u>\$ 29,000</u>

Budget to GAAP Reconciliation

The following is an explanation of differences between budgetary basis and GAAP revenues and expenditures:

<u>Revenues:</u>	<u>General Fund</u>
Actual revenues (budgetary basis) from the budgetary comparison schedule (Exhibit B-1)	\$ 30,477,176
Adjustments:	
No adjustments necessary	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds (Exhibit A-5)	<u>\$ 30,477,176</u>

CITY OF MISSION, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2007

Budget to GAAP Reconciliation (Continued)

<u>Expenditures:</u>	<u>General Fund</u>
Actual expenditures (budgetary basis) from the budgetary comparison schedule (Exhibit B-1)	\$ 27,372,020
Adjustments:	
No adjustments necessary	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds (Exhibit A-5)	<u>\$ 27,372,020</u>

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*OTHER
SUPPLEMENTARY
INFORMATION*

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

Aquatics Fund: To account for the swimming pool recreation facility.

Parks and Recreation Fund: To account for operations of self-sustaining recreation programs.

Police Department Special Fund: To account for monies confiscated in drug related cases; expenditures from the fund are restricted for law enforcement purposes.

Police Federal Sharing Fund: To account for federal seizures awarded to the City. Expenditures are restricted for law enforcement purposes.

Municipal Court Technology Fund: To account for collections and expenditures of municipal court technology fee.

Designated Purpose Fund: To account for revenues and expenditures of various grants.

Drainage Assessment Fund: To account for the cost of drainage improvements at problem locations throughout the City. Property owners in the City are assessed a monthly amount according to a set rate schedule.

Mission Jr. Golf Fund: To account for funds contributed to help fund travel expenditures incurred by the Junior Golf Athletes who participate in the Summer Jr. Golf Competitions. Participants travel throughout Texas and compete with other cities which are members of the Texas Amateur Athletic Federation.

Records Preservation Fund: To account for fees collected for providing preservation of records.

Speer Memorial Library Fund: To account for contributions from private sources restricted to the provision of scholarships and library books.

Hotel/Motel Tax Fund: To account for collections and expenditures of hotel and motel taxes to promote tourism.

Municipal Court Building Security Fund: To account for fees collected for providing security to the Municipal Court Building.

Park Dedication Fund: To account for park dedication fees received from Developers for new parks and park improvements.

Juvenile Case Manager: To account for fines collected on fine-only misdemeanor offense cases and fees are to be used only to finance the salary and benefits of a juvenile case manager.

NON-MAJOR GOVERNMENTAL FUNDS (CONT'D)

SPECIAL REVENUE FUNDS (Cont'd)

Home Fund: To account for revenues and expenditures of the HOME Investment in Affordable Housing program.

Tax Increment Reinvestment Fund: To account for a portion of property taxes levied by the City and Hidalgo County to facilitate the provision of public works or improvements.

CAPITAL PROJECT FUNDS

1998-A Certificates of Obligation: To account for street and drainage improvements.

2003 Public Property Finance Contractual Obligations Fund: To account for the acquisition of equipment and vehicles.

2003 Certificates of Obligation: To account for construction of new fire state and addition to the library.

2004 Certificates of Obligation: To account for construction and equipment acquisitions for the new fire station and library, and acquisition of the old post office building.

2005 Certificates of Obligation: To account for various street and drainage improvements and for the acquisition of police vehicles and a water tower rescue pumper.

2005A Certificates of Obligation: To account for various street and drainage improvements and for the Bentsen Palm Park Project.

CITY OF MISSION, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

EXHIBIT C-1

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Cemetery Fund	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS				
Cash and cash equivalents	\$ 1,100,625	\$ 580,667	\$ 858	\$ 1,682,150
Investments	1,121,759	2,136,758	60,000	3,318,517
Receivables:				-
Accounts	230,281	-	-	230,281
Special assessments	118,370	-	-	118,370
Less: allowance for uncollectibles	(39,918)	-	-	(39,918)
Accrued interest receivable	356	104	1,826	2,286
Due from other governments	313,978	-	-	313,978
Due from other funds	-	-	-	-
Prepaid items	490	-	-	490
Restricted assets	587	39,051	-	39,638
Total Assets	\$ 2,846,528	\$ 2,756,580	\$ 62,684	\$ 5,665,792
LIABILITIES				
Accounts payable	\$ 145,077	\$ 208,251	\$ 539	\$ 353,867
Other liabilities	12,273	-	-	12,273
Retainage payable	18,895	51,915	-	70,810
Accrued payroll	7,796	-	-	7,796
Due to other funds	261,257	-	-	261,257
Deferred revenue	696,666	-	-	696,666
Total Liabilities	1,141,964	260,166	539	1,402,669
FUND BALANCES				
Reserved for encumbrances	-	79,119	-	79,119
Reserved for capital projects	-	2,417,295	-	2,417,295
Reserved for perpetual care	-	-	62,145	62,145
Reserved for scholarships and books	27,686	-	-	27,686
Reserved for other purposes	908,455	-	-	908,455
Unreserved, reported in nonmajor:				-
Special revenue funds	768,423	-	-	768,423
Total Fund Balances	1,704,564	2,496,414	62,145	4,263,123
Total Liabilities and Fund Balances	\$ 2,846,528	\$ 2,756,580	\$ 62,684	\$ 5,665,792

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CITY OF MISSION, TEXAS

EXHIBIT C-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Cemetery Fund	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Taxes and special assessments	\$ 830,986	\$ -	\$ -	\$ 830,986
Intergovernmental	2,496,282	-	-	2,496,282
Charges for services	317,422	-	-	317,422
Interest	63,855	153,774	3,000	220,629
Miscellaneous	35,650	-	-	35,650
Total Revenues	<u>3,744,195</u>	<u>153,774</u>	<u>3,000</u>	<u>3,900,969</u>
Expenditures:				
Current:				
General government	10,428	-	-	10,428
Public safety	970,890	-	-	970,890
Highways and streets	223,318	-	-	223,318
Culture and recreation	1,366,782	-	-	1,366,782
Health and welfare	31,378	-	-	31,378
Economic development	1,147,191	-	-	1,147,191
Capital projects	-	951,640	-	951,640
Total Expenditures	<u>3,749,987</u>	<u>951,640</u>	<u>-</u>	<u>4,701,627</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,792)</u>	<u>(797,866)</u>	<u>3,000</u>	<u>(800,658)</u>
Other Financing Sources (Uses):				
Issuance of debt	-	-	-	-
Capital leases	170,050	-	-	170,050
Sale of capital assets	-	-	-	-
Transfers in	882,692	-	-	882,692
Transfers out	(325,176)	(5,245)	-	(330,421)
Total Other Financing Sources (Uses)	<u>727,566</u>	<u>(5,245)</u>	<u>-</u>	<u>722,321</u>
Net Change in Fund Balances	721,774	(803,111)	3,000	(78,337)
Fund Balance at Beginning of Year	<u>982,790</u>	<u>3,299,525</u>	<u>59,146</u>	<u>4,341,461</u>
Fund Balances at End of Year	<u>\$ 1,704,564</u>	<u>\$ 2,496,414</u>	<u>\$ 62,146</u>	<u>\$ 4,263,124</u>

CITY OF MISSION, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2007

	<u>Aquatics Fund</u>	<u>Parks and Recreation Fund</u>	<u>Police Department Special Fund</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 79,381	\$ 222,675
Investments	-	49,761	297,762
Receivables:			
Accounts	-	1,540	242
Special assessments	-	-	-
Less: allowance for uncollectibles	-	-	-
Accrued interest receivable	-	-	-
Due from other governments	129,621	-	-
Due from other funds	-	-	-
Prepaid items	-	-	490
Restricted assets	-	-	87
Total Assets	<u>\$ 129,621</u>	<u>\$ 130,682</u>	<u>\$ 521,256</u>
LIABILITIES			
Accounts payable	\$ 7,700	\$ 4,054	\$ 39,537
Other liabilities	465	-	7,896
Retainage payable	-	-	-
Accrued payroll	1,300	-	-
Due to other funds	110,156	-	-
Deferred Revenue	-	-	-
Total Liabilities	<u>119,621</u>	<u>4,054</u>	<u>47,433</u>
FUND BALANCES			
Reserved for scholarships and books	-	-	-
Reserved for other purposes	-	-	473,823
Unreserved, reported in nonmajor:			
Special revenue funds	<u>10,000</u>	<u>126,628</u>	<u>-</u>
Total Fund Balances	<u>10,000</u>	<u>126,628</u>	<u>473,823</u>
Total Liabilities and Fund Balances	<u>\$ 129,621</u>	<u>\$ 130,682</u>	<u>\$ 521,256</u>

EXHIBIT C-3

Page 1 of 2

<u>Police Federal Sharing Fund</u>	<u>Municipal Court Technology Fund</u>	<u>Designated Purpose Fund</u>	<u>Drainage Assessment Fund</u>	<u>Mission Jr. Golf Trust</u>
\$ 98,693	\$ 70,420	\$ -	\$ 206,800	\$ 3,682
74,642	74,541	-	99,522	-
-	-	-	-	-
-	-	-	118,370	-
-	-	-	(39,918)	-
-	-	-	-	-
-	-	184,357	-	-
-	-	-	-	-
-	-	-	-	-
-	-	500	-	-
<u>\$ 173,335</u>	<u>\$ 144,961</u>	<u>\$ 184,857</u>	<u>\$ 384,774</u>	<u>\$ 3,682</u>
\$ 837	\$ 36	\$ 30	\$ -	\$ -
621	-	3,291	-	-
-	-	18,895	-	-
1,247	-	5,249	-	-
-	-	151,101	-	-
-	-	6,291	-	-
<u>2,705</u>	<u>36</u>	<u>184,857</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
170,630	144,925	-	-	3,682
-	-	-	384,774	-
<u>170,630</u>	<u>144,925</u>	<u>-</u>	<u>384,774</u>	<u>3,682</u>
<u>\$ 173,335</u>	<u>\$ 144,961</u>	<u>\$ 184,857</u>	<u>\$ 384,774</u>	<u>\$ 3,682</u>

CITY OF MISSION, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2007

	Records Preservation Fund	Speer Memorial Library	Hotel/Motel Tax Fund	Municipal Court Building Security Fund
ASSETS				
Cash and cash equivalents	\$ 13,780	\$ -	\$ 155,566	\$ 15,808
Investments	-	27,330	49,993	99,587
Receivables:				
Accounts	-	-	89,868	-
Special assessments	-	-	-	-
Less: allowance for uncollectibles	-	-	-	-
Accrued interest receivable	-	356	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
Restricted assets	-	-	-	-
Total Assets	<u>\$ 13,780</u>	<u>\$ 27,686</u>	<u>\$ 295,427</u>	<u>\$ 115,395</u>
LIABILITIES				
Accounts payable	\$ 180	\$ -	\$ 68,750	\$ -
Other liabilities	-	-	-	-
Retainage payable	-	-	-	-
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total Liabilities	<u>180</u>	<u>-</u>	<u>68,750</u>	<u>-</u>
FUND BALANCES				
Reserved for scholarships and books	-	27,686	-	-
Reserved for other purposes	-	-	-	115,395
Unreserved, reported in nonmajor:				
Special revenue funds	<u>13,600</u>	<u>-</u>	<u>226,677</u>	<u>-</u>
Total Fund Balances	<u>13,600</u>	<u>27,686</u>	<u>226,677</u>	<u>115,395</u>
Total Liabilities and Fund Balances	<u>\$ 13,780</u>	<u>\$ 27,686</u>	<u>\$ 295,427</u>	<u>\$ 115,395</u>

EXHIBIT C-3

Page 2 of 2

Park Dedication Fund	Juevenile Case Manager Fund	HOME Fund	Tax Increment Reinvestment Zone Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 227,076	\$ 2,239	\$ -	\$ 4,505	\$ 1,100,625
348,621	-	-	-	1,121,759
-	-	138,631	-	-
-	-	-	-	230,281
-	-	-	-	118,370
-	-	-	-	(39,918)
-	-	-	-	356
-	-	-	-	313,978
-	-	-	-	-
-	-	-	-	490
-	-	-	-	587
<u>\$ 575,697</u>	<u>\$ 2,239</u>	<u>\$ 138,631</u>	<u>\$ 4,505</u>	<u>\$ 2,846,528</u>
\$ 23,953	\$ -	\$ -	\$ -	\$ 145,077
-	-	-	-	12,273
-	-	-	-	18,895
-	-	-	-	7,796
-	-	-	-	261,257
551,744	-	138,631	-	696,666
<u>575,697</u>	<u>-</u>	<u>138,631</u>	<u>-</u>	<u>1,141,964</u>
-	-	-	-	27,686
-	-	-	-	908,455
-	2,239	-	4,505	-
-	<u>2,239</u>	-	<u>4,505</u>	<u>768,423</u>
<u>\$ 575,697</u>	<u>\$ 2,239</u>	<u>\$ 138,631</u>	<u>\$ 4,505</u>	<u>1,704,564</u>
				<u>2,846,528</u>

CITY OF MISSION, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Aquatics Fund	Parks and Recreation Fund	Police Department Special Fund
Revenues:			
Taxes and special assessments	\$ -	\$ -	\$ -
Intergovernmental	129,621	-	541,708
Charges for services	33,832	99,602	-
Interest	-	5,633	8,109
Miscellaneous	20	16,507	-
Total Revenues	<u>163,473</u>	<u>121,742</u>	<u>549,817</u>
Expenditures			
Current:			
General government	-	-	-
Public safety	-	-	129,604
Highways and streets	-	-	-
Culture and recreation	293,094	119,659	-
Health and welfare	-	-	-
Economic development	-	-	-
Total Expenditures	<u>293,094</u>	<u>119,659</u>	<u>129,604</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(129,621)</u>	<u>2,083</u>	<u>420,213</u>
Other Financing Sources (Uses):			
Sale of capital assets	-	-	-
Capital leases	-	-	-
Transfers in	129,621	20,000	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>129,621</u>	<u>20,000</u>	<u>-</u>
Net change in Fund Balances	-	22,083	420,213
Fund Balance at Beginning of Year	<u>10,000</u>	<u>104,546</u>	<u>53,610</u>
Fund Balances at End of Year	<u>\$ 10,000</u>	<u>\$ 126,629</u>	<u>\$ 473,823</u>

Police Federal Sharing Fund	Municipal Court Technology Fund	Designated Purpose Fund	Drainage Assessment Fund	Mission Jr. Golf Trust
\$ -	\$ -	\$ -	\$ 472,710	\$ -
198,937	-	1,076,016	-	-
-	33,249	-	-	-
13,448	6,555	-	14,600	269
-	-	933	(808)	18,998
<u>212,385</u>	<u>39,804</u>	<u>1,076,949</u>	<u>486,502</u>	<u>19,267</u>
-	5,342	-	-	-
167,944	-	673,342	-	-
-	-	-	223,318	-
-	-	508,109	-	17,562
-	-	31,378	-	-
-	-	-	-	-
<u>167,944</u>	<u>5,342</u>	<u>1,212,829</u>	<u>223,318</u>	<u>17,562</u>
<u>44,441</u>	<u>34,462</u>	<u>(135,880)</u>	<u>263,184</u>	<u>1,705</u>
-	-	-	-	-
-	-	-	170,050	-
-	-	135,880	-	-
(76,042)	-	-	(249,134)	-
<u>(76,042)</u>	<u>-</u>	<u>135,880</u>	<u>(79,084)</u>	<u>-</u>
(31,601)	34,462	-	184,100	1,705
<u>202,230</u>	<u>110,463</u>	<u>-</u>	<u>200,675</u>	<u>1,976</u>
<u>\$ 170,629</u>	<u>\$ 144,925</u>	<u>\$ -</u>	<u>\$ 384,775</u>	<u>\$ 3,681</u>

CITY OF MISSION, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Records Preservation Fund	Speer Memorial Library	Hotel/Motel Tax Fund
Revenues:			
Taxes and special assessments	\$ -	\$ -	\$ 358,276
Intergovernmental	-	-	-
Charges for services	10,722	-	-
Interest	145	1,354	8,102
Miscellaneous	-	-	-
Total Revenues	<u>10,867</u>	<u>1,354</u>	<u>366,378</u>
Expenditures			
Current:			
General government	4,430	-	-
Public safety	-	-	-
Highways and streets	-	-	-
Culture and recreation	-	-	314,395
Health and welfare	-	-	-
Economic development	-	-	-
Total Expenditures	<u>4,430</u>	<u>-</u>	<u>314,395</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,437</u>	<u>1,354</u>	<u>51,983</u>
Other Financing Sources (Uses):			
Sale of capital assets	-	-	-
Capital leases	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in Fund Balances	6,437	1,354	51,983
Fund Balance at Beginning of Year	<u>7,162</u>	<u>26,332</u>	<u>174,694</u>
Fund Balances at End of Year	<u>\$ 13,599</u>	<u>\$ 27,686</u>	<u>\$ 226,677</u>

EXHIBIT C-4

Page 2 of 2

Municipal Court Building Security Fund	Park Dedication Fund	Juvenile Case Manager Fund	Tax Increment Reinvestment Zone Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ -	\$ -	\$ -	\$ -	\$ 830,986
-	-	-	550,000	2,496,282
23,826	113,963	2,228	-	317,422
5,434	-	11	195	63,855
-	-	-	-	35,650
<u>29,260</u>	<u>113,963</u>	<u>2,239</u>	<u>550,195</u>	<u>3,744,195</u>
656	-	-	-	10,428
-	-	-	-	970,890
-	-	-	-	223,318
-	113,963	-	-	1,366,782
-	-	-	-	31,378
-	-	-	1,147,191	1,147,191
<u>656</u>	<u>113,963</u>	<u>-</u>	<u>1,147,191</u>	<u>3,749,987</u>
28,604	-	2,239	(596,996)	(5,792)
-	-	-	-	-
-	-	-	-	170,050
-	-	-	597,191	882,692
-	-	-	-	(325,176)
<u>-</u>	<u>-</u>	<u>-</u>	<u>597,191</u>	<u>727,566</u>
28,604	-	2,239	195	721,774
86,792	-	-	4,310	982,790
<u>\$ 115,396</u>	<u>\$ -</u>	<u>\$ 2,239</u>	<u>\$ 4,505</u>	<u>\$ 1,704,564</u>

CITY OF MISSION, TEXAS

EXHIBIT C-5

AQUATICS FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental:			
MCISD contribution	\$ 183,900	\$ 129,621	\$ (54,279)
Miscellaneous	-	-	-
Total Intergovernmental	183,900	129,621	(54,279)
Charges for Service:			
Aquatics	41,000	33,852	(7,148)
Total Charges for Services	41,000	33,852	(7,148)
Total Revenues	224,900	163,473	(61,427)
Expenditures:			
Current:			
Culture and Recreation:			
Personal services	238,714	181,452	57,262
Employee benefits	44,621	31,351	13,270
Purchased property services	60,000	31,448	28,552
Other purchased services	16,766	12,192	4,574
Supplies	42,200	36,066	6,134
Capital outlay	6,300	585	5,715
Miscellaneous	200	-	200
Total Culture and Recreation	408,801	293,094	115,707
Total Expenditures	408,801	293,094	115,707
Excess (Deficiency) of Revenues Over (Under) Expenditures	(183,901)	(129,621)	54,280
Other Financing Sources (Uses):			
Transfers in	183,901	129,621	(54,280)
Total Other Financing Sources (Uses)	183,901	129,621	(54,280)
Net Change in Fund Balance	-	-	-
Fund Balance at Beginning of Year	10,000	10,000	-
Fund Balance at End of Year	\$ 10,000	\$ 10,000	\$ -

CITY OF MISSION, TEXAS**EXHIBIT C-6***PARKS AND RECREATION FUND**SPECIAL REVENUE FUND**BUDGETARY COMPARISON SCHEDULE**FOR THE YEAR ENDED SEPTEMBER 30, 2007*

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest:			
Interest earned on demand deposits	\$ -	\$ 5,633	\$ 5,633
Total Interest	-	5,633	5,633
Miscellaneous:			
Fees and charges	48,000	99,602	51,602
Fundraising	20,000	16,487	(3,513)
Miscellaneous	-	20	20
Total Miscellaneous	68,000	116,109	48,109
Total Revenues	68,000	121,742	53,742
Expenditures:			
Current:			
Culture and Recreation:			
Professional & technical services	55,000	66,346	(11,346)
Other purchased services	28,000	23,624	4,376
Supplies	37,329	27,389	9,940
Capital outlay	396	396	-
Miscellaneous	9,200	1,904	7,296
Total Culture and Recreation	129,925	119,659	10,266
Total Expenditures	129,925	119,659	10,266
Excess (Deficiency) of Revenues Over (Under) Expenditures	(61,925)	2,083	64,008
Other Financing Sources (Uses):			
Transfers in	20,000	20,000	-
Total Other Financing Sources (Uses)	20,000	20,000	-
Net Change in Fund Balance	(41,925)	22,083	64,008
Fund Balance at Beginning of Year	104,546	104,546	-
Fund Balance at End of Year	\$ 62,621	\$ 126,629	\$ 64,008

CITY OF MISSION, TEXAS**EXHIBIT C-7***POLICE DEPARTMENT SPECIAL FUND**SPECIAL REVENUE FUND**BUDGETARY COMPARISON SCHEDULE**FOR THE YEAR ENDED SEPTEMBER 30, 2007*

	Budget	Actual	Variance Positive (Negative)
Revenues:			
State Seizures:			
State seizures	\$ 531,181	\$ 541,708	\$ 10,527
Total State Seizures	531,181	541,708	10,527
Interest:			
Interest earned on investments	500	2,939	2,439
Interest earned on demand deposits	200	5,170	4,970
Total Interest	700	8,109	7,409
Total Revenues	531,881	549,817	17,936
Expenditures:			
Current:			
Public Safety:			
State Seizures:			
Personal services	50,000	50,000	-
Professional & technical services	50,000	28,971	21,029
Purchased property services	60,000	788	59,212
Other purchased services	20,000	163	19,837
Supplies	40,000	11,301	28,699
Capital outlay	339,526	38,381	301,145
Miscellaneous	-	-	-
	559,526	129,604	429,922
Total Public Safety	559,526	129,604	429,922
Total Expenditures	559,526	129,604	429,922
Excess (Deficiency) of Revenues Over (Under) Expenditures	(27,645)	420,213	447,858
Fund Balance at Beginning of Year	53,610	53,610	-
Fund Balance at End of Year	\$ 25,965	\$ 473,823	\$ 447,858

CITY OF MISSION, TEXAS**EXHIBIT C-8***POLICE FEDERAL SHARING FUND**SPECIAL REVENUE FUND**BUDGETARY COMPARISON SCHEDULE**FOR THE YEAR ENDED SEPTEMBER 30, 2007*

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental:			
Equitable sharing	\$ 178,591	\$ 198,937	\$ 20,346
Total Intergovernmental	178,591	198,937	20,346
Interest:			
Interest earned on investments	2,000	3,969	1,969
Interest earned on demand deposits	500	9,479	8,979
Total Interest	2,500	13,448	10,948
Total Revenues	181,091	212,385	31,294
Expenditures:			
Current:			
Public Safety:			
Personal services	98,500	75,046	23,454
Employee benefits	22,095	13,450	8,645
Professional & technical services	2,585	2,585	-
Purchased property services	10,000	9,129	871
Other purchased services	82,543	82,025	518
Supplies	25,526	9,995	15,531
Capital outlay	116,065	50,514	65,551
Miscellaneous	3,500	1,242	2,258
Total Public Safety	360,814	243,986	116,828
Total Expenditures	360,814	243,986	116,828
Excess (Deficiency) of Revenues Over (Under) Expenditures	(179,723)	(31,601)	148,122
Fund Balance at Beginning of Year	202,230	202,230	-
Fund Balance at End of Year	\$ 22,507	\$ 170,629	\$ 148,122

CITY OF MISSION, TEXAS**MUNICIPAL COURT TECHNOLOGY FUND****SPECIAL REVENUE FUND****BUDGETARY COMPARISON SCHEDULE****FOR THE YEAR ENDED SEPTEMBER 30, 2007****EXHIBIT C-9**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for Services:			
Court technology fees	\$ 32,000	\$ 33,249	\$ 1,249
Total Charges for Services	<u>32,000</u>	<u>33,249</u>	<u>1,249</u>
Interest:			
Interest earned on investments	1,400	2,787	1,387
Interest earned on demand deposits	<u>600</u>	<u>3,768</u>	<u>3,168</u>
Total Interest	<u>2,000</u>	<u>6,555</u>	<u>4,555</u>
Total Revenues	<u>34,000</u>	<u>39,804</u>	<u>5,804</u>
Expenditures:			
Current:			
General Government:			
Purchased property services	4,420	560	3,860
Capital outlays	20,000	4,050	15,950
Miscellaneous	730	732	(2)
Total General Government	<u>25,150</u>	<u>5,342</u>	<u>19,808</u>
Total Expenditures	<u>25,150</u>	<u>5,342</u>	<u>19,808</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,850	34,462	25,612
Fund Balance at Beginning of Year	<u>110,463</u>	<u>110,463</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 119,313</u>	<u>\$ 144,925</u>	<u>\$ 25,612</u>

CITY OF MISSION, TEXAS

DESIGNATED PURPOSE FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT C-10

Page 1 of 3

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental:			
COPS Grant	\$ 74,270	\$ 74,280	\$ 10
Bullet Proof Vest Grant	4,615	1,350	(3,265)
Texas Parks & Wildlife Grant	500,000	500,000	-
SAFER EMW-2005-FF-01316	1,200,000	335,070	(864,930)
Texas Commission of Fire Protection	17,000	18,928	1,928
Tobacco Compliance Grant	5,000	5,000	-
OVAG Grant# 0802439	-	2,427	2,427
Lone Star Library Grant	7,371	7,371	-
2004 State HSP Grant-48768	1,074	834	(240)
2006 State HS/LETPP Grant-48768	61,979	18,471	(43,508)
2005 State SHSP 48768	9,149	8,984	(165)
2005 State LETPP 48768	16,289	16,109	(180)
LRGVDC Contract	15,000	14,999	(1)
LRGVDC Grant #07-21-G03	18,000	16,379	(1,621)
Tx. Dept Transportation-Step Grant	55,863	55,813	(50)
Total Intergovernmental	1,985,610	1,076,015	(909,595)
Miscellaneous:			
Wal-Mart Child ID Program	1,234	738	(496)
Wal-Mart Safe Neighborhood Heroes	3,490	196	(3,294)
Total Miscellaneous	4,724	934	(3,790)
Total Revenues	1,990,334	1,076,949	(913,385)
Expenditures:			
Current:			
Public Safety:			
Tobacco Compliance Grant:			
Personal services	3,500	3,500	-
Employee benefits	600	600	-
Other purchased services	900	900	-
	5,000	5,000	-
2005 LETPP Grant:			
Capital outlay	16,289	16,109	180
	16,289	16,109	180
Texas Commission of Fire Protection:			
Capital outlay	17,000	18,928	(1,928)
	17,000	18,928	(1,928)
SAFER EMW-2005-FF-013:			
Personal services	2,006,853	289,477	1,717,376
Employee benefits	592,824	88,645	504,179
	2,599,677	378,122	2,221,555
Wal-Mart Child ID Program:			
Supplies	234	-	234
	234	-	234

CITY OF MISSION, TEXAS

DESIGNATED PURPOSE FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT C-10

Page 2 of 3

	Budget	Actual	Variance Positive (Negative)
Bullet Proof Vest Grant:			
Capital outlay	9,230	2,700	6,530
	9,230	2,700	6,530
OVAG Grant# 0802439			
Personal services	-	1,666	(1,666)
Employee benefits	-	762	(762)
	-	2,428	(2,428)
Wal-Mart Safe Neighborhood Program:			
Other purchased services	2,490	196	2,294
Capital outlay	1,000	-	1,000
	3,490	196	3,294
COPS Grant:			
Personal services	114,000	114,000	-
Employee benefits	25,965	25,965	-
	139,965	139,965	-
2005 SHSP Grant:			
Capital outlay	9,149	8,984	165
	9,149	8,984	165
2004 SHSP #48768			
Capital outlays	1,074	834	240
	1,074	834	240
TXDOT-Step Grant:			
Personal services	59,100	59,797	(697)
Employee benefits	11,284	12,873	(1,589)
Other purchased services	11,266	8,935	2,331
Capital outlay	-	-	-
	81,650	81,605	45
2006 SHS/LETPP Grant:			
Capital outlay	61,979	18,471	43,508
	61,979	18,471	43,508
Total Public Safety	2,944,737	673,342	2,271,395
Health and Welfare:			
LRGVDC Contract:			
Other purchased services	1,500	1,500	-
Supplies	1,500	1,499	1
Capital outlay	12,000	12,000	-
	15,000	14,999	1

CITY OF MISSION, TEXAS*DESIGNATED PURPOSE FUND**SPECIAL REVENUE FUND**BUDGETARY COMPARISON SCHEDULE**FOR THE YEAR ENDED SEPTEMBER 30, 2007***EXHIBIT C-10**

Page 3 of 3

	Budget	Actual	Variance Positive (Negative)
LRGVDC Contract #07-21-GO:			
Other purchased services	1,500	1,500	-
Supplies	1,500	1,469	31
Capital outlay	15,000	13,410	1,590
	<u>18,000</u>	<u>16,379</u>	<u>1,621</u>
 Total Health and Welfare	 <u>33,000</u>	 <u>31,378</u>	 <u>1,622</u>
 Culture and Recreation:			
Texas Parks and Wildlife-Bentsen Palm Park:			
Capital outlay	500,000	500,000	-
	<u>500,000</u>	<u>500,000</u>	<u>-</u>
 Wal-Mart Grant Library:			
Supplies	1,000	738	262
	<u>1,000</u>	<u>738</u>	<u>262</u>
 Loan Star Libraries Grant:			
Capital outlay	7,371	7,371	-
	<u>7,371</u>	<u>7,371</u>	<u>-</u>
 Total Culture and Recreation	 <u>508,371</u>	 <u>508,109</u>	 <u>262</u>
 Total Expenditures	 <u>3,486,108</u>	 <u>1,212,829</u>	 <u>2,273,279</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>(1,495,774)</u>	 <u>(135,880)</u>	 <u>1,359,894</u>
 Other Financing Sources (Uses)			
Transfers in	1,495,774	135,880	(1,359,894)
 Total Other Financing Sources (Uses)	 <u>1,495,774</u>	 <u>135,880</u>	 <u>(1,359,894)</u>
 Net Change in Fund Balance	 -	 -	 -
 Fund Balance at Beginning of Year	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Fund Balance at End of Year	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

CITY OF MISSION, TEXAS

EXHIBIT C-11

DRAINAGE ASSESSMENT FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Special Assessments:			
Drainage assessments	\$ 440,000	\$ 472,710	\$ 32,710
Total Assessments	440,000	472,710	32,710
Interest:			
Interest earned on investments	-	5,843	5,843
Interest earned on demand deposits	2,000	8,758	6,758
Total Interest	2,000	14,601	12,601
Miscellaneous:			
Drainage reimb.-subdividers	10,000	1,057	(8,943)
Miscellaneous income	-	(1,866)	(1,866)
Total Miscellaneous	10,000	(809)	(10,809)
Total Revenues	452,000	486,502	34,502
Expenditures:			
Current:			
Highways and Streets:			
Purchased property services	9,000	-	9,000
Other purchased services	-	1,468	(1,468)
Capital outlays	385,916	221,850	164,066
Supplies	500	-	500
Miscellaneous	600	-	600
Total Highways and Streets	396,016	223,318	172,698
Total Expenditures	396,016	223,318	172,698
Excess (Deficiency) of Revenues Over (Under) Expenditures	55,984	263,184	207,200
Other Financing Sources (Uses):			
Transfers out	(249,134)	(249,134)	-
Capital leases	170,050	170,050	-
Total Other Financing Sources (Uses)	(79,084)	(79,084)	-
Net Change in Fund Balance	(23,100)	184,100	207,200
Fund Balance at Beginning of Year	200,675	200,675	-
Fund Balance at End of Year	\$ 177,575	\$ 384,775	\$ 207,200

CITY OF MISSION, TEXAS**EXHIBIT C-12***MISSION JR. GOLF TRUST**SPECIAL REVENUE FUND**BUDGETARY COMPARISON SCHEDULE**FOR THE YEAR ENDED SEPTEMBER 30, 2007*

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest:			
Interest earned on demand deposits	\$ -	\$ 269	\$ 269
Total Interest	-	269	269
Miscellaneous:			
Contribution and donations	20,000	18,998	(1,002)
Total Miscellaneous	20,000	18,998	(1,002)
Total Revenues	20,000	19,267	(733)
Expenditures:			
Current:			
Culture and Recreation:			
Other purchased services	17,000	16,896	104
Supplies	3,000	666	2,334
Miscellaneous	-	-	-
Total Culture and Recreation	20,000	17,562	2,438
Total Expenditures	20,000	17,562	2,438
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	1,705	1,705
Fund Balance at Beginning of Year	1,976	1,976	-
Fund Balance at End of Year	\$ 1,976	\$ 3,681	\$ 1,705

CITY OF MISSION, TEXAS**EXHIBIT C-13****RECORDS PRESERVATION FUND****SPECIAL REVENUE FUND****BUDGETARY COMPARISON SCHEDULE****FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for Service:			
Vital statistics preservation fee	\$ 6,500	\$ 10,722	\$ 4,222
Total Charges for Service	6,500	10,722	4,222
Interest:			
Interest earned on demand deposits	-	-	-
Interest earned on investments	-	145	145
Total Interest	-	145	145
Total Revenues	6,500	10,867	4,367
Expenditures:			
Current:			
Record Preservation:			
Supplies	8,000	4,430	3,570
Capital outlays	-	-	-
Total Record Preservation	8,000	4,430	3,570
Total Expenditures	8,000	4,430	3,570
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,500)	6,437	7,937
Fund Balance at Beginning of Year	7,162	7,162	-
Fund Balance at End of Year	\$ 5,662	\$ 13,599	\$ 7,937

CITY OF MISSION, TEXAS*SPEER MEMORIAL LIBRARY**SPECIAL REVENUE FUND**BUDGETARY COMPARISON SCHEDULE**FOR THE YEAR ENDED SEPTEMBER 30, 2007***EXHIBIT C-14**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Interest:			
Interest earned on investments	\$ 400	\$ 1,170	\$ 770
Interest earned on demand deposits	-	184	184
Total Interest	<u>400</u>	<u>1,354</u>	<u>954</u>
Total Revenues	<u>400</u>	<u>1,354</u>	<u>954</u>
Expenditures:			
Current:			
Culture and Recreation:			
Miscellaneous	-	-	-
Capital outlays	-	-	-
Total Culture and Recreation	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	400	1,354	954
Fund Balance at Beginning of Year	<u>26,332</u>	<u>26,332</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 26,732</u>	<u>\$ 27,686</u>	<u>\$ 954</u>

CITY OF MISSION, TEXAS*HOTEL/MOTEL TAX FUND**SPECIAL REVENUE FUND**BUDGETARY COMPARISON SCHEDULE**FOR THE YEAR ENDED SEPTEMBER 30, 2007***EXHIBIT C-15**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes:			
Hotel occupancy tax	\$ 285,000	\$ 358,276	\$ 73,276
Penalties and interest-hotel occupancy tax	100	-	(100)
Tax refunds	-	-	-
Total Taxes	285,100	358,276	73,176
Interest:			
Interest earned on demand deposits	3,500	6,183	2,683
Interest earned on investments	-	1,919	1,919
Total Interest	3,500	8,102	4,602
Total Revenues	288,600	366,378	77,778
Expenditures:			
Current:			
Culture and Recreation:			
Tourist Promotion & Advertising:			
Miscellaneous	425,000	314,395	110,605
Other purchased services	-	-	-
Total Culture and Recreation	425,000	314,395	110,605
Total Expenditures	425,000	314,395	110,605
Excess (Deficiency) of Revenues Over (Under) Expenditures	(136,400)	51,983	188,383
Fund Balance at Beginning of Year	174,694	174,694	-
Fund Balance at End of Year	\$ 38,294	\$ 226,677	\$ 188,383

CITY OF MISSION, TEXAS**EXHIBIT C-16****MUNICIPAL COURT BLDG SECURITY FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for Services:			
Municipal court security fees	\$ 23,000	\$ 23,826	\$ 826
Total Charges for Services	<u>23,000</u>	<u>23,826</u>	<u>826</u>
Interest:			
Interest earned on investments	700	3,644	2,944
Interest earned on demand deposits	<u>700</u>	<u>1,790</u>	<u>1,090</u>
Total Interest	<u>1,400</u>	<u>5,434</u>	<u>4,034</u>
Total Revenues	<u>24,400</u>	<u>29,260</u>	<u>4,860</u>
Expenditures:			
Current:			
Purchased property services	2,000	-	2,000
Other purchased services	750	656	94
Capital outlay	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total Expenditures	<u>12,750</u>	<u>656</u>	<u>12,094</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	11,650	28,604	16,954
Fund Balance at Beginning of Year	<u>86,792</u>	<u>86,792</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 98,442</u>	<u>\$ 115,396</u>	<u>\$ 16,954</u>

CITY OF MISSION, TEXAS*PARK DEDICATION FUND**SPECIAL REVENUE FUND**BUDGETARY COMPARISON SCHEDULE**FOR THE YEAR ENDED SEPTEMBER 30, 2007***EXHIBIT C-17**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for Services:			
Park dedication fee	\$ 426,596	\$ 113,963	\$ (312,633)
Total Charges for Services	426,596	113,963	(312,633)
Total Revenues	426,596	113,963	(312,633)
Expenditures:			
Current:			
Culture and Recreation:			
Zone 1-Northwest:			
Capital outlays	80,996	-	80,996
	80,996	-	80,996
Zone 2-Northeast:			
Capital outlays	186,600	66,844	119,756
	186,600	66,844	119,756
Zone 3-Southwest:			
Capital outlays	89,000	42,863	46,137
	89,000	42,863	46,137
Zone 4-Southeast:			
Capital outlays	70,000	4,256	65,744
	70,000	4,256	65,744
Zone 5 -Central:			
Capital outlays	-	-	-
	-	-	-
Total Culture and Recreation	426,596	113,963	312,633
Total Expenditures	426,596	113,963	312,633
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-
Fund Balance at Beginning of Year	-	-	-
Fund Balance at End of Year	\$ -	\$ -	\$ -

CITY OF MISSION, TEXAS*JUVENILE CASE MANAGER FUND**SPECIAL REVENUE FUND**BUDGETARY COMPARISON SCHEDULE**FOR THE YEAR ENDED SEPTEMBER 30, 2007***EXHIBIT C-18**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for Services:			
Juvenile case manager fee	\$ -	\$ 2,228	\$ 2,228
Total Charges for Services	-	2,228	2,228
Interest:			
Interest earned on investments	-	-	-
Interest earned on demand deposits	-	11	11
Total Interest	-	11	11
Total Revenues	-	2,239	2,239
Expenditures:			
Current:			
Personal services	-	-	-
Employee benefits	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	2,239	2,239
Fund Balance at Beginning of Year	-	-	-
Fund Balance at End of Year	\$ -	\$ 2,239	\$ 2,239

CITY OF MISSION, TEXAS**EXHIBIT C-19***TAX INCREMENT REINVESTMENT ZONE FUND**SPECIAL REVENUE FUND**BUDGETARY COMPARISON SCHEDULE**FOR THE YEAR ENDED SEPTEMBER 30, 2007*

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Intergovernmental:			
Contribution-Hidalgo County	\$ 725,000	\$ 550,000	\$ (175,000)
Total Intergovernmental:	<u>725,000</u>	<u>550,000</u>	<u>(175,000)</u>
Interest:			
Interest earned on demand deposits	-	195	195
Total Interest	<u>-</u>	<u>195</u>	<u>195</u>
Total Revenues	<u>725,000</u>	<u>550,195</u>	<u>(174,805)</u>
Expenditures:			
Current:			
Economic Development	<u>1,325,000</u>	<u>1,147,191</u>	<u>177,809</u>
Total Expenditures	<u>1,325,000</u>	<u>1,147,191</u>	<u>177,809</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(600,000)</u>	<u>(596,996)</u>	<u>3,004</u>
Other Financing Sources (Uses):			
Transfers in	600,000	597,191	(2,809)
Total Other Financing Sources (Uses)	<u>600,000</u>	<u>597,191</u>	<u>(2,809)</u>
Net Change in Fund Balance	-	195	195
Fund Balance at Beginning of Year	<u>4,310</u>	<u>4,310</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 4,310</u>	<u>\$ 4,505</u>	<u>\$ 195</u>

CITY OF MISSION, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT C-20

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest:			
Interest earned on investments	\$ 22,000	\$ 60,539	\$ 38,539
Interest earned on demand deposits	6,000	5,521	(479)
Total Interest	28,000	66,060	38,060
Total Revenues	28,000	66,060	38,060
Expenditures:			
Current:			
Debt Service:			
Principal retirement	1,330,000	1,330,000	-
Interest and fiscal agent charges	1,187,296	1,163,311	23,985
Total Debt Service	2,517,296	2,493,311	23,985
Total Expenditures	2,517,296	2,493,311	23,985
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,489,296)	(2,427,251)	62,045
Other Financing Sources (Uses):			
Transfers in	2,517,296	2,522,541	5,245
Total Other Financing Sources (Uses)	2,517,296	2,522,541	5,245
Net Change in Fund Balance	28,000	95,290	67,290
Fund Balance at Beginning of Year	732,719	732,719	-
Fund Balance at End of Year	\$ 760,719	\$ 828,009	\$ 67,290

CITY OF MISSION, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2007

	1998-A Certificates of Obligation	2003 Public Prop. Fin. Contractual Obligation	2003 Certificates of Obligation
ASSETS			
Cash and cash equivalents	\$ -	\$ 15,691	\$ -
Investments	-	-	-
Accrued interest receivable	-	-	-
Restricted assets	-	-	33,144
Total Assets	<u>\$ -</u>	<u>\$ 15,691</u>	<u>\$ 33,144</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Other liabilities	-	-	-
Retainage payable	-	-	33,144
Total Liabilities	<u>-</u>	<u>-</u>	<u>33,144</u>
FUND BALANCES			
Reserved for encumbrances	-	13,970	-
Reserved for capital projects	-	1,721	-
Total Fund Balances	<u>-</u>	<u>15,691</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 15,691</u>	<u>\$ 33,144</u>

EXHIBIT C-21

2004 Certificates of Obligation	2005 Certificates of Obligation	2005-A Certificates of Obligation	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ -	\$ 29,222	\$ 535,754	\$ 580,667
-	-	2,136,758	2,136,758
-	-	104	104
-	-	5,907	39,051
<u>\$ -</u>	<u>\$ 29,222</u>	<u>\$ 2,678,523</u>	<u>\$ 2,756,580</u>
\$ -	\$ -	\$ 208,251	\$ 208,251
-	-	-	-
-	-	18,771	51,915
<u>-</u>	<u>-</u>	<u>227,022</u>	<u>260,166</u>
-	-	65,149	79,119
-	29,222	2,386,352	2,417,295
<u>-</u>	<u>29,222</u>	<u>2,451,501</u>	<u>2,496,414</u>
<u>\$ -</u>	<u>\$ 29,222</u>	<u>\$ 2,678,523</u>	<u>\$ 2,756,580</u>

CITY OF MISSION, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE NONMAJOR CAPITAL PROJECTS FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2007

	1998-A Certificates of Obligation	2003 Public Prop. Fin. Contractual Obligation	2003 Certificates of Obligation
Revenues:			
Interest	\$ 2,584	\$ 679	\$ 240
Miscellaneous	-	-	-
Total Revenues	<u>2,584</u>	<u>679</u>	<u>240</u>
Expenditures:			
Current:			
Public safety	-	-	-
Highways and streets	-	-	-
Culture and recreation	-	-	-
Capital projects	-	-	8,195
Total Expenditures	<u>-</u>	<u>-</u>	<u>8,195</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,584</u>	<u>679</u>	<u>(7,955)</u>
Other Financing Sources (Uses):			
Issuance of debt	-	-	-
Transfers out	(2,774)	-	(240)
Total Other Financing Sources (Uses)	<u>(2,774)</u>	<u>-</u>	<u>(240)</u>
Net Change in Fund Balance	(190)	679	(8,195)
Fund Balance at Beginning of Year	<u>190</u>	<u>15,012</u>	<u>8,195</u>
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ 15,691</u>	<u>\$ -</u>

2004 Certificates of Obligation	2005 Certificates of Obligation	2005-A Certificates of Obligation	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ 137	\$ 1,060	\$ 149,074	\$ 153,774
-	-	-	-
<u>137</u>	<u>1,060</u>	<u>149,074</u>	<u>153,774</u>
-	-	-	-
-	-	-	-
-	-	-	-
2,850	(9,450)	950,045	951,640
<u>2,850</u>	<u>(9,450)</u>	<u>950,045</u>	<u>951,640</u>
(2,713)	10,510	(800,971)	(797,866)
-	-	-	-
(2,231)	-	-	(5,245)
<u>(2,231)</u>	<u>-</u>	<u>-</u>	<u>(5,245)</u>
(4,944)	10,510	(800,971)	(803,111)
4,944	18,712	3,252,472	3,299,525
<u>\$ -</u>	<u>\$ 29,222</u>	<u>\$ 2,451,501</u>	<u>\$ 2,496,414</u>

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PROPRIETARY FUNDS

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the government's council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government's council has decided that periodic determination of net income is appropriate for accountability purposes.

Utility Fund: To account for the provision of water and sewer services to the residents of the City and some residents outside the City Limits.

Golf Course Fund: To account for the operations and maintenance of Shary Municipal Golf Course.

Solid Waste Fund: To account for the provision of garbage and brush collection for the residents of the City.

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CITY OF MISSION, TEXAS

UTILITY FUND

ENTERPRISE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT C-23

Page 1 of 4

	Budget	Actual	Variance Positive (Negative)
Operating Revenues:			
Water sales, net of adjustment	\$ 9,950,000	\$ 8,398,614	\$ (1,551,386)
Connection fee	375,000	293,136	(81,864)
Reconnect fee	81,000	98,864	17,864
Wastewater system capital recovery fee	-	214,671	214,671
Sewage service	4,550,000	4,652,223	102,223
Wastewater assessment	164,000	155,272	(8,728)
Service charge	75,000	72,631	(2,369)
Industrial sewer surcharge	90,000	106,446	16,446
Urban county reimbursement	709,816	-	(709,816)
Waterline and sewer line	55,000	35,200	(19,800)
TIRZ reimbursement	-	189,400	189,400
5% credit card fee	-	3,093	3,093
Miscellaneous income	16,000	66,118	50,118
Operating Revenues	16,065,816	14,285,668	(1,780,148)
Nonoperating Revenues:			
Interest earned	340,310	1,085,816	745,506
Gain (loss) on disposal of capital assets	-	(1,050)	(1,050)
Nonoperating Revenues	340,310	1,084,766	744,456
Total Revenues	16,406,126	15,370,434	(1,035,692)
Operating Expenses:			
Utility Administration:			
Personal services	304,409	304,030	379
Employee benefits	106,307	102,412	3,895
Purchased property services	24,300	19,603	4,697
Other purchased services	19,900	16,525	3,375
Supplies	15,000	10,278	4,722
Miscellaneous	3,800	940	2,860
	473,716	453,788	19,928
Water Distribution:			
Personal services	806,156	778,219	27,937
Employee benefits	423,341	396,073	27,268
Professional & technical services	22,500	8,622	13,878
Purchased property services	350,854	328,083	22,771
Other purchased services	57,100	38,880	18,220
Supplies	773,707	681,667	92,040
Capital outlays	57,000	479,749	(422,749)
Miscellaneous	14,000	6,241	7,759
	2,504,658	2,717,534	(212,876)
Water Treatment:			
Personal services	331,443	334,737	(3,294)
Employee benefits	150,478	144,263	6,215
Professional & technical services	13,000	11,168	1,832
Purchased property services	294,500	247,464	47,036

CITY OF MISSION, TEXAS

UTILITY FUND

ENTERPRISE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT C-23

Page 2 of 4

	Budget	Actual	Variance Positive (Negative)
Other purchased services	16,500	11,042	5,458
Supplies	650,660	553,911	96,749
Capital outlays	3,500	1,086	2,414
Miscellaneous	3,500	1,340	2,160
	<u>1,463,581</u>	<u>1,305,011</u>	<u>158,570</u>
Waste Water Treatment and Collection:			
Personal services	356,335	354,056	2,279
Employee benefits	145,969	140,436	5,533
Professional & technical services	23,000	21,930	1,070
Purchased property services	1,158,700	659,506	499,194
Other purchased services	7,950	7,813	137
Supplies	228,057	140,720	87,337
Capital outlays	55,477	13,508	41,969
Miscellaneous	210,600	116,664	93,936
	<u>2,186,088</u>	<u>1,454,633</u>	<u>731,455</u>
Industrial Pretreatment:			
Personal services	34,850	33,522	1,328
Employee benefits	13,958	13,371	587
Professional & technical services	5,000	3,127	1,873
Purchased property services	360,500	276,851	83,649
Other purchased services	2,000	635	1,365
Supplies	67,804	8,865	58,939
Capital outlays	10,000	1,450	8,550
Miscellaneous	81,715	68,579	13,136
	<u>575,827</u>	<u>406,400</u>	<u>169,427</u>
Utility Billing and Collection:			
Personal services	337,276	342,673	(5,397)
Employee benefits	162,869	155,337	7,532
Purchased property services	10,000	9,172	828
Other purchased services	86,000	82,276	3,724
Supplies	76,700	72,846	3,854
Capital outlays	4,000	1,521	2,479
Miscellaneous	4,500	3,800	700
	<u>681,345</u>	<u>667,625</u>	<u>13,720</u>
Organizational Expense:			
Professional & technical services	183,000	66,866	116,134
Purchased property services	20,000	-	20,000
Other purchased services	137,125	102,253	34,872
Capital outlays	80,000	51,002	28,998
Miscellaneous	709,816	2,783	707,033
	<u>1,129,941</u>	<u>222,904</u>	<u>907,037</u>
Northside Water Treatment Plant:			
Personal services	130,271	123,155	7,116
Employee benefits	67,472	64,391	3,081
Professional & technical services	12,560	7,327	5,233
Purchased property services	465,504	284,902	180,602

CITY OF MISSION, TEXAS

UTILITY FUND

ENTERPRISE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT C-23

Page 3 of 4

	Budget	Actual	Variance Positive (Negative)
Other purchased services	9,000	5,065	3,935
Supplies	899,900	810,755	89,145
Capital outlays	13,000	8,151	4,849
Miscellaneous	73,500	41,495	32,005
	<u>1,671,207</u>	<u>1,345,241</u>	<u>325,966</u>
2006 Refunding Issue			
Professional & Technical Services	200,000	107,095	92,905
Capital Outlay	2,800,000	307,771	2,492,229
	<u>3,000,000</u>	<u>414,866</u>	<u>2,585,134</u>
2006 A Revenue Bond			
Professional & Technical Services	784,640	260,118	524,522
Capital Outlay	6,957,360	129,400	6,827,960
Miscellaneous	798,108	-	798,108
	<u>8,540,108</u>	<u>389,518</u>	<u>8,150,590</u>
2001 Bonds-Water Projects:			
Professional & technical services	26,684	-	26,684
Capital outlays	28,578	44,022	(15,444)
	<u>55,262</u>	<u>44,022</u>	<u>11,240</u>
2001 Bonds-Sewer Projects:			
Professional & technical services	-	10,105	(10,105)
Capital outlays	422,807	-	422,807
	<u>422,807</u>	<u>10,105</u>	<u>412,702</u>
TWDB-2004-A & 2004-B Bonds:			
Professional & technical services	1,000	-	1,000
Capital outlays	19,217	-	19,217
Miscellaneous	298,339	2,452	295,887
	<u>318,556</u>	<u>2,452</u>	<u>316,104</u>
TWDB-CWTAP Grant:			
Professional & technical services	49,082	25,361	23,721
Purchased Property Services	2,040,050	22,784	2,017,266
Capital outlays	624,663	20,850	603,813
Miscellaneous	362,782	5,848	356,934
	<u>3,076,577</u>	<u>74,843</u>	<u>3,001,734</u>
2003 PPFCO Procurement:			
Capital outlays	19,459	14,922	4,537
	<u>19,459</u>	<u>14,922</u>	<u>4,537</u>
Total Operating Expenses	<u>26,119,132</u>	<u>9,523,864</u>	<u>16,595,268</u>

CITY OF MISSION, TEXAS**UTILITY FUND****ENTERPRISE FUND****BUDGETARY COMPARISON SCHEDULE****FOR THE YEAR ENDED SEPTEMBER 30, 2007****EXHIBIT C-23**

Page 4 of 4

	Budget	Actual	Variance Positive (Negative)
Nonoperating Expenses:			
Bond interest expense	1,892,616	1,733,486	159,130
Bond fiscal charges	7,000	6,810	190
Bond principal	2,396,000	2,235,430	160,570
Nonoperating Expenses	<u>4,295,616</u>	<u>3,975,726</u>	<u>319,890</u>
Transfers:			
Transfers In (Out)	<u>(750,000)</u>	<u>(750,000)</u>	<u>-</u>
Capital Contributions	3,076,577	2,866,803	(209,774)
Operating and Nonoperating Expenses, and Capital Contributions (Budgetary Basis)	<u>28,088,171</u>	<u>11,382,787</u>	<u>16,705,384</u>
Net Income (Budgetary Basis)	<u>\$ (11,682,045)</u>	3,987,647	<u>\$ 15,669,692</u>
Adjustments:			
Current year depreciation of capital assets, not budgeted		(2,659,322)	
Bond principal		2,235,430	
Amount budgeted as expense per budget basis, capitalized per GAAP basis		<u>1,507,195</u>	
		<u>1,083,303</u>	
Net Income (GAAP Basis)		<u>\$ 5,070,950</u>	

CITY OF MISSION, TEXAS

GOLF COURSE FUND

ENTERPRISE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT C-24

Page 1 of 2

	Budget	Actual	Variance Positive (Negative)
Operating Revenues:			
Pro shop sales	\$ 75,000	\$ 67,158	\$ (7,842)
Cart and club rental	165,000	189,751	24,751
Pull carts and club rentals	5,000	3,887	(1,113)
Food and beverage sales	95,000	95,356	356
Daily green fees	380,000	300,790	(79,210)
Summer rates-green fees	25,000	63,485	38,485
Trail fees	63,000	61,962	(1,038)
Juniors' fees	27,000	28,266	1,266
Prepaid members	225,000	208,445	(16,555)
Driving range	40,000	37,771	(2,229)
5% credit card fee	-	568	568
Miscellaneous income	2,500	3,423	923
Operating Revenues	<u>1,102,500</u>	<u>1,060,862</u>	<u>(41,638)</u>
Nonoperating Revenues:			
Interest earned	-	847	847
Gain (loss) on disposal of capital assets	5,000	(630)	(5,630)
Nonoperating Revenues	<u>5,000</u>	<u>217</u>	<u>(4,783)</u>
Total Revenues	<u>1,107,500</u>	<u>1,061,079</u>	<u>(46,421)</u>
Operating Expenses:			
Cost of sales-pro shop	51,000	46,653	4,347
Cost of sales-restaurant	52,350	50,321	2,029
Total Cost of Sales	<u>103,350</u>	<u>96,974</u>	<u>6,376</u>
Golf Course Operation:			
Club House:			
Personal services	225,169	226,286	(1,117)
Employee benefits	82,186	79,628	2,558
Purchased property services	34,900	31,881	3,019
Other purchased services	4,500	4,322	178
Supplies	26,725	21,274	5,451
Capital outlays	22,086	16,133	5,953
Miscellaneous	6,500	5,385	1,115
	<u>402,066</u>	<u>384,909</u>	<u>17,157</u>
Grounds:			
Personal services	286,699	288,484	(1,785)
Employee benefits	140,568	137,379	3,189
Purchased property services	87,300	57,089	30,211
Other purchased services	100	35	65
Supplies	211,480	177,432	34,048
Capital outlays	59,500	11,965	47,535
Miscellaneous	950	450	500
	<u>786,597</u>	<u>672,834</u>	<u>113,763</u>

CITY OF MISSION, TEXAS
GOLF COURSE FUND
ENTERPRISE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2007

EXHIBIT C-24
Page 2 of 2

	Budget	Actual	Variance Positive (Negative)
Restaurant:			
Personal services	47,674	47,059	615
Employee benefits	8,991	7,662	1,329
Supplies	650	409	241
Miscellaneous	500	348	152
	<u>57,815</u>	<u>55,478</u>	<u>2,337</u>
Organizational Expense:			
Other purchased services	5,000	4,493	507
Debt service	1,000	-	1,000
Miscellaneous	13,000	12,238	762
	<u>19,000</u>	<u>16,731</u>	<u>2,269</u>
Total Golf Course Operation	<u>1,368,828</u>	<u>1,226,926</u>	<u>141,902</u>
Depreciation	-	144,126	(144,126)
Total Operating Expenses	<u>1,368,828</u>	<u>1,371,052</u>	<u>(2,224)</u>
Nonoperating Expenses:			
Bond interest expense	11,269	10,449	820
Capital lease interest expense	5,803	5,802	1
Bond and capital lease principal	119,722	119,721	1
Nonoperating Expenses	<u>136,794</u>	<u>135,972</u>	<u>822</u>
Transfers:			
Transfers in (out)	<u>170,000</u>	<u>170,000</u>	<u>-</u>
Operating and Nonoperating Expenses, Transfers, and Capital Contributions (Budgetary Basis)	<u>1,335,622</u>	<u>1,337,024</u>	<u>(1,402)</u>
Net Change in Net Assets (Budgetary Basis)	<u>\$ (228,122)</u>	<u>(275,945)</u>	<u>\$ (47,823)</u>
Adjustments:			
Bond and capital lease principal		119,721	
Amount budgeted as expense per budget basis, capitalized per GAAP basis		<u>28,098</u>	
		<u>147,819</u>	
Net Change in Net Assets (GAAP Basis)		<u>\$ (128,126)</u>	

CITY OF MISSION, TEXAS**EXHIBIT C-25****SOLID WASTE****ENTERPRISE FUND****BUDGETARY COMPARISON SCHEDULE****FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Budget	Actual	Variance Positive (Negative)
Operating Revenues:			
Garbage fees	\$ 3,190,000	\$ 3,440,004	\$ 250,004
Brush fees	436,000	426,652	(9,348)
Roll-off fees	29,000	6,063	(22,937)
Franchise fees	-	78,485	78,485
Miscellaneous income	1,000	747	(253)
Operating Revenues	<u>3,656,000</u>	<u>3,951,951</u>	<u>295,951</u>
Nonoperating Revenues:			
Interest earned	8,000	8,838	838
Nonoperating Revenues	<u>8,000</u>	<u>8,838</u>	<u>838</u>
Total Revenues	<u>3,664,000</u>	<u>3,960,789</u>	<u>296,789</u>
Operating Expenses:			
Solid waste disposal	3,647,422	3,966,982	(319,560)
Miscellaneous	10,000	-	10,000
Rental-machinery & equipment	7,000	3,800	3,200
Total Operating Expenses	<u>3,664,422</u>	<u>3,970,782</u>	<u>(306,360)</u>
Transfers:			
Transfers in (out)	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Operating and Nonoperating Expenses (Budgetary Basis)	<u>3,564,422</u>	<u>3,870,782</u>	<u>(306,360)</u>
Net Change in Net Assets (GAAP Basis)	<u>\$ (100,422)</u>	<u>\$ (109,993)</u>	<u>\$ (9,571)</u>

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*CAPITAL ASSETS
USED IN THE
OPERATION OF
GOVERNMENTAL
FUNDS*

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CITY OF MISSION, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE BY SOURCE
As of September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Governmental Funds Capital Assets:		
Land	\$ 30,787,240	\$ 30,152,862
Buildings and structures	10,786,707	10,786,707
Improvements other than buildings	5,491,182	5,358,507
Furniture and equipment	14,838,411	13,527,096
Construction in progress	4,684,603	4,677,019
Infrastructure	<u>61,468,193</u>	<u>55,869,679</u>
 Total Governmental Funds Capital Assets	 <u><u>\$ 128,056,336</u></u>	 <u><u>\$ 120,371,870</u></u>
 Investment in Governmental Funds Capital Assets by Source:		
General fund revenues	\$ 80,537,803	\$ 79,614,337
Grants	665,880	665,880
Bond funds	17,565,923	15,988,478
Enterprise funds	1,264	1,264
Special funds	5,861,194	5,222,050
Donations	2,599,678	2,467,279
Developers	<u>20,824,594</u>	<u>16,412,582</u>
 Total Governmental Funds Capital Assets	 <u><u>\$ 128,056,336</u></u>	 <u><u>\$ 120,371,870</u></u>

CITY OF MISSION, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES IN FUNCTION AND ACTIVITY
For the fiscal year ended September 30, 2007

<u>Function and Activity:</u>	Governmental Funds Capital Assets September 30, 2006	Additions	Deductions	Governmental Funds Capital Assets September 30, 2007
General Government	\$ 7,329,839	\$ 63,704	\$ 44,219	\$ 7,349,324
Public Safety	14,495,455	1,102,583	66,095	15,531,943
Highways and Streets	83,966,124	5,420,019	9,450	89,376,693
Health and Welfare	104,202	13,759	-	117,961
Cultural and Recreational	<u>14,476,250</u>	<u>1,214,664</u>	<u>10,500</u>	<u>15,680,414</u>
Total Governmental Funds Capital Assets	<u>\$ 120,371,870</u>	<u>\$ 7,814,729</u>	<u>\$ 130,264</u>	<u>\$ 128,056,335</u>

CITY OF MISSION, TEXAS
CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
September 30, 2007

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings and Structures</u>	<u>Improvements Other Than Buildings</u>	<u>Furniture and Equipment</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
General Government	\$ 2,558,700	\$ 2,954,146	\$ 397,734	\$ 1,401,813	\$ 36,930	\$ -	\$ 7,349,323
Public Safety	564,497	4,970,497	172,807	9,822,517	1,625	-	15,531,943
Highways and Streets	26,142,545	-	356,146	1,662,351	61,197,651	18,000	89,376,693
Health and Welfare	-	-	-	117,962	-	-	117,962
Cultural and Recreational	<u>1,521,497</u>	<u>2,862,064</u>	<u>4,564,495</u>	<u>1,833,768</u>	<u>231,987</u>	<u>4,666,603</u>	<u>15,680,414</u>
Total Governmental Funds Capital Assets	<u>\$ 30,787,239</u>	<u>\$ 10,786,707</u>	<u>\$ 5,491,182</u>	<u>\$ 14,838,411</u>	<u>\$ 61,468,193</u>	<u>\$ 4,684,603</u>	<u>\$ 128,056,335</u>

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*SUPPLEMENTAL
SCHEDULES*

CITY OF MISSION, TEXAS
UTILITY FUND
SCHEDULE OF REVENUE BOND COVERAGE
Year Ended September 30, 2007

Operating Revenues	\$ 14,285,668	
Interest Earned by funds Created by the Bond Indenture	<u>716,285</u>	
Gross Revenues Per Bond Ordinance		<u>\$ 15,001,953</u>
Operating Expenses	10,675,994	
Less: Depreciation Expense	<u>(2,659,322)</u>	
Operating Expenses Per Bond Ordinance		<u>8,016,672</u>
Net Revenue Per Bond Ordinance		<u>\$ 6,985,281</u>
Average Annual Debt Service Requirements		<u>\$ 3,095,356</u>
Succeeding Fiscal Year Debt Service Requirement		<u>\$ 3,480,733</u>
Required Coverage Ratio		<u>125%</u>
Calculated Coverage Ratio		
A) Based upon Average Annual Debt Service Requirements		<u>226%</u>
B) Based upon Succeeding Fiscal Year Debt Service Requirements		<u>201%</u>

CITY OF MISSION, TEXAS
UTILITY FUND
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS-
RESTRICTED ACCOUNTS
REVENUE BOND COVERAGE SCHEDULE
REQUIRED BY REVENUE BOND ORDINANCE
Year Ended September 30, 2007

	Revenue Bond Series 1993, 1995, 2004, 2006 and 2006A				
	Interest and Sinking Cash	Waterworks and Sewer Construction Cash	Reserve Cash	Extension and Improvement Cash	Total
Cash	\$ 5,544	\$ 1,312,580	\$ 618	\$ 180	\$ 1,318,922
Investments	534,000	2,527,292	1,074,210	269,800	4,405,302
Cash and Investments September 30, 2006	\$ 539,544	\$ 3,839,872	\$ 1,074,828	\$ 269,980	\$ 5,724,224
Cash Receipts:					
Transfer from operating cash	4,622,502	-	403,905	-	5,026,407
Transfer from other I&S accounts	124,657	-	-	-	124,657
Bond Proceeds	-	8,540,108	-	-	8,540,108
Interest received	74,399	577,293	51,448	13,145	716,285
Total Cash Receipts	4,821,558	9,117,401	455,353	13,145	14,407,457
Total Cash And Investments Available	5,361,102	12,957,273	1,530,181	283,125	20,131,681
Cash Disbursements:					
Principal payments	1,870,430	-	-	-	1,870,430
Interest and fiscal charges	1,665,282	-	-	-	1,665,282
Transfer to operating cash	-	188,158	-	-	188,158
Transfer to other I&S accounts	123,462	-	-	-	123,462
Construction costs	-	915,266	-	-	915,266
Total Cash Disbursements	3,659,174	1,103,424	-	-	4,762,598
Cash and Investments, September 30, 2007	\$ 1,701,928	\$ 11,853,849	\$ 1,530,181	\$ 283,125	\$ 15,369,083
Total Cash and Investments Restricted at September 30, 2007 is Composed of the Following:					
Cash and cash equivalents	\$ 232,896	\$ 1,475,318	\$ 4,481	\$ 116,125	\$ 1,828,820
Investments	1,469,032	10,378,531	1,525,700	167,000	13,540,263
Total	\$ 1,701,928	\$ 11,853,849	\$ 1,530,181	\$ 283,125	\$ 15,369,083

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STATISTICAL SECTION

This part of the City of Mission's comprehensive annual financial report 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's overall financial health.

Contents

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Financial Trends

173

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed overtime.

Revenue Capacity

180

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity

184

These schedules present 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.

Demographic and Economic Information

189

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

191

These schedules contain 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.

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City of Mission
Net Assets by Component
Last Ten Fiscal Years

	Fiscal Year									
	1998	1999	2000	2001	2002	2003 ⁽¹⁾	2004	2005	2006	2007
Governmental Activities										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,154,674	\$ 59,147,606	\$ 56,117,203	\$ 67,235,280	\$ 70,919,116
Restricted	-	-	-	-	-	651,534	800,978	802,534	1,288,945	2,061,067
Unrestricted	-	-	-	-	-	3,886,176	3,140,122	9,351,081	4,758,744	6,276,658
Total governmental activities net assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,692,384	\$ 63,088,706	\$ 66,270,818	\$ 73,282,969	\$ 79,256,841
Business-Type Activities										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,787,985	\$ 30,774,825	\$ 43,815,647	\$ 50,914,486	\$ 53,882,018
Restricted	-	-	-	-	-	4,035,643	3,827,894	3,634,865	1,993,403	3,673,491
Unrestricted	-	-	-	-	-	4,660,990	3,683,488	2,852,339	6,319,627	6,735,489
Total business-type activities net assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,484,618	\$ 38,286,207	\$ 50,302,851	\$ 59,227,516	\$ 64,290,998
Primary Government										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,942,659	\$ 89,922,431	\$ 99,932,850	\$ 118,149,766	\$ 124,801,134
Restricted	-	-	-	-	-	4,687,177	4,628,872	4,437,399	3,282,348	5,734,558
Unrestricted	-	-	-	-	-	8,547,166	6,823,610	12,203,420	11,078,371	13,012,147
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,177,002	\$ 101,374,913	\$ 116,573,669	\$ 132,510,485	\$ 143,547,839

(1) Fiscal year 2003 was the first year when the City of Mission implemented GASB 34.

**City of Mission
Changes in Net Assets
Last Ten Fiscal Years**

	Fiscal Year									
	1998	1999	2000	2001	2002	2003 (1)	2004	2005	2006	2007
Expenses										
Governmental Activities										
General Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,043,021	\$ 6,905,631	\$ 7,109,520	\$ 8,112,283	\$ 7,742,186
Public Safety	-	-	-	-	-	9,831,094	10,633,900	12,438,467	13,451,482	14,890,373
Highways and streets	-	-	-	-	-	1,980,187	3,968,401	4,430,985	5,466,843	5,479,786
Sanitation	-	-	-	-	-	97,899	-	-	-	-
Health and welfare	-	-	-	-	-	105,738	511,520	522,734	526,449	359,073
Economic development	-	-	-	-	-	217,581	315,013	602,633	897,118	1,147,191
Culture and recreation	-	-	-	-	-	3,593,377	3,200,156	3,494,941	4,619,038	4,320,014
Interest on long-term debt	-	-	-	-	-	744,599	837,851	930,755	1,096,972	1,027,984
Total governmental activities expenses	-	-	-	-	-	23,613,496	26,372,472	29,530,035	34,170,185	34,966,607
Business-type Activities										
Utility system	-	-	-	-	-	9,602,954	11,056,182	11,434,910	11,362,995	12,225,436
Golf course operations	-	-	-	-	-	1,381,360	1,276,211	1,282,405	1,285,326	1,319,407
Solid waste operations	-	-	-	-	-	2,752,986	2,868,909	3,250,388	3,552,159	3,970,782
Total business-type activities expenses	-	-	-	-	-	13,737,300	15,201,302	15,967,703	16,200,480	17,515,625
Total primary government expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,350,796	\$ 41,573,774	\$ 45,497,738	\$ 50,370,665	\$ 52,482,232
Program Revenues										
Governmental Activities										
Charges for services										
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 931,665	\$ 1,093,022	\$ 1,217,942	\$ 2,676,159	\$ 2,494,543
Public Safety	-	-	-	-	-	756,900	976,726	1,048,893	106,521	94,884
Highways and streets	-	-	-	-	-	517,402	601,073	607,249	536,943	571,890
Sanitation	-	-	-	-	-	83,112	-	-	-	-
Health and welfare	-	-	-	-	-	68,837	213,159	174,673	165,112	308,457
Culture and recreation	-	-	-	-	-	503,797	439,014	272,120	148,885	283,201
Other activities	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-	2,364,963	3,872,830	3,529,449	3,146,796	4,659,478
Capital grants and contributions	-	-	-	-	-	3,886,256	5,650,496	5,627,239	8,801,715	5,251,523
Total governmental activities program revenues	-	-	-	-	-	9,112,932	12,846,320	12,477,565	15,582,131	13,663,976
Business-type activities										
Charges for services										
Utility system	-	-	-	-	-	9,649,391	9,905,636	11,798,496	14,852,124	14,184,351
Golf course operation	-	-	-	-	-	1,229,252	1,020,308	1,028,222	1,036,110	1,056,872
Solid waste operation	-	-	-	-	-	2,804,414	3,017,843	3,253,240	3,569,570	3,951,204
Operating grants and contributions	-	-	-	-	-	221,327	236,991	210,701	214,527	778,236
Capital grants and contributions	-	-	-	-	-	2,859,407	5,327,926	11,635,606	5,739,699	2,866,803
Total business-type activities program revenues	-	-	-	-	-	16,763,791	19,508,704	27,926,265	25,412,030	22,837,466
Total primary government program revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,876,723	\$ 32,355,024	\$ 40,403,830	\$ 40,994,161	\$ 36,501,442

	Fiscal Year									
	1998	1999	2000	2001	2002	2003 (1)	2004	2005	2006	2007
Net (expense)/revenue										
Governmental activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (14,500,564)	\$ (13,526,152)	\$ (17,052,470)	\$ (18,588,054)	\$ (21,302,631)
Business-type activities	-	-	-	-	-	3,026,491	4,307,402	11,958,562	9,211,550	5,321,841
Total primary government net expense	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,474,073)</u>	<u>\$ (9,218,750)</u>	<u>\$ (5,093,908)</u>	<u>\$ (9,376,504)</u>	<u>\$ (15,980,790)</u>
General Revenue and Other Changes in Net Assets										
Governmental activities										
Taxes										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,034,814	\$ 9,087,576	\$ 10,324,334	\$ 12,569,230	\$ 13,778,424
Sales taxes	-	-	-	-	-	5,655,619	6,006,568	6,787,566	7,961,019	8,859,345
Franchise taxes	-	-	-	-	-	1,560,472	1,692,582	2,013,665	2,028,000	2,069,904
Hotel/motel taxes	-	-	-	-	-	222,384	249,137	283,886	309,496	358,276
Alcoholic beverage taxes	-	-	-	-	-	25,639	27,189	33,608	51,914	59,529
Shared revenue-tax increment zone	-	-	-	-	-	-	-	-	1,409,272	421,603
Unrestricted grants and contributions	-	-	-	-	-	4,121	8,993	22,130	70,184	-
Investment earnings	-	-	-	-	-	133,093	103,604	124,325	280,538	371,301
Miscellaneous	-	-	-	-	-	180,973	95,027	495,068	370,546	678,123
Transfers	-	-	-	-	-	118,359	1,564,172	150,000	550,000	680,000
Total governmental activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,935,474</u>	<u>18,834,848</u>	<u>20,234,582</u>	<u>25,600,199</u>	<u>27,276,505</u>
Business-type activities										
Investment earnings	-	-	-	-	-	155,387	157,423	108,774	152,995	317,265
Miscellaneous	-	-	-	-	-	21,319	14,435	99,307	110,121	104,376
Transfers	-	-	-	-	-	(118,359)	(1,564,172)	(150,000)	(550,000)	(680,000)
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,347</u>	<u>(1,392,314)</u>	<u>58,081</u>	<u>(286,884)</u>	<u>(258,359)</u>
Total primary government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,993,821</u>	<u>\$ 17,442,534</u>	<u>\$ 20,292,663</u>	<u>\$ 25,313,315</u>	<u>\$ 27,018,146</u>
Change in Net Assets										
Governmental activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,434,910	\$ 5,308,696	\$ 3,182,112	\$ 7,012,145	\$ 5,973,874
Business-type activities	-	-	-	-	-	3,084,838	2,915,088	12,016,643	8,924,666	5,063,482
Total primary government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,519,748</u>	<u>\$ 8,223,784</u>	<u>\$ 15,198,755</u>	<u>\$ 15,936,811</u>	<u>\$ 11,037,356</u>

(1) Fiscal year 2003 was the first year when the City of Mission implemented GASB 34.

City of Mission
Governmental Activities Tax Revenue By Source
Last Ten Fiscal Years

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Hotel Occupancy Tax	Alcoholic Beverage Tax	Total
1998	5,062,784	3,773,227	1,085,185	12,509	12,465	9,946,170
1999	5,584,238	4,287,638	1,317,840	44,591	21,184	11,255,491
2000	6,231,041	4,424,065	1,408,278	100,672	24,319	12,188,375
2001	6,904,086	4,826,440	1,790,343	137,525	22,965	13,681,359
2002	7,664,308	5,309,647	1,584,095	163,033	22,808	14,743,891
2003	8,034,814	5,655,619	1,560,472	222,384	25,639	15,498,928
2004	9,087,576	6,006,568	1,692,582	249,137	27,189	17,063,052
2005	10,324,334	6,787,566	2,013,665	283,886	33,608	19,443,059
2006	12,569,230	7,961,019	2,028,000	309,496	51,914	22,919,659
2007	13,778,424	8,859,345	2,069,904	358,276	59,529	25,125,478

City of Mission
Fund Balances of Governmental Funds
Last Ten Fiscal Years

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$ 74,885	\$ 291,614	\$1,143,729	\$ 951,720	\$ 662,909	\$ 318,453	\$ 298,568	\$ 232,659	\$ 107,877	\$ 252,164
Unreserved	3,589,698	5,804,924	6,098,829	6,333,540	5,145,120	3,028,383	2,617,788	2,987,048	4,341,125	5,121,470
Total general Fund	<u>\$ 3,664,583</u>	<u>\$6,096,538</u>	<u>\$7,242,558</u>	<u>\$ 7,285,260</u>	<u>\$ 5,808,029</u>	<u>\$ 3,346,836¹</u>	<u>\$ 2,916,356</u>	<u>\$ 3,219,707</u>	<u>\$ 4,449,002</u>	<u>\$ 5,373,634</u>
All other governmental funds										
Reserved	\$ 6,567,556 ²	\$3,542,173	\$6,935,851 ²	\$ 4,013,641	\$ 1,512,169	\$ 5,058,264 ²	\$ 3,087,189	\$ 3,254,271	\$ 4,572,792	\$ 4,322,710
Unreserved, reported in										
Special revenue funds	674,213	1,017,621	991,107	1,221,001	850,878	322,100	178,636	324,931	501,387	768,423
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Permanent funds	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 7,241,769</u>	<u>\$4,559,794</u>	<u>\$7,926,958</u>	<u>\$ 5,234,642</u>	<u>\$ 2,363,047</u>	<u>\$ 5,380,364</u>	<u>\$ 3,265,825</u>	<u>\$ 3,579,202</u>	<u>\$ 5,074,179</u>	<u>\$ 5,091,133</u>

¹ The reduction in fund balance for this periods was due to various street projects and park improvements not funded from the bonds. Operating revenues were used to fund these projects.

² The increase in reserve fund balance in this periods was due to unspent bond proceeds from an issuance during the period for capital projects.

City of Mission
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

		Fiscal Year									
		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
178	Revenues										
	Taxes	\$9,946,170	\$ 11,255,491	\$12,188,375	\$13,681,359	\$14,743,891	\$15,730,176	\$17,447,440	\$19,450,112	\$22,683,237	\$25,120,622
	Licenses and permits	328,625	346,717	459,477	503,857	656,295	662,923	867,612	999,942	1,176,810	1,048,873
	Intergovernmental	2,151,519	2,799,629	3,556,341	3,804,126	3,216,051	3,503,489	3,180,900	4,855,473	4,525,130	4,593,260
	Charges for services	289,586	247,832	299,261	337,812	363,753	437,158	486,941	516,484	785,816	1,126,575
	Fines	217,981	424,714	496,603	556,007	551,659	723,591	908,040	946,280	1,008,935	928,498
	Investment earnings	257,570	609,230	604,012	735,003	296,821	208,349	197,213	224,856	462,951	519,103
	Special assessments	281,608	300,410	317,651	336,817	358,786	382,484	437,495	426,252	400,179	472,710
	Miscellaneous	732,573	909,655	703,982	793,641	1,840,859	1,423,424	2,305,501	1,860,804	966,855	1,397,770
	Total Revenues	14,205,632	16,893,678	18,625,702	20,748,622	22,028,115	23,071,594	25,831,142	29,280,203	32,009,913	35,207,411
	Expenditures										
	General government	3,643,670	3,999,613	5,347,724	5,091,576	7,646,116	7,285,978	7,535,033	7,658,126	7,543,408	7,509,552
	Public safety	5,174,291	5,502,603	5,883,722	6,722,653	7,420,386	8,900,690	10,160,519	12,804,066	12,739,371	15,400,283
	Highways and streets	1,568,923	2,479,122	2,329,702	2,931,909	3,763,183	3,198,793	4,354,478	4,031,056	2,495,682	2,689,557
	Sanitation	136,386	83,875	8,468	145,918	127,451	98,726	-	-	-	-
	Health and Welfare	143,729	146,001	131,763	104,000	85,802	105,738	465,285	497,496	551,362	357,778
	Economic and physical development	-	-	-	-	-	217,581	315,013	602,633	897,118	1,147,191
Culture and recreation	1,447,535	1,986,545	2,313,753	2,659,752	2,963,292	3,817,905	3,407,854	3,357,198	3,809,523	4,625,680	
Capital projects	1,528,018	3,886,304	2,553,778	4,215,483	2,848,892	2,364,827	3,198,994	1,851,950	3,326,307	951,640	
Debt service											
Principal	903,917	925,000	1,105,000	960,000	1,045,000	1,085,000	1,065,000	1,340,000	1,640,000	1,479,385	
Interest	119,687	502,401	491,335	703,338	688,471	697,608	797,036	795,997	944,053	1,160,599	
Other charges	1,230	1,420	1,448	1,976	2,515	2,512	6,565	8,280	8,930	8,503	
Total expenditures	14,667,386	19,512,884	20,166,693	23,536,605	26,591,108	27,775,358	31,305,777	32,946,802	33,955,754	35,330,168	
Excess of revenues over (under) expenditures	(461,754)	(2,619,206)	(1,540,991)	(2,787,983)	(4,562,993)	(4,703,764)	(5,474,635)	(3,666,599)	(1,945,841)	(122,757)	

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Other financing sources (uses)										
Transfers in	1,532,759	2,031,186	2,041,083	2,118,640	2,307,824	2,625,956	4,006,959	3,174,927	4,517,001	4,580,409
Transfers out	(1,359,821)	(1,681,186)	(1,885,667)	(2,018,640)	(2,153,570)	(2,507,597)	(2,442,787)	(3,024,927)	(3,967,001)	(3,900,410)
Refunding bond issued	-	-	-	-	-	-	-	-	-	-
Bonds issued	7,775,000	1,650,000	5,835,000	-	-	5,140,000	1,285,000	4,115,000	4,100,000	-
Long-term debt proceeds	-	140,000	-	-	-	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-	-	-	-	-	-
Discount on bonds issued	-	-	-	-	-	-	-	-	-	-
Payments to refunded bond escrow agen	-	-	-	-	-	-	-	-	-	-
Capital leases	-	-	-	-	-	-	-	-	-	384,344
Sale of capital assets	20,571	229,186	63,759	38,370	59,912	1,529	80,448	18,323	20,114	-
Total other financing sources (uses)	7,968,509	2,369,186	6,054,175	138,370	214,166	5,259,888	2,929,620	4,283,323	4,670,114	1,064,343
Net change in fund balances	7,506,755	(250,020)	4,513,184	(2,649,613)	(4,348,827)	556,124	(2,545,015)	616,724	2,724,273	941,586
Debt service as a percentage of noncapital expenditures	7.80%	9.14%	9.07%	8.62%	7.31%	7.63%	7.60%	7.78%	8.33%	8.14%

CITY OF MISSION, TEXAS
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Hotel Occupancy Tax	Alcoholic Beverage Tax	Total
1998	5,062,784	3,773,227	1,085,185	12,509	12,465	9,946,170
1999	5,584,238	4,287,638	1,317,840	44,591	21,184	11,255,491
2000	6,231,041	4,424,065	1,408,278	100,672	24,319	12,188,375
2001	6,904,086	4,826,440	1,790,343	137,525	22,965	13,681,359
2002	7,664,308	5,309,647	1,584,095	163,033	22,808	14,743,891
2003	8,215,430	5,706,252	1,560,472	222,383	25,639	15,730,176
2004	9,087,576	6,390,956	1,692,582	249,137	27,189	17,447,440
2005	10,331,387	6,787,566	2,013,665	283,886	33,608	19,450,112
2006	12,332,808	7,961,019	2,028,000	309,496	51,914	22,683,237
2007	13,773,567	8,859,345	2,069,905	358,276	59,529	25,120,622

City of Mission
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended September 30,	Real Property		Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate (2)	Estimated Actual Taxable Value (1)	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Minerals	Other					
1998	290,976,508	602,025,290	30,712,650	83,964,376	197,592,963	810,085,861	0.6000	1,007,678,824	0.80%
1999	308,817,969	662,140,085	26,134,040	85,071,277	207,846,013	874,317,358	0.6200	1,082,163,371	0.81%
2000	414,768,046	663,022,344	25,207,880	110,317,583	224,569,975	988,745,878	0.6200	1,213,315,853	0.81%
2001	451,465,563	784,175,526	28,208,180	109,663,626	267,478,291	1,106,034,604	0.6200	1,373,512,895	0.81%
2002	489,937,634	827,275,941	36,690,590	123,103,407	260,593,116	1,216,414,456	0.6200	1,477,007,572	0.82%
2003	572,280,747	933,981,279	50,835,170	142,787,477	304,326,707	1,395,557,966	0.5500	1,699,884,673	0.82%
2004	665,902,711	1,024,129,078	53,470,880	152,507,379	303,814,908	1,592,195,140	0.5500	1,896,010,048	0.84%
2005	805,549,768	1,141,385,750	55,270,075	190,179,318	347,471,060	1,844,913,851	0.5398	2,192,384,911	0.84%
2006	915,768,153	1,321,705,696	67,538,266	198,703,883	364,403,708	2,139,312,290	0.5589	2,503,715,998	0.85%
2007	997,313,190	1,512,771,351	68,402,940	208,798,984	434,731,656	2,352,554,809	0.5566	2,787,286,465	0.84%

(1) The estimated property value is derived directly from the Levy Roll Tax Totals provided by the Hidalgo County Tax Assessor.

(2) Tax rate per every \$100 valuation of property.

**City of Mission
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years**

Fiscal Year	City of Mission			Overlapping Rates					Total Direct & Overlapping Rates
	Operating Tax Rate	Debt Service Tax Rate	Total City Tax Rate	Hidalgo County Tax Rate	Mission CISD School District Tax Rate	Sharyland School District Tax Rate	La Joya School District Tax Rate	South Texas Community College Tax Rate	
1998	0.4779	0.1221	0.6000	0.4654	1.4500	1.4100	1.4663	0.0949	5.49
1999	0.4660	0.1540	0.6200	0.4747	1.5000	1.4600	1.5560	0.0918	5.70
2000	0.4743	0.1457	0.6200	0.4467	1.5000	1.4600	1.5560	0.0920	5.67
2001	0.4759	0.1441	0.6200	0.4467	1.5300	1.5400	1.4558	0.0922	5.68
2002	0.4773	0.1427	0.6200	0.5007	1.5300	1.5400	1.5280	0.0897	5.81
2003	0.4247	0.1253	0.5500	0.5195	1.5841	1.5400	1.5699	0.1776	5.94
2004	0.4358	0.1142	0.5500	0.5900	1.5841	1.5550	1.5699	0.1738	6.02
2005	0.4222	0.1176	0.5398	0.5900	1.5691	1.5650	1.6420	0.1647	6.07
2006	0.4344	0.1245	0.5589	0.5900	1.5632	1.5650	1.6420	0.1589	6.08
2007	0.4455	0.1111	0.5566	0.5900	1.4574	1.5451	1.5800	0.1548	5.88

Source: Hidalgo County Tax Office and La Joya Tax Office.

1. Overlapping rates are those of the City, County, and school districts that apply to property owners within the City of Mission. Not all overlapping rates apply to all City of Mission property owners (for example the rates for La Joya School District apply only to the proportion of the City's property owners whose property is located within the geographic boundaries of the La Joya School District.
2. (Total Tax Rate)-The allocation of operation and debt service is not available at this time for the County, School Districts, and the Community College.

City of Mission
Principal Property Tax Payers
September 30, 2007

Taxpayer	2007			1998		
	Taxable Value	Rank	Percentage of Total Taxable Value	Taxable Value	Rank	Percentage of Total Taxable Value
Bert Ogden Chevrolet Mission	\$ 22,174,266	1	0.94%	\$ 4,815,164	7	0.55%
Shary Retail LTD	20,043,580	2	0.85%	-	-	0.00%
Sharyland Utilities LP	15,625,610	3	0.66%	-	-	0.00%
Wal-Mart Property Tax Department	15,310,795	4	0.65%	14,984,454	1	1.71%
Halliburton Energy Serv (HS)	14,811,240	5	0.63%	7,045,450	4	0.81%
A.E.P. Texas Central Co.	14,081,790	6	0.60%	-	-	0.00%
Rio Grande Snack Co.	13,181,662	7	0.56%	-	-	0.00%
Southwestern Bell Telephone	11,406,070	8	0.48%	11,406,180	2	1.31%
H.E. Butt Grocery Company	10,155,916	9	0.43%	4,589,114	8	0.52%
Spikes Motor Company, Inc.	10,143,455	10	0.43%	-	-	0.00%
Central Power & Light	-	-	-	5,057,870	5	0.58%
K-Mart	-	-	-	7,598,655	3	0.87%
Albertson's Inc.	-	-	-	5,242,973	6	0.60%
Texas Citrus Exchange	-	-	-	3,528,160	9	0.40%
Mission TAI, Inc.	-	-	-	3,607,192	10	0.41%
Total	<u>\$ 146,934,384</u>		<u>6.25%</u>	<u>\$ 67,875,212</u>		<u>7.76%</u>

Source: Hidalgo County Tax Assessor.

City of Mission
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Collection within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collection to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	4,924,646	4,600,665	93.4%	306,094	4,906,759	99.6%
1999	5,487,261	5,049,886	92.0%	334,171	5,384,057	98.1%
2000	6,130,892	5,715,957	93.2%	318,704	6,034,661	98.4%
2001	6,857,582	6,319,212	92.1%	347,421	6,666,633	97.2%
2002	7,542,074	6,939,238	92.0%	467,766	7,407,004	98.2%
2003	7,675,727	7,206,507	93.9%	561,514	7,768,021	101.2%
2004	8,757,156	8,227,346	93.9%	478,341	8,705,687	99.4%
2005	9,959,032	9,342,725	93.8%	617,066	9,959,791	100.0%
2006	12,015,190	11,347,253	94.4%	579,009	11,926,262	99.3%
2007	13,092,875	12,684,294	96.9%	655,496	13,339,790	101.9%

City of Mission
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Notes Payable	Capital Leases	Revenue Bonds	General Obligation Bonds	Capital Leases			
1998	9,735,000	-	-	15,097,000	685,000	-	25,517,000	4.96%	621
1999	10,600,000	-	-	14,317,000	465,000	-	25,382,000	4.53%	583
2000	15,330,000	-	-	13,472,000	665,000	-	29,467,000	4.78%	649
2001	14,370,000	-	-	12,583,000	475,000	-	27,428,000	3.97%	571
2002	13,325,000	-	-	20,678,000	320,000	-	34,323,000	4.59%	679
2003	17,380,000	-	-	19,429,000	1,530,000	-	38,339,000	4.95%	752
2004	17,400,000	200,000	-	33,363,000	1,470,000	-	52,433,000	6.55%	954
2005	20,225,000	150,000	-	32,232,000	1,615,000	-	54,222,000	6.56%	958
2006	22,735,000	100,000	-	35,050,000	1,295,000	119,372	59,299,372	6.95%	1,018
2007	21,405,000	50,000	284,958	41,944,570	845,000	84,651	64,614,179	7.33%	1,056

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

City of Mission
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Debt Payable From Business-type Revenues	Total	Percentage of Estimated Actual Taxable Value of Property ⁽¹⁾	Per Capita ⁽²⁾
1998	10,420,000	256,282	685,000	9,478,718	1.17%	230.71
1999	11,065,000	279,722	465,000	10,320,278	1.18%	237.25
2000	15,995,000	343,243	665,000	14,986,757	1.52%	330.05
2001	14,845,000	367,550	475,000	14,002,450	1.27%	291.72
2002	13,645,000	384,335	320,000	12,940,665	1.06%	256.17
2003	18,910,000	503,430	1,530,000	16,876,570	1.21%	330.91
2004	18,870,000	556,088	1,470,000	16,843,912	1.06%	306.62
2005	21,840,000	581,562	1,615,000	19,643,438	1.06%	347.17
2006	24,030,000	732,719	1,295,000	22,002,281	1.03%	377.53
2007	22,250,000	828,010	845,000	20,576,990	0.87%	336.26

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

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics.

City of Mission
Direct and Overlapping Governmental Activities Debt
As of September 30, 2007

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Hidalgo County	\$ 155,985,000	12.15%	\$ 18,952,178
Hidalgo County Drainage District #1	28,000,000	10.91%	3,054,800
Hidalgo County Road District #5	-	58.17%	-
La Joya Independent School District	44,106,632 ⁽¹⁾	4.38%	1,931,870
Mission Consolidated Independent School District	11,717,496 ⁽²⁾	75.85%	8,887,721
Sharyland Independent School District	43,601,623 ⁽³⁾	53.54%	23,344,309
South Texas Community College District	96,829,996	9.74%	9,431,242
Subtotal Overlapping Debt			<u>\$ 65,602,119</u>
City of Mission	\$ 22,250,000	100.00%	\$ 22,250,000
Total Direct and Overlapping Debt			<u><u>\$ 87,852,119</u></u>

(1) Excludes approximately 82.18% of La Joya ISD's debt funded by either the Instructional Facilities Allotment and/or the Existing Debt Allotment programs of the Texas Education Agency.

(2) Excludes approximately 89.59% of Mission CISD's debt funded by either the Instructional Facilities Allotment and/or the Existing Debt Allotment programs of the Texas Education Agency.

(3) Excludes approximately 40.67% of Sharyland ISD's debt funded by the Existing Debt allotment programs of the Texas Education Agency.

City of Mission
Legal Debt Margin Information
Last Ten Fiscal Years

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt Limit	\$ 40,504,293	\$ 43,715,868	\$ 49,437,294	\$ 55,301,730	\$ 60,820,723	\$ 69,777,898	\$ 79,609,757	\$ 92,245,693	\$ 106,965,615	\$ 117,604,999
Total net debt applicable to limit	9,478,718	10,320,278	14,986,757	14,002,450	12,940,665	16,876,570	16,843,912	19,643,438	22,002,281	20,576,990
Legal debt margin	<u>\$ 31,025,575</u>	<u>\$ 33,395,590</u>	<u>\$ 34,450,537</u>	<u>\$ 41,299,280</u>	<u>\$ 47,880,058</u>	<u>\$ 52,901,328</u>	<u>\$ 62,765,845</u>	<u>\$ 72,602,255</u>	<u>\$ 84,963,334</u>	<u>\$ 97,028,009</u>
Total net debt applicable to the limit as a percentage of debt limit	23.40%	23.61%	30.31%	25.32%	21.28%	24.19%	21.16%	21.29%	20.57%	17.50%

Legal Debt Margin Calculation for Fiscal Year

Assessed value	\$1,844,913,851	\$2,139,312,290	\$2,352,099,983
Add back: exempt real property	\$ -	\$ -	\$ -
Total assessed value	<u>\$1,844,913,851</u>	<u>\$2,139,312,290</u>	<u>\$2,352,099,983</u>
Debt limit (5% of total assessed value)	92,245,693	106,965,615	117,604,999
Debt applicable to limit:			
General obligation bonds	21,840,000	24,030,000	22,250,000
Less: Amount set aside for repayment of general obligation debt	(581,562)	(732,719)	(828,010)
Less: Business-type general obligations	<u>(1,615,000)</u>	<u>(1,295,000)</u>	<u>(845,000)</u>
Total net debt applicable to limit	<u>19,643,438</u>	<u>22,002,281</u>	<u>20,576,990</u>
Legal debt margin	<u>\$ 72,602,255</u>	<u>\$ 84,963,334</u>	<u>\$ 97,028,009</u>

Note: Texas statutes do not prescribe a debt limit; however, by custom a practical economic debt limit of 5% of the assessed valuation is used.

City of Mission
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Revenue Bonds					
	Charges and Other ⁽¹⁾	Less: Operating Expenses ⁽²⁾	Net Available Revenue	Debt Service ⁽³⁾		Coverage ⁽⁴⁾
				Principal	Interest	
1998	6,784,623	3,643,856	3,140,767	780,000	760,891	2.04%
1999	6,704,271	3,846,329	2,857,942	845,000	722,527	1.82%
2000	8,248,204	4,172,593	4,075,611	889,000	630,379	2.68%
2001	8,637,135	4,916,189	3,720,946	970,000	633,602	2.32%
2002	9,958,967	5,702,737	4,256,230	1,249,000	1,035,683	1.86%
2003	9,832,105	5,702,737	4,129,368	1,314,000	974,627	1.80%
2004	10,182,330	8,298,124	1,884,206	1,131,000	1,682,697	0.67%
2005	12,130,545	8,098,284	4,032,261	1,197,000	1,620,913	1.43%
2006	15,074,316	7,786,843	7,287,473	1,486,000	1,615,995	2.35%
2007	15,000,320	8,016,672	6,983,648	2,073,759	1,406,974	2.01%

(1) Total operating revenues including interest earned on funds created by the bond ordinance.

(2) Total operating expenses exclusive of depreciation.

(3) Revenue bonds only. Amounts do not include the general obligation bonds reported in the Utility Fund or debt defeasance transactions.

(4) Per first lien revenue bond covenants, the required coverage is 1.25.

Note: The City does not have special assessment bonds.

City of Mission
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population ⁽¹⁾	MSA⁽²⁾ Personal Income	MSA⁽²⁾ Capita Personal Income	Median Age ⁽¹⁾	Percentage High School Graduates ⁽³⁾	School Enrollment ⁽³⁾	Unemployment Rate ⁽⁴⁾
1998	41,085	514,753,965	12,529	30.10	74.3	12,077	15.10%
1999	43,500	559,845,000	12,870	30.30	75.6	12,269	11.20%
2000	45,408	616,459,008	13,576	30.40	77.9	12,481	10.80%
2001	48,000	690,384,000	14,383	30.50	81.2	13,131	10.50%
2002	50,515	747,116,850	14,790	30.50	84.4	13,600	10.70%
2003	51,000	774,384,000	15,184	31.00	88.0	14,038	11.20%
2004	54,934	799,938,672	14,562	31.00	81.7	14,156	9.00%
2005	56,582	826,336,648	14,604	30.50	84.8	14,869	5.20%
2006	58,279	853,605,758	14,647	31.70	93.1	15,341	5.20%
2007	61,193	881,774,748	14,410	32.00	85.3	15,536	5.60%

(1) Estimated (except for the FY 2000-information was received from the 2000 US Census).

(2) MSA-Metropolitan Statistical Area for Mission-McAllen-Edinburg-(Source: Tracer-Texas Labor Market).

(3) Source: Mission Consolidated School District

(4) Source: Texas LMI Tracer-Labor Market.

**City of Mission
Principal Employers**

Employer	2007⁽¹⁾			1998⁽²⁾		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Mission CISD	2,140	1	3.81%	1,786	1	6.71%
Sharyland ISD	1,045	2	1.86%	618	3	2.32%
Mission Hospital	910	3	1.62%	680	2	2.56%
T-Mobile	893	4	1.59%	-	0	0.00%
City of Mission	562	5	1.00%	266	6	1.00%
Wal-Mart Super Center	410	6	0.73%	500	4	1.88%
H.E.B. Grocery	334	7	0.59%	-	0	0.00%
Vanity Fair	315	8	0.56%	-	0	0.00%
Target	240	9	0.43%	-	0	0.00%
Frito-Lay Inc.	173	10	0.31%	160	9	0.60%
Sharyland Plantation	-		0.00%	300	5	1.13%
Texas Citrus Exchange	-		0.00%	150	10	0.56%
Albertsons	-		0.00%	200	7	0.75%
Foy's Supermarket	-		0.00%	190	8	0.71%
Total	7,022		12.49%	4,850		18.23%

(1) Source: Mission Economic Development Authority and City of Mission's budget office.

(2) Source: Information not available.

City of Mission
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of September 30									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government	53	56	76	58	66	72	74	78	75	76
Public Safety										
Police										
Officers	80	80	86	99	99	100	113	114	116	116
Civilians	13	14	28	28	33	37	41	40	42	44
Fire										
Firefighters and Officers (1)	22	31	31	31	32	35	36	51	63	63
Civilians	1	5	5	6	6	6	3	3	2	6
Highways and Streets										
Engineering (2)	-	-	-	2	2	2	-	-	-	-
Streets	14	17	18	22	26	26	27	27	26	27
Health and Welfare										
Health (3)	-	-	-	-	-	-	9	10	7	7
Culture and recreation										
Aquatics	3	3	3	3	3	3	3	3	2	1
Museum	-	-	-	-	3	3	3	3	2	2
Parks and Recreation	23	28	26	24	27	29	32	34	35	34
Library	14	20	16	18	19	19	25	22	20	23
Golf Course	31	34	34	37	34	31	31	27	20	19
Sanitation										
Water distribution	34	31	40	54	62	65	79	77	78	78
Wastewater	10	10	10	11	11	11	13	12	12	13
Community Development	3	4	4	4	4	4	4	3	3	3
Total	301	333	377	397	427	443	493	504	503	512

Source: City of Mission Finance Department-Budget Office.

(1) SAFER Grant allowed City to hire 12 additional FF in 2006.

(2) The City had been contracting outside engineers for a very long time and decided to hire an in-house engineer; however, engineering cost did not decrease and the department was done away with.

(3) The City created a Health Department in FY 2004.

City of Mission
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police										
Physical arrests	-	-	2,892	3,166	2,303	2,977	3,779	3,892	3,943	4,592
Parking Violation	-	-	300	243	163	88	118	59	44	96
Traffic Violations	-	-	7,000	6,358	9,240	10,005	14,850	15,118	12,042	13,217
Fire										
Number of calls answered ⁽¹⁾	n/a	1,573	1,730	1,628	1,914	1,934	2,118	1,938	1,977	2,159
Inspections	843	1,521	1,625	1,406	1,616	830	1,191	884	790	2,945
Highways and Streets										
Streets resurfacing (miles)	20	24	24	31	33	41	39	29	20	8,564
Potholes repaired	9,800	10,440	11,709	12,530	12,980	13,046	18,288	15,379	13,006	24,729
Sanitation										
Refuse collected (tons/day) ⁽²⁾	139	139	140	140	140	143	145	150	159	193
Recyclables collected (tons/day)	0.75	0.60	-	-	0.02	0.03	0.03	0.07	0.03	0.05
Culture and recreation										
Golf Course										
Rounds ⁽³⁾	-	-	-	-	-	-	57,040	54,588	53,464	54,125
Recreation										
Programs	10	10	10	15	15	15	17	17	34	32
Parks Maintained	18	18	18	18	18	22	22	22	24	24
Water										
New connections (year)	1,100	1,200	1,200	1,250	1,300	1,320	1,321	1,122	1,237	1,202
Water mains breaks (year)	90	90	100	120	140	142	151	486	563	459
Average daily consumption (millions of gallons)	7.06	7.13	7.40	7.39	8.22	8.06	8.31	10.56	12.56	10.85
Wastewater										
Average daily sewage treatment	3.62	3.78	3.99	4.13	4.52	4.65	4.35	4.60	6.00	6.03

Sources: Various City departments.

Note: Indicators are not available for the general government function.

(1) Information for years 1996-1998 was not available.

(2) Information for 2006 estimated.

(3) Golf Course did not have the information for years 1996-2003.

City of Mission
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public Safety										
Police Protection										
Stations	1	1	1	1	1	1	1	1	2	2
Patrol Units	48	53	57	53	60	74	71	80	85	88
Fire Protection										
Fire Stations	3	3	3	3	3	3	4	4	4	4
Highways and Streets										
Streets (miles)	-	-	275	280	280	289	298	306	535	539.52
Number of Streetlights	-	-	4,300	4,305	4,395	4,483	4,583	4,673	4,767	2,636
Culture and recreation										
Parks acreage	215	215	215	215	215	226	226	226	310	310
Parks	18	11	18	18	18	22	22	22	24	24
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis Courts	2	2	2	2	2	2	2	2	2	2
Community Centers	2	2	2	2	2	2	2	2	2	2
Water										
Water Plants	1	1	1	1	2	2	2	2	2	2
Water mains (miles)	-	-	125	130	139	152	270	270	410	415.86
Fire hydrants	-	-	1,850	1,850	1,870	1,890	1,990	3,000	2,254	2,408
Number of Service connections	-	-	16,000	16,000	18,905	19,245	19,931	20,763	21,995	22,902
Number of Gallons Sold (in millions)	2,173.10	2,113.70	2,463.60	2,501.50	2,736.02	2,614.00	2,647.40	3,387.70	4,172.14	3,425.39
Daily Average Consumption (gallons) ⁽¹⁾	-	-	6.20	6.20	8.20	8.00	8.20	10.60	12.56	10.85
Sewer										
Number of Treatment plants	1	1	1	1	1	1	1	1	1	1
Sanitary sewers (miles)	-	-	112	128	133	140	200	200	315	319.45
Number of Service connections	-	-	12,000	16,000	12,085	15,812	16,682	17,683	18,606	18,632
Storm sewers (miles)	-	-	75	75	75	75	75	75	110	112.17
Daily average treatment in gallons ⁽¹⁾	-	-	3.10	3.10	3.40	4.40	4.20	4.60	6.00	6.03
Maximum daily treatment capacity ⁽¹⁾	-	-	4.60	4.60	4.60	4.90	4.99	5.16	7.00	7.34

Source: City departments.

(1) Amount is in millions.

Note: No capital asset indicators are available for the general government function.

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*FEDERAL AND
STATE AWARDS
SECTION*

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Honorable Mayor,
Members of the City Council,
and City Manager
City of Mission, 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 Mission, Texas, as of and for the year ended September 30, 2007, which collectively comprise the City of Mission's basic financial statements, and have issued our report dated January 28, 2008. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the Mission Redevelopment Authority, as described in our report on City of Mission's financial statements. The financial statements of Mission Redevelopment Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Mission in a separate letter dated January 28, 2008.

This report is intended solely for the information and use of the City Council, management, federal and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
January 28, 2008

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH FEDERAL MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor,
Members of the City Council,
and City Manager
City of Mission, Texas

Compliance

We have audited the compliance of the City of Mission, Texas with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. City of Mission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of Mission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

The management of the City of Mission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to

federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affect the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
January 28, 2008

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH STATE MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor,
Members of the City Council,
and City Manager
City of Mission, Texas

Compliance

We have audited the compliance of the City of Mission, Texas with the types of compliance requirements described in the Texas Governor's Office of Budget and Planning, the State of Texas Single Audit Circular that are applicable to each of its major state programs for the year ended September 30, 2007. City of Mission's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of Texas Single Audit Circular. Those standards and State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of Mission complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended September 30, 2007.

Internal Control Over Compliance

The management of the City of Mission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major state program in

order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affect the City's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the City's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


LONG CHILTON, LLP
Certified Public Accountants

McAllen, Texas
January 28, 2008

CITY OF MISSION, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- FEDERAL AND STATE
For the Year Ended September 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiencies identified that are not considered to be material weaknesses? reported

_____ yes X no

_____ yes X none

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiencies identified that are not considered to be material weaknesses? reported

_____ yes X no

_____ yes X none

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

_____ yes X no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.218
97.083

Community Development Block Grant
SAFER Grant

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

 X yes _____ no

CITY OF MISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AND STATE
(CONTINUED)
For the Year Ended September 30, 2007

State Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of State Single Audit Circular?

_____ yes X no

Identification of major programs:

Identifying Number(s)

Name of State Program or Cluster

None

Texas Parks and Wildlife Department

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

 X yes _____ no

CITY OF MISSION, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS- FEDERAL AND STATE
(CONTINUED)
For the Year Ended September 30, 2007

Section II – Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

PROGRAM	DESCRIPTION
None.	

Section IV - State Award Findings and Questioned Costs

PROGRAM	DESCRIPTION
None.	

CITY OF MISSION, TEXAS
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS- FEDERAL AND STATE
For the Year Ended September 30, 2007

Schedule of Status of Prior Year Findings- Federal

<u>PROGRAM</u>	<u>STATUS OF PRIOR YEAR FINDING/ NONCOMPLIANCE</u>
None.	

Schedule of Status of Prior Year Findings- State

<u>PROGRAM</u>	<u>STATUS OF PRIOR YEAR FINDING/ NONCOMPLIANCE</u>
None.	

CITY OF MISSION, TEXAS
CORRECTIVE ACTION PLAN
For the Year Ended September 30, 2007

<u>PROGRAM</u>	<u>CORRECTIVE ACTION PLAN- FEDERAL</u>
Not Applicable.	

<u>PROGRAM</u>	<u>CORRECTIVE ACTION PLAN- STATE</u>
Not Applicable.	

CITY OF MISSION, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2007

(01)		(02)	(03)	(04)
Project Number	Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures, Indirect Costs and Refunds	Amount in (03) Relating to Pass Through to Subrecipients
	<u>Federal Emergency Management Agency</u>			
	Passed Through Texas Department of Public Safety - Division of Emergency Management:			
2006-EM-E6-0026	Emergency Management Assistance	97.042	\$ 18,918	\$ -
	Total Pass Through Programs		18,918	-
	Total Federal Emergency Management Agency		18,918	-
	<u>U.S. Department of Homeland Security</u>			
	Passed Through Texas Governor's Division Of Emergency Management:			
	Homeland Security Grant Program:			
2004-HGSP-48768	State Homeland Security Program	97.073	834	-
2005-HGSP-48768	State Homeland Security Program	97.073	8,994	-
2005-HGSP-48768	Law Enforcement Terrorism Prevention Program	97.074	16,109	-
2006-HGSP-48768	State Homeland Security Program	97.073	9,830	-
2006-HGSP-48768	Law Enforcement Terrorism Prevention Program	97.074	8,641	-
	Total Pass Through Programs		44,408	-
EMW-2005-FF-01316	Staffing Adequate Fire & Emergency Response (SAFER)	97.083	335,070	-
	Total U.S. Department of Homeland Security		379,478	-
	<u>U.S. Department of Justice</u>			
	Direct Programs:			
	Equitable Sharing Program	16.000	243,986	-
	Bullet Proof Vest Program	16.607	1,350	-
2003UMWX0114-TX10810	Office of Community Oriented Policing Services	16.710	74,280	-
	Total Direct Programs		319,616	-
	Total U.S. Department of Justice		319,616	-
	<u>U.S. Department of Housing and Urban Development</u>			
	Direct Programs:			
B-05-MC-48-0511	Community Development Block Grant	14.218	182,922	-
B-06-MC-48-0511	Community Development Block Grant	14.218	580,288	22,500
	Total Direct Programs		763,210	22,500
	Total U.S. Department of Housing and Urban Development		763,210	22,500

CITY OF MISSION, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2007

(01)		(02)	(03)	(04)
Project Number	Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures, Indirect Costs and Refunds	Amount in (03) Relating to Pass Through to Subrecipients
	<u>Environmental Protection Agency</u>			
	Passed Through Texas Water Development Board:			
G17400/1623/1624	EDAP / CWTAP Grants	66.000	<u>74,842</u>	-
	Total Pass Through Programs		<u>74,842</u>	-
	Total Environmental Protection Agency		<u>74,842</u>	-
	<u>National Highway Traffic Safety Administration</u>			
	Passed Through Texas Department of Transportation:			
587XXF6052	Safe and Sober Program	20.600	47,877	-
587XXF6205	Click It or Ticket Incentive Program	20.609	<u>7,936</u>	-
	Total Pass Through Programs		<u>55,813</u>	-
	Total National Highway Traffic Safety Administration		<u>55,813</u>	-
	TOTAL FEDERAL AWARDS EXPENDED		<u>\$ 1,611,877</u>	<u>\$ 22,500</u>

CITY OF MISSION, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
Year Ended September 30, 2007

(01)		(02)	(03)	(04)
Project Number	State Grantor/ Pass Through Grantor/ Program Title	Grant Contract Number	Expenditures, Indirect Costs and Refunds	Amount in (03) Relating to Pass Through to Subrecipients
	<u>Texas State Attorney General Office</u>			
	Victim's Assistance Discretionary Grant	0802439	\$ 2,427	\$ -
	Total Office of Attorney General		2,427	-
	<u>Texas Comptroller of Public Accounts:</u>			
	Statewide Tobacco Education and Prevention			
	Tobacco Compliance Grant		5,000	-
	Total Texas Comptroller of Public Accounts		5,000	-
	<u>Texas Commission on Environmental Quality</u>			
	Passed Through Lower Rio Grande Valley Development			
	Council:			
	Regional Solid Waste Grant	07-21-G03	16,379	-
	Solid Waste Grant	07-21-G04	14,999	-
	Total Pass Through Programs		31,378	-
	Total Texas Commission on Environmental Quality		31,378	-
50-00321	<u>Texas Parks & Wildlife Department</u>			
	Bentsen Palm Community Park		500,000	-
	Total Texas Parks and Wildlife Department		500,000	-
	<u>Texas Commission on Fire Protection</u>			
	Fire Department Emergency Program	07-0121C	17,000	-
	Total Texas Commission on Fire Protection		17,000	-
	<u>Texas State Libraries and Archives Commission</u>			
	Loan Star Libraries Grant	442-07338	7,371	-
	Total Texas State Libraries and Archives Commission		7,371	-
	TOTAL STATE AWARDS EXPENDED		\$ 563,176	\$ -

CITY OF MISSION, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended September 30, 2007

Basis of Presentation:

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City of Mission, Texas and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations and the State of Texas Single Audit Circular. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

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