

# CITY OF MISSION



## **Comprehensive Annual Financial Report** **For Fiscal Year Ended September 30, 2004**

**City of Mission, Texas**

# *CITY OF MISSION, TEXAS*

## *Comprehensive Annual Financial Report*

*For Fiscal Year Ended  
September 30, 2004*

*Prepared By:  
Finance Department*

# *MISSION CITY COUNCIL*



Gen Long  
Mayor Pro Tem



Dr. Armando O'Cana, Sr.  
Council Member



Norberto "Beto" Salinas  
Mayor



Leo Olivarez  
Council Member



Celestino Ramirez  
Council Member

CITY OF MISSION, TEXAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
Year Ended September 30, 2004

**TABLE OF CONTENTS**

	<u>Exhibit</u>	<u>Page No.</u>
<b>INTRODUCTORY SECTION</b>		
Transmittal Letter		3-10
GFOA Certificate of Achievement		11
List of Principal Officials		13
Organizational Chart		14
City of Mission Finance Department		15
<b>FINANCIAL SECTION</b>		
Independent Auditor's Report		19-20
Management's Discussion and Analysis		21-32
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Assets	A-1	35
Statement of Activities	A-2	36-37
Fund Financial Statements:		
Balance Sheet – Governmental Funds	A-3	38-39
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	A-4	41
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	A-5	42-43
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	A-6	44
Statement of Net Assets – Proprietary Funds	A-7	45
Statement of Revenues, Expenditures, and Changes in Fund Net Assets – Proprietary Funds	A-8	46-47

CITY OF MISSION, TEXAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
Year Ended September 30, 2004

**TABLE OF CONTENTS (Continued)**

	<u>Exhibit</u>	<u>Page No.</u>
Statement of Cash Flows – Proprietary Funds	A-9	49
Statement of Fiduciary Net Assets – Fiduciary Funds	A-10	50
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	A-11	51
Notes to the Financial Statements		53
Required Supplementary Information:		
Budgetary Comparison Schedule – General Fund	B-1	87-94
Budgetary Comparison Schedule – Community Development Fund	B-2	95
Schedule of Funding Progress – Texas Municipal Retirement System		96
Schedule of Funding Progress – Texas Statewide Emergency Services Personnel Retirement Fund		97
Notes to Required Supplementary Information		98-100
Other Supplementary Information:		
Combining Balance Sheet – Non-Major Governmental Funds	C-1	105
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds	C-2	107
Combining Balance Sheet – Non-Major Special Revenue Funds	C-3	108-111
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Special Revenue Funds	C-4	112-114
Aquatics Fund – Budgetary Comparison Schedule	C-5	115
Parks and Recreation Fund - Budgetary Comparison Schedule	C-6	116
Police Department Special Fund - Budgetary Comparison Schedule	C-7	117
Police Federal Sharing Fund - Budgetary Comparison Schedule	C-8	118

CITY OF MISSION, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 Year Ended September 30, 2004

**TABLE OF CONTENTS (Continued)**

	<u>Exhibit</u>	<u>Page No.</u>
Municipal Court Technology Fund - Budgetary Comparison Schedule	C-9	119
Designated Purpose Fund - Budgetary Comparison Schedule	C-10	120-121
Drainage Assessment Fund - Budgetary Comparison Schedule	C-11	122
Hotel/Motel Tax Fund - Budgetary Comparison Schedule	C-12	123
Muni Court Bldg Security Fund – Budgetary Comparison Schedule	C-13	124
Tax Increment Reinvestment Zone Fund - Budgetary Comparison Schedule	C-14	125
Debt Service Fund - Budgetary Comparison Schedule	C-15	127
Combining Balance Sheet – Non-Major Capital Projects Funds	C-16	128-129
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Capital Projects Funds	C-17	130-131
Utility Fund - Budgetary Comparison Schedule	C-18	135-138
Golf Course Fund - Budgetary Comparison Schedule	C-19	139-140
Solid Waste Fund – Budgetary Comparison Schedule	C-20	141
 Capital Assets Used In the Operation of Governmental Funds:		
Capital Assets Used in the Operation of Governmental Funds Comparative Schedule by Source	D-1	144
Capital Assets Used in the Operation of Governmental Funds Schedule of Changes by Function and Activity	D-2	145
Capital Assets Used in the Operation of Governmental Funds Schedule by Function and Activity	D-3	146-147
 Supplemental Schedules:		
Utility Fund - Schedule of Revenue Bond Coverage		150
Utility Fund - Schedule of Cash Receipts and Disbursements - Restricted Accounts Required by Revenue Bond Ordinance		151

CITY OF MISSION, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 Year Ended September 30, 2004

**TABLE OF CONTENTS (Continued)**

STATISTICAL SECTION	<u>TABLE</u>	<u>Page No.</u>
Government-Wide Expenses by Function – Last Two Fiscal Years	1	154-155
Government-Wide Revenues – Last Two Fiscal Years	2	156-157
General Governmental Expenditures by Function - Last Ten Fiscal Years	3	158-159
General Governmental Revenues by Source - Last Ten Fiscal Years	4	160-161
General Governmental Tax Revenues by Source – Last Ten Fiscal Years	5	162-163
Property Tax Levies and Collections - Last Ten Fiscal Years	6	164-165
Property Tax Levies and Allocation - Last Ten Fiscal Years	7	166-167
Property Tax Rates and Tax Levies Direct and Overlapping	8	169
Ratio of Net General Bonded Debt To Assessed Value and Net Bonded Debt Per Capita - Last Ten Fiscal Years	9	170-171
Computation of Estimated Direct and Overlapping Bonded Debt	10	172
Ratio of Annual Debt Service Expenditures for General Obligations Bonded Debt to Total General Government Expenditures - Last Ten Fiscal Years	11	173
Revenue Bond Coverage Water and Sewer Authority - Last Ten Fiscal Years	12	174
Principal Taxpayers	13	175
Schedule of Insurance Coverages	14	176
Demographic Statistics - Last Ten Fiscal Years	15	177
Property Value and New Construction - Last Ten Fiscal Years	16	178
Computation of Legal Debt Margin	17	179
Statistical Data	18	180-185
Miscellaneous Statistics	19	186-187

CITY OF MISSION, TEXAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
Year Ended September 30, 2004

**TABLE OF CONTENTS (Continued)**

<b>FEDERAL AWARDS SECTION</b>	<b>Page No.</b>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	191-192
Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	193-194
Schedule of Findings and Questioned Costs	195-196
Schedule of Status of Prior Year Findings	197
Corrective Action Plan	198
Schedule of Expenditures of Federal Awards	199-200
Notes to Schedule of Expenditures of Federal Awards	201



# *INTRODUCTORY SECTION*

This page left blank intentionally.

# CITY OF MISSION

*"Home Of The Grapefruit"*

January 23, 2005

To the Honorable Mayor and  
Members of the City Council  
Citizens of Mission  
City of Mission  
Mission, Texas 78572

**NORBERTO "BETO" SALINAS**  
MAYOR  
**GEN LONG**  
MAYOR PRO TEM  
**CELESTINO RAMIREZ**  
COUNCILMAN  
**DR. ARMANDO OCAÑA, SR.**  
COUNCILMAN  
**LEO OLIVAREZ**  
COUNCILMAN

As mandated by both state statutes and local ordinances, we hereby submit the Comprehensive Annual Financial Report (CAFR) of the City of Mission for the year ending September 30, 2004. 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 outweigh their benefits, the City of Mission's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. 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, 2004, 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 based upon the audit, that 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, 2004, 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 31.31 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. It also 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, last amended, 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 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 process 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 87-95 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 115.

## 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 in the McAllen-Edinburg-Mission Metropolitan Statistical Area (MSA). Mission is among the fastest growing cities in the Rio Grande Valley and Texas. 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.

With the help of the Mission Economic Development Authority (MEDA) and the Mission Chamber of Commerce, Mission has experienced great commercial and residential growth in the past few years. The City of Mission, through its economic development partners, Mission Economic Development Authority (MEDA) and Mission Economic Development Corporation (MEDC), has been able to assist in the creation of numerous jobs. Some of the projects undertaken as of September 2004 include:

**T-Mobile**, a nationwide wireless service provider in the Sharyland Plantation, began operations in June 2003. T-Mobile exceeded a job creation requirement of 200 jobs by 168 in their first three months of operation. By the end of their 2<sup>nd</sup> operational year, the company had 873 employees.

**Frito-Lay, Inc.**, a division of *Frito-Lay, International*, completed Expansion III in April 2004, a 40,000 sq. ft. addition, in which they invested \$27 million in construction and processing equipment. Frito-Lay reported 136 current employees, having added 26 jobs this fiscal year.

**Hi-Tech Plastics (HTP)**, a plastics injection molding plant, started operations in January 2003. They have invested approximately \$14 million in leasehold improvements and capital equipment; plus it plans to hire 113 employees over the next five years. HTP added 40 employees this year and reported 60 in total as of September

2004. Preliminary discussions have taken place regarding an addition of 30,000 sq. ft. to the plant.

**VF Intimates**, a distribution center processing orders for its major customers, Wal-Mart, K-Mart, Target, and Sears, added 44 jobs to the 329 reported last fiscal year.

In other activity around the Mission area:

**Home Depot Subdivision Phase I** (anchored by Home Depot). The \$17.6 million, 135,000 sq. ft. development, which began construction in June 2004, houses Home Depot, which opened early January 2005, on the large lot and two smaller out parcels along Shary Road. They plan on creating approximately 100 jobs during their first year of operation.

**Mission Park Plaza**, a \$6 million, 4.77 acres retail/commercial development located west of Conway on Griffin Parkway, began construction for its first tenant, Long John Silvers-Taco Bell Restaurant, in June 2004. The restaurant opened its door in November 2004. A second fast food operation is expected to open by spring of 2005. Both fast food operations are expected to create approximately 30 jobs.

The **Shoppes at Sharyland** Plantation, a two-phase project by Hunt Valley Development, will be approximately 45,000 sq. ft. in size with an estimated capital investment of \$3.5 million. Phase I, a 25,000 sq. ft. building, began construction in March 2004 and was completed by November 2004. Phase I will create about 100 jobs.

**Averill-Gray Properties, LLC.**, commence modifications on the former BFI Recycling center early this year. The tenant, Stock Building Supply, opened its facility in April 2004 with 15 employees. Averill-Gray Properties, LLC., is constructing two additional structures on the site; a 5,000 sq. ft. office/showroom and a 30,000 sq. ft. building for their door shop. After completion of the office/showroom in November 2004, Stock Building Supply currently has 40 employees and expects to generate annual retail sales of \$21.5 million.

According to the Texas Labor Market Review December 2004 report, the City of Mission unemployment rate was 9% as of November 2004. The unemployment rate for the City has steadily been declining over the past few years. This is good news for the citizens of Mission.

The City of Mission has implemented a Tax Increment Reinvestment Zone (Tax Increment Financing) to address the lack of infrastructure in open areas and to look into redevelopment of the downtown areas. Furthermore, there is anticipated development in commercial and industrial growth with the opening of the Anzalduas International Bridge expected in year 2006.

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

### **Major Accomplishments For the Year 2003-04**

1. Tax rate remained stable at \$0.55 per \$100.00 valuation.
2. Procured over \$785,000 in grant funds that included FEMA 2003 Assistance to Firefighters Grant Program and State Homeland and Security Grant Program. An additional \$3,000,000 grant was awarded by the Texas Water Development Board to assist in the North EDAP Project.
3. Over \$2,100,000 spent on new streets (\$600K) and drainage improvements (\$1.5M).
4. Over \$520,000 in park improvements covering all sections of the City.
5. Parks & Recreation Department opened the Indoor Recreation Center.
6. Completion of Hike & Bike Trail (approx: \$1.2 million – 5 mile length).
7. Commencement of Madero Park and additional amenities at Jose M. Lopez Park
8. Expansion and installation of a double-loop super slide at Mayberry Pool.
9. Installation of sidewalks and improvements around schools within the City.
10. Twenty houses were constructed in the CDBG housing program.
11. Completion of Public Works Building (\$1,000,000)
12. Completion of the expansion of the New North Water Plant (6 Million Gallons Daily-MGDs).
13. Commencement of North EDAP Project that includes over 45 colonias for sewer collection system and 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).
14. Began Phase I of the Speer Memorial Library Expansion project.
15. Commencement of La Lomita Chapel Phase I renovation project.
16. Commenced the renovation and addition of the Boys & Girls Club building.
17. Created a Health Department to promote public health for the City.
18. Purchased the old post office for future conversion into a new Central Fire Station.
19. Commencement of Fire Station #4 on North Inspiration Road (NW sector) to be completed by October 2004.
20. Completion of Los Ebanos Road Bridge Project to promote public safety.
21. Renovation of Shary Golf Course (nine holes - \$400,000) and additional machinery & equipment.

The following list identifies the goals taken into consideration in preparation of the 2005 annual budget.

### **Goals for Fiscal Year 2004-05**

1. Tax rate reduced from \$0.55 to \$0.5398 per \$100.00 valuation.
2. Continue to focus on grant funds in the amount of \$1,000,000 to assist in public safety, parks & recreation, museum, and other departments.
3. Continuation of street, bridge and drainage improvements to improve infrastructure in our community.
4. Over \$200,000 in park improvements covering all sections of the City.

5. Commencement of Bentsen Palm Community Park and Northwest Park.
6. Grand Opening in the fall for the World Birding Center Headquarters.
7. New philosophy in CDBG program focusing solely in reconstruction of homes and several public agencies.
8. Construct twenty houses under the CDBG housing program.
9. Continuation of North EDAP Project that includes over 45 colonias for sewer collection system and 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).
10. Commencement of new water tower in the Southwest area of City.
11. The commencement of the renovation of La Lomita Chapel Phase II.
12. Continuation of Mission Police Academy to train and educate our new police cadets.
13. Continuation of residential and commercial growth in our city that will impact economic growth and opportunities to our citizenry.
14. Continuation of technological improvements including automated meter reading study and GIS implementation.
15. Continuation of strong relationship with Mission Economic Development Corporation, Mission Economic Development Authority and Chamber of Commerce in order to promote commerce and industrial growth.
16. Implementation of new Civil Service Rules for Police and Fire Departments.
17. Continuation of Adult Recreation Programs, such as volleyball, softball, basketball, flag-football, and other recreation activities that include Senior Citizen programs.
18. Expansion of Library to provide additional computers with Internet access for citizens and additional study rooms to allow private reading or studies.
19. Continuation of water and sewer line improvements in order to upgrade the City's utility infrastructure.
20. Shary Golf Course expectations to increase number of rounds and membership due to green and tee box improvements and upgrades provided this past summer.
21. 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.

**Long-term financial planning.** Careful long-term financial planning is an important goal for the city. During the next fiscal year, the City Council will undertake many projects. 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. One of the projects to be undertaken will be the North Economically Distressed Areas Program (EDAP) project that will provide sewer to 45 colonias. This project will increase the capacity of the sewer collection and treatment system, since the existing plant will be upgraded from 4.6 million gallons daily (MGD) to 9.2 MGD. The cost for this project is estimated to be \$34.7 million of which \$18.4 million will be funded from Texas Water Development Board Grant and the additional funds will come from revenue bonds. Additional bonds will be considered in the future for additional public facilities, streets, and drainage improvements.

**Cash management policies and practices.** Cash temporarily idle during the year was invested in interest-bearing demand deposit accounts, and certificate of deposit authorized under the Public Funds Investment Act of 1987, as amended by the 77<sup>th</sup> Legislature, effective September 1, 2001,



“The Act” (Chapter 2256 of the Government Code). “The Act” requires cities and other political subdivisions, among other things, to adopt a written investment 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 objective is safety, liquidity, yield, and public trust, in that order. The maturities of investments range from 9 days to 430 days with an average maturity of 246.5 days. The average yield on investments for fiscal year 2004 was 2.25 percent. A significant amount of the City’s portfolio has been allocated to certificate of deposits.

The bank depository contract requires that all deposits and investments of the City 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 Southwest 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. These 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. In addition, the City has acquired a safety consultant to assist with safety related issues and to implement employee accident prevention training to reduce losses.

**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 depend upon the sum of the employee’s contributions to the plan, with interest, and the City-financed monetary credits and interest. The contribution rate for the employees is 5% 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 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 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 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, 2003. 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, and Mission Economic Development Board for their interests and support in planning and conducting the operations of the City in a responsible and progressive manner.

Respectfully submitted,



Isauro Trevino  
City Manager



Steven F. Austin, CPA  
Director of Finance

# 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, 2003

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.



*Nancy L. Ziehl*

President

*Jeffrey R. Enen*

Executive Director

This page left blank intentionally.

# *CITY OF MISSION, TEXAS*

*List of Principal Officials  
Year Ended September 30, 2004*

## *CITY OFFICIALS*

*Mayor  
Mayor Pro Tem  
Council Member  
Council Member  
Council Member*

*Norberto "Beto" Salinas  
Gen Long  
Dr. Armando O'Cana, Sr.  
Leo Olivarez  
Celestino Ramirez*

## *CITY ADMINISTRATION*

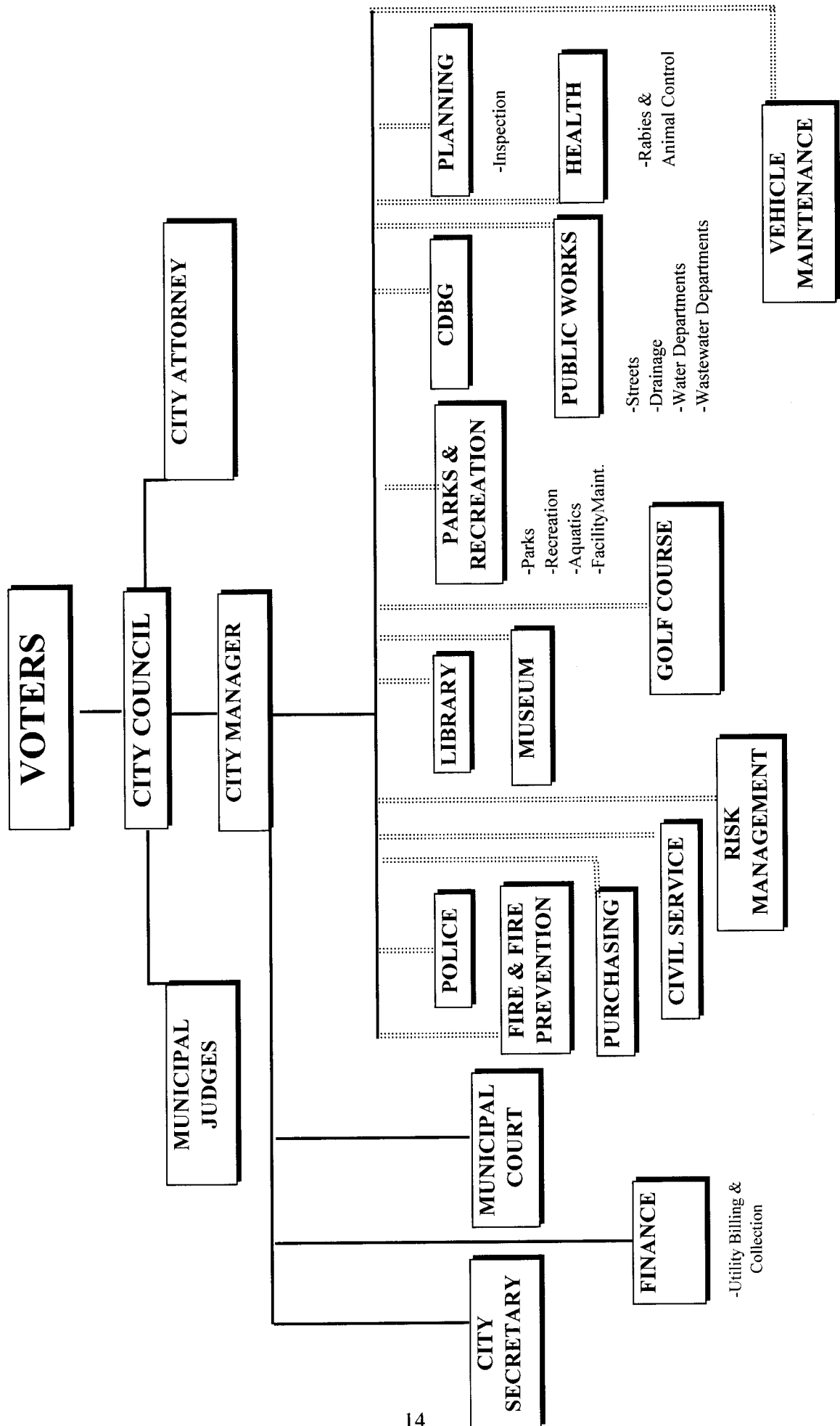
*City Manager  
City Secretary  
Director of Finance  
Chief Accountant  
City Attorney  
CDBG Director  
Civil Service Director  
Fire Chief  
Golf Course Director  
Health Director  
Library Director  
Municipal Judge  
Museum Director  
Parks and Recreation Director  
Planning and Zoning Director  
Police Chief  
Public Works Director  
Purchasing Director  
Risk Management Director*

*Isauro Trevino  
Mona Martinez  
Steven F. Austin  
Janie Flores  
David H. Guerra  
Joanne Longoria  
Jesse Lerma  
Ricardo Saldana  
Paul Schaefer, Jr.  
Noel Barrera  
Rusty Dove  
Jonathan Wehrmeister  
Adela Ortega  
Joe Villegas  
Sergio Zavala  
Leo Longoria Jr.  
Julio Cerda  
Yvonne Cuellar  
David Ramirez*

## *OFFICIAL ISSUING REPORT*

*Steven F. Austin, CPA  
Director of Finance*

# ORGANIZATIONAL CHART



# Finance Department



Congratulations to the Finance Staff for receiving the Certificate of Achievement for Excellence in Financial Reporting for Fiscal Year Audit Ending September 30, 2003.

Pictured above:

**Front Row (L-R)**

Mary Vasquez, Payroll Clerk  
Cindy Villanueva, Accounts Payable Manager  
Steven F. Austin, CPA, Finance Director  
Vickie Ortiz, Personnel Clerk  
Randy Perez, Accountant

**Back Row (L-R)**

Henry Aguilar, Fixed Assets Clerk  
Josie Chapa, Accounts Payable Clerk  
Ana Casanova, Payroll Manager  
Elena Perez, Personnel Manager  
Janie Flores, Chief Accountant  
Jennifer Funk, Accounting Clerk

**Not pictured:** Roland Rodriguez, Information Systems Manager

This page left blank intentionally.



# *FINANCIAL SECTION*

This page left blank intentionally.

## 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, 2004, 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 5.7 percent and 12.3 percent, respectively, of the 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides 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, 2004, 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 America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 20, 2005 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 21 through 32 and 87 through 100 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 made 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, and the statistical 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 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 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Mission, Texas. The accompanying schedule of expenditures of federal awards 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.

*Long Chilton, LLP*

LONG CHILTON, LLP  
Certified Public Accountants

McAllen, Texas  
January 20, 2005

# Management's Discussion and Analysis

As management of the City of Mission, we offer readers of the City of Mission financial statements this narrative overview and analysis of the financial activities of the City of Mission for the fiscal year ended September 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have 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 \$101,374,913 (net assets). Of this amount, \$6,823,610 (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 \$8,223,785. Approximately 91.53 percent of this increase is a result of capital contributions from developers.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,182,181 a decrease of \$3,060,301 or 33.11 percent in comparison with the prior year. The decrease in fund balance is attributed to the various capital projects commenced or completed in FY 2004.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,617,788 or 12.38 percent of total general fund expenditures.
- The City of Mission total debt increased by \$14,657,986 or 38.14 percent during the current fiscal year. The increase was largely attributable to the issuance of \$1,035,000 in certificate of obligations; \$15,248,000 in Jr. Revenue Bonds; and \$563,986 in bank loans.

## 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 is 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 funds of the City of Mission 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-four 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-one 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 105 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 to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 53-83 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 87-100 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 105 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 \$101,374,913 at the close of the most recent fiscal year.

The following table summarizes the City's net assets as of September 30, 2004.

City of Mission Net Assets September 30, 2004						
	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 11,034,875	\$ 13,518,316	\$ 24,884,399	\$ 22,200,713	\$ 35,919,274	\$ 35,719,029
Capital assets	74,064,261	65,546,311	54,356,052	37,370,051	128,420,313	102,916,362
Total assets	85,099,136	79,064,627	79,240,451	59,570,764	164,339,587	138,635,391
Long-term liabilities	18,779,452	18,391,353	34,274,217	19,823,831	53,053,669	38,215,184
Other liabilities	3,230,978	2,893,265	6,680,027	4,375,814	9,911,005	7,269,079
Total liabilities	22,010,430	21,284,618	40,954,244	24,199,645	62,964,674	45,484,263
Net assets						
Invested in capital assets, net of related debt	59,147,606	52,727,013	30,774,825	25,787,985	89,922,431	78,514,998
Restricted	800,978	651,534	3,827,894	3,108,275	4,628,872	3,759,809
Unrestricted (deficit)	3,140,122	4,401,462	3,683,488	6,474,859	6,823,610	10,876,321
Total net assets	\$ 63,088,706	\$ 57,780,009	\$ 38,286,207	\$ 35,371,119	\$ 101,374,913	\$ 93,151,128

By far the largest portion of the City's net assets (88.70 percent) reflects its investments in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City 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 4.57 percent are subject to external restrictions on how they may be used, leaving the remaining balance of 6.73 percent 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 8.83 percent compared to the prior year. The majority of this increase is attributed to capital contributions from developers.

### 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, 2004.

City of Mission Changes in Net Assets September 30, 2004						
	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 3,322,994	\$ 2,863,433	\$ 13,943,787	\$ 13,654,716	\$ 17,266,781	\$ 16,518,149
Operating grants and contributions	3,872,830	2,364,963	236,991	221,327	4,109,821	2,586,290
Capital grants and contributions	5,650,496	3,886,256	5,327,926	2,859,407	10,978,422	6,745,663
General Revenues:						
Property taxes	9,087,576	8,034,814	-	-	9,087,576	8,034,814
Other taxes	7,975,476	7,511,151	-	-	7,975,476	7,511,151
Grants and contributions not restricted to specific programs	8,993	4,121	-	-	8,993	4,121
Other	198,631	314,067	171,858	176,706	370,489	490,773
Total revenues	30,116,996	24,978,805	19,680,562	16,912,156	49,797,558	41,890,961
Expenses:						
General government	6,905,631	7,043,021	-	-	6,905,631	7,043,021
Public safety	10,633,900	9,831,094	-	-	10,633,900	9,831,094
Highways and streets	3,968,401	1,980,187	-	-	3,968,401	1,980,187
Sanitation	-	97,899	-	-	-	97,899
Economic development	315,013	217,581	-	-	315,013	217,581
Culture and recreation	3,200,156	3,593,377	-	-	3,200,156	3,593,377
Health and welfare	511,520	105,738	-	-	511,520	105,738
Interest on long-term debt	837,851	744,599	-	-	837,851	744,599
Utility system	-	-	11,056,182	9,602,954	11,056,182	9,602,954
Golf course operations	-	-	1,276,211	1,381,360	1,276,211	1,381,360
Solid waste operations	-	-	2,868,909	2,752,986	2,868,909	2,752,986
Total expenses	26,372,472	23,613,496	15,201,302	13,737,300	41,573,774	37,350,796
Increases in net assets before transfers	3,744,524	1,365,309	4,479,260	3,174,856	8,223,784	4,540,165
Transfers	1,564,172	118,359	(1,564,172)	(118,359)	-	-
Changes in net assets	5,308,697	1,483,668	2,915,088	3,056,497	8,223,784	4,540,165
Net assets -Beginning	57,780,009	56,296,341	35,371,119	32,314,622	93,151,128	88,610,963
Net assets -Ending	\$ 63,088,706	\$ 57,780,009	\$ 38,286,207	\$ 35,371,119	\$ 101,374,913	\$ 93,151,128

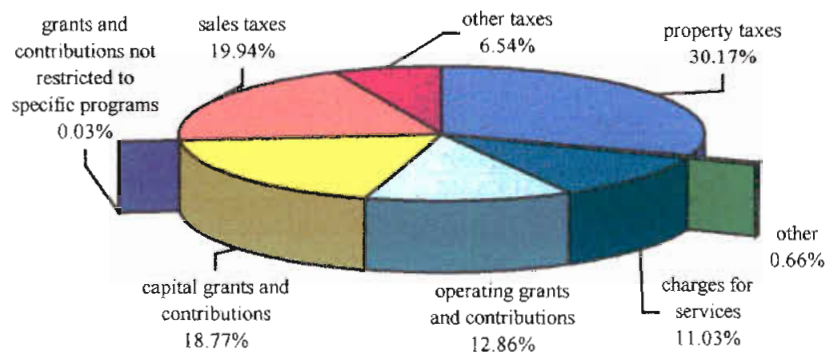
Total revenues generated from both governmental and business-type activities for this year amounted to \$49,797,558 reflecting an increase of \$7,906,597 compared to last year. Approximately 53.4 percent of the increase is attributed to capital grants and contributions received in FY 2004. Expenses were \$41,573,774, an increase of 11.31 percent, thus increasing net assets by \$8,223,784.

The 2003 columns of the preceding tables of Net Assets and Changes of Net Assets have been restated to include prior year infrastructure and related depreciation, and for prior period adjustments that were necessary to properly record sales tax revenue and unbilled utility revenues in the correct period.

**Governmental activities.** Governmental activities increased the City of Mission's net assets by \$5,308,697, thereby accounting for 64.55 percent of the total growth in net assets. The major contribution to the increase in governmental activities net assets is from capital assets contributed by developers.

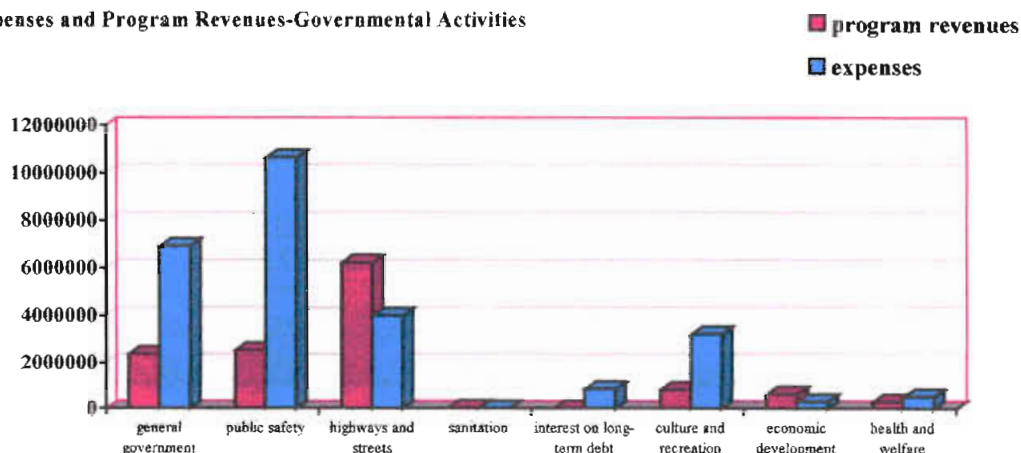
Taxes represent 56.65 percent of all governmental activities revenues. As displayed in the following graph, property taxes are the largest single source of funds comprising 30.17 percent of total revenues while sales taxes make up 19.94 percent of total revenues.

**Revenues by source-Governmental Activities**



The following graph displays the portion of expenses funded by program revenues. Overall, general revenues funded approximately 51.29 percent of total expenses for fiscal year 2004.

**Expenses and Program Revenues-Governmental Activities**

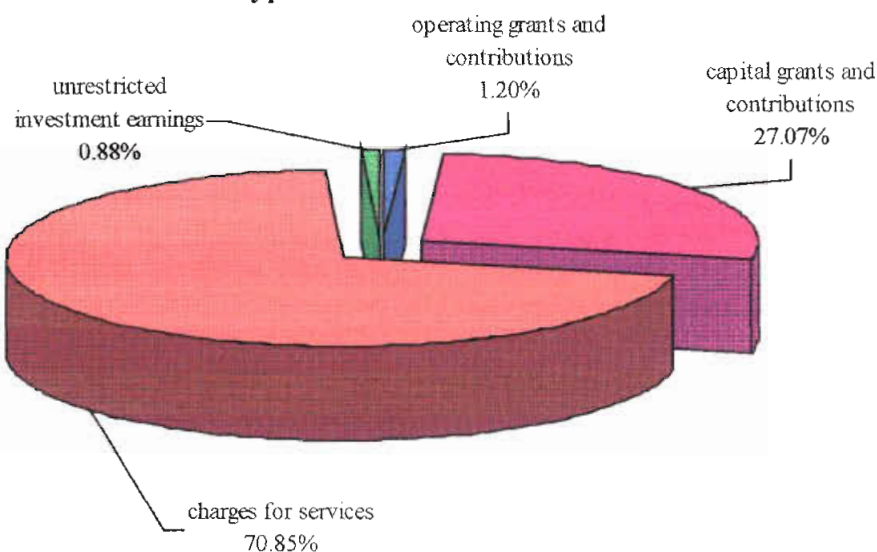


Expenses for governmental activities for the City totaled \$26,372,472 for the year ended September 30, 2004. Expenses increased by 11.68 percent compared to fiscal year 2003. The most significant increase was in the highways and streets activities (100 percent increase). This increase is composed of depreciation charges on infrastructure.

**Business-type activities.** Business-type activities increased the City of Mission's net assets by \$2,915,088 accounting for 35.45 percent of the total growth in the government's net assets. The key factor for the increase in business-type activities net assets is attributed to capital assets (water and sewer lines) contributed to the City by developers.

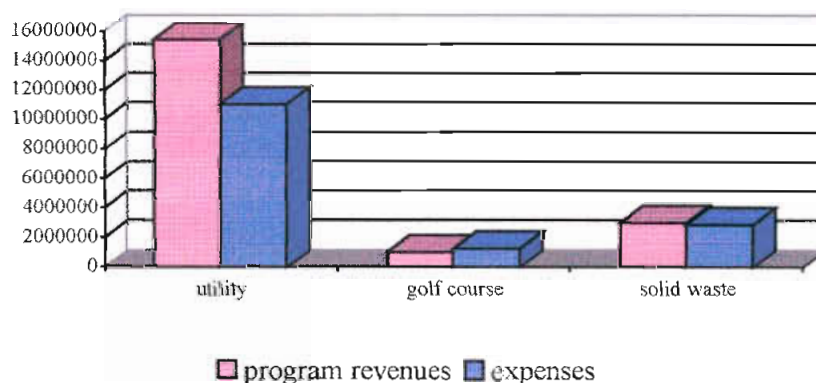
Charges for services comprise 70.85 percent of total business-type activities revenues.

### 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 \$15,201,302 an increase of 10.66 percent compared to last year. The increase was attributed to increase of personnel cost, along with the City's master plan of maintaining water and sewer lines throughout the City.

## **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 \$6,182,181, a decrease of \$3,060,301 or 33.11 percent in comparison with the prior year. \$2,796,424 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 (\$166,512), or 2) for a variety of other restricted purposes (\$3,219,245).

The general fund is the chief operating fund of the City of Mission. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,617,788 while total fund balance was \$2,916,356. 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 12.38 percent of total general fund expenditures, while total fund balance represents 13.79 percent of that same amount.

During the current fiscal year, the fund balance of the City of Mission's general fund decreased by \$914,021. The key components and factors in this reduction are as follows:

- The increase in personnel cost was the main factor for the reduction in fund balance. Refer to General Fund Budgetary Highlights for further explanation.
- Net other financing uses totaled \$1,339,076. This is comprised of transfers out of \$1,820,078 for debt service and \$440,682 to special revenue funds, operating transfers-in of \$600,000 for drainage projects, \$250,000 debt proceeds, and sale of general fixed assets of \$71,684.

The debt service fund has a total fund balance of \$556,088, 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 \$52,658. Interest expenditures increased by \$103,481 as the result of new indebtedness incurred during the year.



**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 \$3,639,843. The utility fund and the solid waste fund had unrestricted net assets of \$3,403,254 and \$514,343 respectively. The golf course fund ended the year with an unrestricted net assets deficit of \$277,754. The utility fund's decrease in net assets is attributed to operating transfers out to the drainage fund for its share of major drainage improvements undertaken by the City during the fiscal year.

The golf course fund borrowed funds from the general fund to meet its daily operations during the year. The golf course revenues decreased by \$208,944 or 20.48 percent. The decrease was a result of major renovations and improvements to 9 holes of the 27-hole course.

### **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 \$2,100,969 or 10.9 percent. The major differences can be briefly summarized as follows:

- General government appropriations increased by \$969,973. Aid to others needed additional funding of \$886,968 due to the City's participation in inter-local agreements that benefited the community. The additional \$83,005 was for daily operating expenditures, which were under estimated during the budget process.
- Public safety appropriations increased by \$682,867. Four grants were received and accepted by the City and the appropriation budgets for the grants totaling \$606,071 were adopted during the fiscal year. The additional \$76,796 increase was for daily operating expenditures, which were under estimated during the budget process.
- Highways and streets appropriations increased by \$267,269. Overall, expenditures were \$531,927 more than the original budget. The increase is due to maintenance of the City's various streets. Unusually heavy rainfall early in the fiscal year created numerous drainage problems throughout the City that required maintenance.
- Culture and recreation appropriations increased by \$179,346. The City needed to provide various parks with parking lots and the original budget was under estimated and therefore insufficient to cover the cost. In addition, the Library was authorized to hire additional personnel during the fiscal year.

Of the increase in budgeted expenditures, \$542,427 was to be funded through intergovernmental sources, \$379,783 through miscellaneous sources, and the remaining \$1,178,759 was to be funded from available fund balance.

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

#### Intergovernmental

- The various grants accepted by the City were on a reimbursement basis; however, a budget amendment was adopted for the full amount of the grant. The remaining balance on the grants will be re-budgeted and carried over to the next fiscal year until the grant period expires.

#### Interest

- As mentioned above, the City undertook various unexpected projects, which increased the expenditures and reduced fund balance. This reduction in fund balance reduced available funds for investment. In addition, interest rates were very low (avg. 2.25% annual rate).

#### Miscellaneous

- Subdividers Reimbursement Streets-Budget was overestimated based on prior years. In addition, the City had other major street improvements that required immediate attention and was unable to complete minor development projects.
- Park Dedication Fee-The City increased the number of parks from 15 to 21. Major improvements to some of the older parks were to be completed before the end of the fiscal year, which would have released revenues from deferred revenue; however, the majority of improvements were postponed until FY 2005.
- Reimbursement from Mission Economic Development Corporation (MEDC) for capital improvement projects was not fully utilized during the year. Capital improvement projects by the City for which MEDC would reimburse the City were not fully developed and implemented, thus reimbursements were not requested from MEDC.

### **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, 2004, amounts to \$128,420,314 (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 24.78 percent (a 13 percent increase for governmental activities and a 45.46 percent increase for business-type activities).

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

- Construction in progress (CIP) for both the governmental activities (net increase of \$3,621,173) and business-type activities (net increase of \$12,324,325) reflect the greatest capital asset activity during the fiscal year. For the governmental activities, the three major CIP projects were the Fire Station No. 4, Speer Memorial Library, and Bryan/Stewart Roads drainage improvement project. For the business-type activities, the major CIP projects include the sewer line extension project, expansion of the north

water plant, the north sewer collection and line extension, and the south sewer plant expansion.

- Infrastructure also increased in the governmental activities by \$2,684,656 (net) or 10.9 percent compared to prior year. The increase is attributed to contributions from developers.
- Land also increased by \$2,089,860 compared to prior year. The majority of this increase is for right-of-ways contributed by developers.

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

City of Mission Capital Assets Net of Depreciation						
	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land and water rights	\$ 27,301,508	\$ 25,635,417	\$ 3,869,716	\$ 3,445,947	\$ 31,171,224	\$ 29,081,364
Buildings and system	7,361,457	7,526,495	31,223,351	28,493,194	38,584,808	36,019,689
Improvements other than buildings	2,775,334	2,017,139	789,436	852,976	3,564,770	2,870,115
Machinery and equipment	4,595,656	4,642,783	2,695,041	1,123,176	7,290,697	5,765,959
Infrastructure	27,318,236	24,633,580	-	-	27,318,236	24,633,580
Construction in progress	4,712,070	1,090,897	15,778,509	3,454,184	20,490,579	4,545,081
Total	<u>\$ 74,064,261</u>	<u>\$ 65,546,311</u>	<u>\$ 54,356,053</u>	<u>\$ 37,369,477</u>	<u>\$ 128,420,314</u>	<u>\$ 102,915,788</u>

Additional information on the City of Mission's capital assets can be found in note 6 on pages 64-65 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 \$53,086,986, an increase of \$14,657,986 or 38.14 percent compared to prior year. The increase was largely attributable to the issuance of \$1,035,000 in certificate of obligations; \$15,248,000 in Jr. Revenue Bonds; and \$563,986 in bank loans.

City of Mission General Obligations, Revenue Bonds, and Other Debt						
	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Public property financing contractual obligations	\$ 3,835,000	\$ 4,440,000	\$ 1,470,000	\$ 1,530,000	\$ 5,305,000	\$ 5,970,000
Certificate of obligations	13,565,000	12,940,000	-	-	13,565,000	12,940,000
Revenue bonds	-	-	33,363,000	19,429,000	33,363,000	19,429,000
Other lending sources	200,000	-	653,986	90,000	853,986	90,000
Total	<u>\$ 17,600,000</u>	<u>\$ 17,380,000</u>	<u>\$ 35,486,986</u>	<u>\$ 21,049,000</u>	<u>\$ 53,086,986</u>	<u>\$ 38,429,000</u>

The certificate of obligations were issued to complete the expansion of the Speer Memorial Library and Fire Station No. 4. The Jr. Revenue Bonds were issued to fund the EDAP Sewer Expansion Project and match the EDAP Grant issued to the City. The golf course borrowed \$563,986 from First National Bank to fund the renovation of 9 holes and purchase needed equipment.

Moody's Investors Service rated the bonds issued in fiscal year 2004, "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, 2004, the City had no authorized but unissued bonds. Additional information on the City of Mission's long-term debt can be found in note 8 on pages 66-71 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the City of Mission is currently 9 percent, which is a decrease from a rate of 11.3 percent a year ago. The state and national average unemployment rates are 5.7 percent and 5.44 percent respectively.
- Appraisal values used in preparing the 2005 budget were up \$252.7 million, or 15.87 percent from the prior year. The majority of the increase is derived from appraised improvements, which increased \$205.4 million from the prior year.
- Due to the large increase in appraisal values the City decreased the tax rate to \$0.5398 per \$100 valuation from \$.55 per \$100 valuation.
- The 2005 general fund operating budget was prepared using \$3,111,145 as the estimated unreserved fund balance at September 30, 2004. The actual unreserved fund balance for the general fund was \$2,617,788; nevertheless, a \$3,131,204 fund balance is projected at September 30, 2005.

### **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 8<sup>th</sup> Street, City of Mission, Texas, 78572.



## **BASIC FINANCIAL STATEMENTS**

This page left blank intentionally.

## CITY OF MISSION, TEXAS

## STATEMENT OF NET ASSETS

SEPTEMBER 30, 2004

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	MEDC	MRA
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,650,522	\$ 1,573,685	\$ 4,224,207	\$ 491,861	\$ 242,053
Investments	2,935,913	2,175,000	5,110,913	600,000	--
Prepaid items	8,565	6,000	14,565	--	--
Receivables, net	3,809,942	4,214,243	8,024,185	411,945	--
Internal balances	352,091	(352,091)	--	--	--
Due from component unit	434,191	--	434,191	--	--
Inventory	711	96,742	97,453	--	--
Note receivable, net	--	200,161	200,161	--	--
Long-term receivable	122,875	--	122,875	90,000	--
Restricted assets	359,037	16,590,566	16,949,603	2,425,994	--
Capital assets:					
Land, water rights, and construction in progress	32,013,578	19,648,225	51,661,803	--	--
Other capital assets, net of accumulated depreciation	42,050,683	34,707,827	76,758,510	--	--
Deferred bond issue costs	361,028	380,093	741,121	--	--
Total Assets	<u>85,099,136</u>	<u>79,240,451</u>	<u>164,339,587</u>	<u>4,019,800</u>	<u>242,053</u>
<b>LIABILITIES</b>					
Accounts payable	1,448,612	2,086,220	3,534,832	51,339	--
Customer deposits	--	1,212,318	1,212,318	--	--
Accrued interest payable	113,381	14,143	127,524	45,301	--
Other liabilities	451,307	104,932	556,239	26,957	--
Payable from restricted assets:					
Subdividers deposits	--	763,885	763,885	--	--
Accounts payable	--	386,842	386,842	--	--
Retainage payable	359,036	494,557	853,593	6,767	--
Current maturities of long-term debt	--	1,421,000	1,421,000	--	--
Accrued payroll	441,005	110,283	551,288	--	--
Due to primary government	--	--	--	434,191	--
Deferred revenue	417,637	85,847	503,484	--	--
Noncurrent liabilities:					
Due within one year	2,037,748	336,411	2,374,159	190,000	--
Due in more than one year	16,741,704	33,937,806	50,679,510	5,520,000	1,326,057
Total Liabilities	<u>22,010,430</u>	<u>40,954,244</u>	<u>62,964,674</u>	<u>6,274,555</u>	<u>1,326,057</u>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	59,147,606	30,774,825	89,922,431	--	--
Restricted For:					
Debt service	447,534	2,632,715	3,080,249	468,470	--
Capital projects	--	1,195,179	1,195,179	--	--
Books and scholarships	36,724	--	36,724	--	--
Other purposes	316,720	--	316,720	--	--
Unrestricted (deficit)	3,140,122	3,683,488	6,823,610	(2,723,225)	(1,084,004)
Total Net Assets	<u>\$ 63,088,706</u>	<u>\$ 38,286,207</u>	<u>\$ 101,374,913</u>	<u>\$ (2,254,755)</u>	<u>\$ (1,084,004)</u>

The accompanying notes are an integral part of this statement.

**CITY OF MISSION, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
<b>Governmental Activities</b>				
General government	\$ 6,905,631	\$ 1,093,022	\$ 1,240,471	\$ 5,014
Public safety	10,633,900	976,726	1,265,997	258,603
Highways and streets	3,968,401	601,073	311,828	5,285,271
Health and welfare	511,520	213,159	115,816	—
Culture and recreation	3,200,156	439,014	284,647	101,608
Economic development	315,013	—	634,878	—
Interest and fiscal charges on long-term debt	837,851	—	19,193	—
Total Governmental Activities	<u>26,372,472</u>	<u>3,322,994</u>	<u>3,872,830</u>	<u>5,650,496</u>
<b>Business-type Activities:</b>				
Utility	11,056,182	9,905,636	232,579	5,327,926
Golf Course	1,276,211	1,020,308	4,412	—
Solid Waste	2,868,909	3,017,843	—	—
Total Business-type Activities	<u>15,201,302</u>	<u>13,943,787</u>	<u>236,991</u>	<u>5,327,926</u>
Total Primary Government	<u>\$ 41,573,774</u>	<u>\$ 17,266,781</u>	<u>\$ 4,109,821</u>	<u>\$ 10,978,422</u>
<b>COMPONENT UNITS:</b>				
Mission Economic Development Corporation	\$ 2,711,966	\$ —	\$ 70,594	\$ 40,001
Mission Redevelopment Authority	608,849	—	—	—
Total Component Units	<u>\$ 3,320,815</u>	<u>\$ —</u>	<u>\$ 70,594</u>	<u>\$ 40,001</u>
<b>General Revenues:</b>				
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				
Prior Period Adjustment				
Net Assets - Ending				

The accompanying notes are an integral part of this statement.

## Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total	Component Units	
			MEDC	MRA
\$ (4,567,124)		\$ (4,567,124)		
(8,132,574)		(8,132,574)		
2,229,771		2,229,771		
(182,545)		(182,545)		
(2,374,887)		(2,374,887)		
319,865		319,865		
(818,658)		(818,658)		
<u>(13,526,152)</u>		<u>(13,526,152)</u>		
--	\$ 4,409,959	4,409,959		
--	(251,491)	(251,491)		
--	148,934	148,934		
--	<u>4,307,402</u>	<u>4,307,402</u>		
<u>(13,526,152)</u>	<u>4,307,402</u>	<u>(9,218,750)</u>		
			\$ (2,601,371)	\$ --
			--	(608,849)
			<u>(2,601,371)</u>	<u>(608,849)</u>
9,087,576	--	9,087,576	--	--
6,006,568	--	6,006,568	2,002,188	--
1,692,582	--	1,692,582	--	--
249,137	--	249,137	--	--
27,189	--	27,189	--	--
--	--	--	--	299,262
8,993	--	8,993	--	--
103,604	157,423	261,027	21,940	485
95,027	14,435	109,462	--	--
1,564,172	(1,564,172)	--	--	--
<u>18,834,848</u>	<u>(1,392,314)</u>	<u>17,442,534</u>	<u>2,024,128</u>	<u>299,747</u>
5,308,697	2,915,088	8,223,785	(557,243)	(309,102)
57,264,723	34,484,618	91,749,341	(1,838,692)	(774,902)
515,286	886,501	1,401,787	161,180	--
<u>\$ 63,088,706</u>	<u>\$ 38,286,207</u>	<u>\$ 101,374,913</u>	<u>\$ (2,254,755)</u>	<u>\$ (1,084,004)</u>

# CITY OF MISSION, TEXAS

## BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2004

	General Fund	Community Development Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ 288,355	\$ 3,683
Investments	1,526,000	--
Prepaid items	8,565	--
Receivables:		
Taxes, including interest and penalties	2,639,277	--
Accounts	680,860	--
Special assessments	--	--
Less: allowance for uncollectibles	(698,372)	--
Accrued interest receivable	21,627	--
Due from other governments	155,603	7,019
Due from other funds	764,486	2,393
Due from component unit	434,191	--
Note receivable	445,182	--
Less: allowance for uncollectibles	(445,182)	--
Long-term receivable	122,875	--
Inventory	711	--
Restricted assets	46,907	--
Total Assets	<u>\$ 5,991,085</u>	<u>\$ 13,095</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 621,615	\$ 7,102
Accrued interest payable	--	--
Other liabilities	442,738	773
Payable from restricted assets:		
Retainage payable	46,907	--
Accrued payroll	399,242	5,220
Due to other funds	69,872	--
Deferred revenue	1,494,355	--
Total Liabilities	<u>3,074,729</u>	<u>13,095</u>
<b>FUND BALANCES</b>		
Reserved for encumbrances	166,417	--
Reserved for long-term receivable	122,875	--
Reserved for capital projects	--	--
Reserved for debt service	--	--
Reserved for perpetual care	--	--
Reserved for scholarships and books	--	--
Reserved for inventory	711	--
Reserved for prepaid items	8,565	--
Reserved for other purposes	--	--
Unreserved	2,617,788	--
Unreserved, reported in nonmajor:		
Special revenue funds	--	--
Total Fund Balances	<u>2,916,356</u>	<u>--</u>
Total Liabilities and Fund Balances	<u>\$ 5,991,085</u>	<u>\$ 13,095</u>

The accompanying notes are an integral part of this statement.

## EXHIBIT A-3

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 65,924	\$ 2,210,207	\$ 2,568,169
487,900	722,013	2,735,913
--	--	8,565
--	--	2,639,277
--	202,942	883,802
--	101,452	101,452
--	(35,534)	(733,906)
7,091	4,144	32,862
--	393,153	555,775
--	62,628	829,507
--	--	434,191
--	--	445,182
--	--	(445,182)
--	--	122,875
--	--	711
--	312,130	359,037
<u>\$ 560,915</u>	<u>\$ 3,973,135</u>	<u>\$ 10,538,230</u>
\$ --	\$ 393,473	\$ 1,022,190
4,827	--	4,827
--	7,796	451,307
--	312,129	359,036
--	36,543	441,005
--	373,292	443,164
--	140,165	1,634,520
<u>4,827</u>	<u>1,263,398</u>	<u>4,356,049</u>
--	95	166,512
--	--	122,875
--	2,122,330	2,122,330
556,088	--	556,088
--	55,232	55,232
--	36,724	36,724
--	--	711
--	--	8,565
--	316,720	316,720
--	--	2,617,788
--	178,636	178,636
<u>556,088</u>	<u>2,709,737</u>	<u>6,182,181</u>
<u>\$ 560,915</u>	<u>\$ 3,973,135</u>	<u>\$ 10,538,230</u>

This page left blank intentionally.



**CITY OF MISSION, TEXAS**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2004**

Total fund balances - governmental funds balance sheet	\$ 6,182,181
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.	74,064,260
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,216,883
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	152,359
Payables for bond principal which are not due in the current period are not reported in the funds.	(17,400,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(108,554)
Payables for notes which are not due in the current period are not reported in the funds.	(200,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(1,179,451)
Other long-term assets are not available to pay for current-period expenditures and are deferred in the SNA.	<u>361,028</u>
Net assets of governmental activities - statement of net assets	<u>\$ 63,088,706</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, 2004

	General Fund	Community Development Fund
Revenues:		
Taxes and special assessments	\$ 16,754,217	\$ --
Licenses and permits	867,612	--
Intergovernmental	453,455	1,224,599
Charges for services	373,099	--
Fines	908,040	--
Interest	83,057	--
Miscellaneous	2,126,353	--
Total Revenues	<u>21,565,833</u>	<u>1,224,599</u>
Expenditures:		
Current:		
General government	6,473,257	849,831
Public Safety	9,002,147	--
Highways and streets	2,576,569	50,000
Health and welfare	349,469	115,816
Culture and recreation	2,689,336	231,331
Economic development	--	--
Capital projects	--	--
Debt service:		
Principal	50,000	--
Interest and fiscal charges	--	--
Total Expenditures	<u>21,140,778</u>	<u>1,246,978</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>425,055</u>	<u>(22,379)</u>
Other Financing Sources (Uses):		
Debt proceeds	250,000	--
Sale of capital assets	71,684	--
Operating transfers in	600,000	22,379
Operating transfers out	(2,260,760)	--
Total Other Financing Sources (Uses)	<u>(1,339,076)</u>	<u>22,379</u>
Net Change in Fund Balance	<u>(914,021)</u>	<u>--</u>
Fund Balance at Beginning of Year	3,346,836	--
Prior Period Adjustment	483,541	--
Fund Balance at Beginning of Year As Restated	<u>3,830,377</u>	<u>--</u>
Fund Balance at End of Year	<u>\$ 2,916,356</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 654,887	\$ 17,409,104
--	--	867,612
--	1,502,846	3,180,900
--	74,387	447,486
--	--	908,040
19,194	94,962	197,213
--	179,148	2,305,501
<u>19,194</u>	<u>2,506,230</u>	<u>25,315,856</u>
--	211,945	7,535,033
--	1,158,372	10,160,519
--	1,727,909	4,354,478
--	--	465,285
--	487,187	3,407,854
--	315,013	315,013
--	3,198,994	3,198,994
1,015,000	--	1,065,000
803,601	--	803,601
<u>1,818,601</u>	<u>7,099,420</u>	<u>31,305,777</u>
<u>(1,799,407)</u>	<u>(4,593,190)</u>	<u>(5,989,921)</u>
--	1,035,000	1,285,000
--	8,764	80,448
1,852,065	1,532,515	4,006,959
--	(182,027)	(2,442,787)
<u>1,852,065</u>	<u>2,394,252</u>	<u>2,929,620</u>
<u>52,658</u>	<u>(2,198,938)</u>	<u>(3,060,301)</u>
503,430	4,876,930	8,727,196
--	31,745	515,286
<u>503,430</u>	<u>4,908,675</u>	<u>9,242,482</u>
<u>\$ 556,088</u>	<u>\$ 2,709,737</u>	<u>\$ 6,182,181</u>

**CITY OF MISSION, TEXAS**

**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, 2004**

Net change in fund balances - total governmental funds \$ (3,060,301)

Amounts reported for governmental activities in the statement of activities  
("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	6,734,208
The depreciation of capital assets used in governmental activities is not reported in the funds.	(3,537,736)
Donations of capital assets increase net assets in the SOA but not in the funds.	5,321,479
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	99,152
Debt proceeds provide current financial resources in the funds, but are not reported as revenues in the SOA.	(1,285,000)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,015,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	50,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds	5,851
(Increase) decrease in accrued interest from beginning of period to end of period	(5,103)
The net revenue (expense) of certain activities of internal service funds is reported with governmental activities.	139,246
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(168,099)

Change in net assets of governmental activities - statement of activities \$ 5,308,697

The accompanying notes are an integral part of this statement.

## CITY OF MISSION, TEXAS

## STATEMENT OF NET ASSETS

## PROPRIETARY FUNDS

SEPTEMBER 30, 2004

EXHIBIT A-7

	Enterprise Fund	Enterprise Fund	Enterprise Fund	Total Enterprise Funds	Internal Service Fund
	Utility Fund	Golf Course Fund	Solid Waste		Group Health Employee Plan Fund
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 1,302,131	\$ 69,820	\$ 201,734	\$ 1,573,685	\$ 82,354
Investments	1,900,000	—	275,000	2,175,000	200,000
Prepaid items	6,000	—	—	6,000	—
Receivables	1,733,888	11,441	611,032	2,356,341	327,703
Less: allowance for uncollectibles	(317,068)	—	(152,192)	(469,260)	—
Accrued interest	20,749	—	3,002	23,751	2,977
Due from other funds	4,851	—	—	4,851	9,393
Due from other governments	2,303,411	—	—	2,303,411	—
Inventories (at cost)	73,343	23,399	—	96,742	—
Total Current Assets	<u>7,027,285</u>	<u>104,660</u>	<u>938,576</u>	<u>8,070,521</u>	<u>622,427</u>
<b>Noncurrent Assets:</b>					
<b>Restricted assets:</b>					
Cash and cash equivalents	4,337,448	—	—	4,337,448	—
Investments	12,166,904	—	—	12,166,904	—
Accrued interest	86,214	—	—	86,214	—
Deferred charges	380,093	—	—	380,093	—
Note receivable	200,161	—	—	200,161	—
<b>Capital assets:</b>					
Land, water rights, and construction in progress	17,944,073	1,704,152	—	19,648,225	—
Other capital assets, net of accumulated depreciation	33,340,194	1,367,633	—	34,707,827	—
Total Noncurrent Assets	<u>68,455,087</u>	<u>3,071,785</u>	<u>—</u>	<u>71,526,872</u>	<u>—</u>
Total Assets	<u>\$ 75,482,372</u>	<u>\$ 3,176,445</u>	<u>\$ 938,576</u>	<u>\$ 79,597,393</u>	<u>\$ 622,427</u>
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Accounts payable	\$ 1,883,586	\$ 14,085	\$ 188,549	\$ 2,086,220	\$ —
Claims payable	—	—	—	—	426,422
Accrued payroll	88,172	22,111	—	110,283	—
Compensated absences payable	203,744	30,342	—	234,086	—
Due to other funds	—	200,955	199,632	400,587	—
Deferred revenue	—	85,847	—	85,847	—
Accrued interest	5,358	8,785	—	14,143	—
Other liabilities	48,591	20,289	36,052	104,932	—
Customer deposits	1,212,318	—	—	1,212,318	—
Current portion of long-term debt	—	170,997	—	170,997	—
Total Current Liabilities	<u>3,441,769</u>	<u>553,411</u>	<u>424,233</u>	<u>4,419,413</u>	<u>426,422</u>
<b>Liabilities (payable from restricted assets):</b>					
Accounts payable	386,842	—	—	386,842	—
Retainage payable	494,557	—	—	494,557	—
Subdividers deposits	763,885	—	—	763,885	—
Current portion of long-term debt	1,421,000	—	—	1,421,000	—
Total Liabilities (payable from restricted assets)	<u>3,066,284</u>	<u>—</u>	<u>—</u>	<u>3,066,284</u>	<u>—</u>
<b>Other Non-Current Liabilities:</b>					
Advance from component unit	—	60,000	—	60,000	—
Notes payable, net of current portion	—	422,990	—	422,990	—
Public Property Finance Contractual Obligations payable, net of current portion	1,180,000	—	—	1,180,000	—
Revenue bonds, net of current portion, discount, and deferred amount on refunding	32,206,144	—	—	32,206,144	—
Total Other Non-Current Liabilities	<u>33,386,144</u>	<u>482,990</u>	<u>—</u>	<u>33,869,134</u>	<u>—</u>
Total Liabilities	<u>39,894,197</u>	<u>1,036,401</u>	<u>424,233</u>	<u>41,354,831</u>	<u>426,422</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	28,357,027	2,417,798	—	30,774,825	—
<b>Retricted for:</b>					
Debt service	2,632,715	—	—	2,632,715	—
Capital projects	1,195,179	—	—	1,195,179	—
Unrestricted (deficit)	3,403,254	(277,754)	514,343	3,639,843	196,005
Total Net Assets	<u>\$ 35,588,175</u>	<u>\$ 2,140,044</u>	<u>\$ 514,343</u>	<u>38,242,562</u>	<u>\$ 196,005</u>
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds.				43,645	
Net assets of business-type activities				<u>\$ 38,286,207</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, 2004

	Enterprise Fund	Enterprise Fund Golf Course Fund
Operating Revenues:		
Charges for services	\$ 9,905,636	\$ 1,020,309
Operating Expenses:		
Insurance claim drafts	--	--
Premium payments	--	--
Utility administration	368,512	--
Water distribution	2,279,333	--
Water treatment	1,098,430	--
Wastewater treatment and collection	1,026,076	--
Industrial pretreatment	330,389	--
Utility collection	686,531	--
Organizational expenses	882,659	--
Northside water treatment plant	876,194	--
Reimbursement to general fund for overhead	750,000	--
Depreciation	1,955,156	146,330
Cost of sales	--	104,969
Golf course operation	--	1,022,726
Solid waste disposal	--	--
Total Operating Expenses	10,253,280	1,274,025
Operating Income (Loss)	(347,644)	(253,716)
Nonoperating Revenues (Expenses)		
Gain (Loss) on disposal of capital assets	(495)	4,412
Interest earned	422,329	714
Other nonoperating revenue	13,963	472
Bond interest expense	(831,664)	--
Bond fiscal charges	(6,435)	(1,850)
Note interest expense	--	(8,785)
Total Nonoperating Revenues (Expenses)	(402,302)	(5,037)
Net Income (Loss) Before Transfers	(749,946)	(258,753)
Operating Transfers In (Out)	(1,364,172)	--
Capital Contributions	5,285,983	--
Change in Net Assets	3,171,865	(258,753)
Net Assets - Beginning of Year	31,762,038	2,398,797
Prior Period Adjustment	654,272	--
Net Assets - Beginning of Year As Restated	32,416,310	2,398,797
Net Assets - End of Year	\$ 35,588,175	\$ 2,140,044

The accompanying notes are an integral part of this statement.

## EXHIBIT A-8

Enterprise Fund	Total Enterprise Funds	Internal Service Fund Group Health Employee Plan Fund
<u>Solid Waste</u>		
\$ 3,017,843	\$ 13,943,788	\$ 2,581,549
--	--	1,917,604
--	--	490,480
--	368,512	--
--	2,279,333	--
--	1,098,430	--
--	1,026,076	--
--	330,389	--
--	686,531	--
--	882,659	--
--	876,194	--
--	750,000	--
--	2,101,486	--
--	104,969	--
--	1,022,726	--
2,868,909	2,868,909	--
<u>2,868,909</u>	<u>14,396,214</u>	<u>2,408,084</u>
<u>148,934</u>	<u>(452,426)</u>	<u>173,465</u>
--	3,917	--
9,397	432,440	9,426
--	14,435	--
--	(831,664)	--
--	(8,285)	--
--	(8,785)	--
<u>9,397</u>	<u>(397,942)</u>	<u>9,426</u>
<u>158,331</u>	<u>(850,368)</u>	<u>182,891</u>
(200,000)	(1,564,172)	--
--	5,285,983	--
<u>(41,669)</u>	<u>2,871,443</u>	<u>182,891</u>
<u>323,783</u>		<u>13,114</u>
232,229		--
<u>556,012</u>		<u>13,114</u>
\$ <u>514,343</u>		\$ <u>196,005</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.

43,645

Change in net assets of business-type activities

\$ 2,915,088

This page left blank intentionally.



## CITY OF MISSION, TEXAS

## STATEMENT OF CASH FLOWS

## PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2004

	Enterprise Funds				Internal Service Fund
	Utility Fund	Golf Course Fund	Solid Waste Fund	Totals	Group Health
<b>Cash Flows from Operating Activities:</b>					
Cash Received from Customers	\$ 10,237,821	\$ 1,025,741	3,031,100	\$ 14,294,662	\$ --
Cash Payments to Employees for Services	(2,898,743)	(752,156)	--	(3,650,899)	--
Cash Received from Interfund Services Used	--	--	--	--	2,267,151
Cash Payments from Interfund Services Used	(750,000)	--	--	(750,000)	(2,154,251)
Cash Payments to Other Suppliers for Goods and Services	(4,886,743)	(210,958)	(2,678,631)	(7,776,332)	--
Net Cash Provided (Used) by Operating Activities	1,702,335	62,627	352,469	2,117,431	112,900
<b>Cash Flows from Non-capital Financing Activities:</b>					
Proceeds from insurance settlement	13,963	472	--	14,435	--
Operating Transfers From (To) Other Funds	(1,364,172)	--	(200,000)	(1,564,172)	--
Net Cash Provided (Used) by Non-capital Financing Activities	(1,350,209)	472	(200,000)	(1,349,737)	--
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Proceeds from Issuance of Long-term Debt	15,247,000	563,986	--	15,810,986	--
Principal and Interest Paid	(2,603,262)	(1,850)	--	(2,605,112)	--
Acquisition or Construction of Capital Assets	(13,275,610)	(565,975)	--	(13,841,585)	--
Bond issuance costs	(125,454)	--	--	(125,454)	--
Proceeds from Sale of Capital Assets	1,580	5,225	--	6,805	--
Proceeds from Capital Grants	109,883	--	--	109,883	--
Contributed Capital	119,871	--	--	119,871	--
Net Cash Provided (Used) for Capital & Related Financing Activities	(525,992)	1,386	--	(524,606)	--
<b>Cash Flows from Investing Activities:</b>					
Purchase of Investment Securities	(20,815,104)	--	(350,000)	(21,165,104)	(600,000)
Proceeds from Sale and Maturities of Securities	22,634,811	--	325,000	22,959,811	500,000
Interest and Dividends on Investments	463,353	714	7,665	471,732	7,854
Net Cash Provided (Used) for Investing Activities	2,283,060	714	(17,335)	2,266,439	(92,146)
Net Increase (Decrease) in Cash and Cash Equivalents	2,109,194	65,199	135,134	2,309,527	20,754
Cash and Cash Equivalents at Beginning of Year	3,530,385	4,621	66,600	3,601,606	61,600
Cash and Cash Equivalents at End of Year	\$ 5,639,579	\$ 69,820	201,734	\$ 5,911,133	\$ 82,354
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>					
Operating Income (Loss)	\$ (347,644)	\$ (253,716)	148,934	\$ (452,426)	173,465
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation	1,955,156	146,330	--	2,101,486	--
Change in Assets and Liabilities:					
Decrease (Increase) in Receivables	(39,180)	(1,131)	(2,823)	(43,134)	(305,005)
Decrease (Increase) in Inventories	213	39,245	--	39,458	--
Decrease (Increase) in Prepaid Expenses	(6,000)	--	--	(6,000)	--
Decrease (Increase) in Due from Other Funds	(4,851)	--	--	(4,851)	--
Increase (Decrease) in Accounts Payable	(9,972)	(16,052)	6,074	(19,950)	(9,393)
Increase (Decrease) in Compensated Absences	36,845	(1,935)	--	34,910	--
Increase (Decrease) in Accrued Wages Payable	18,510	4,450	--	22,960	--
Increase (Decrease) in Other Liabilities	(20,667)	(14,309)	652	(34,324)	253,833
Increase (Decrease) in Due to Other Funds	(216,862)	152,362	199,632	135,132	--
Increase (Decrease) in Due to Component Units	(535)	--	--	(535)	--
Increase (Decrease) in Subdividers Deposits	185,742	--	--	185,742	--
Increase (Decrease) in Due to Deferred Revenue	--	7,383	--	7,383	--
Increase (Decrease) in Customer Deposits	151,580	--	--	151,580	--
Total Adjustments	2,049,979	316,343	203,535	2,569,857	(60,565)
Net Cash Provided (Used) by Operating Activities	\$ 1,702,335	\$ 62,627	\$ 352,469	\$ 2,117,431	\$ 112,900
<b>Non-Cash Capital Financing Activities:</b>					
Contributed capital assets	\$ 2,382,062	--	--	\$ 2,382,062	--

The accompanying notes are an integral part of this statement.

**CITY OF MISSION, TEXAS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2004**

	Private-purpose Trust Fund
	<u>Speer Library - Breyfogle</u>
<b>ASSETS</b>	
Investments	\$ 5,654
Accrued interest receivable	<u>45</u>
Total Assets	<u>\$ 5,699</u>
<b>LIABILITIES</b>	
Total Liabilities	<u>--</u>
<b>NET ASSETS</b>	
Held in trust for scholarships and books	\$ 5,699
Total Net Assets	<u>\$ 5,699</u>

The accompanying notes are an integral part of this statement.

**CITY OF MISSION, TEXAS****STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS****FIDUCIARY FUNDS****FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	Speer Library - Breyfogle Private-purpose Trust Fund
<b>Additions:</b>	
Investment Income	\$ 125
Total Additions	<u>125</u>
<b>Deductions:</b>	
Scholarship Awards	<u>--</u>
Total Deductions	<u>--</u>
<b>Change in Net Assets</b>	<u>--</u>
Net Assets-Beginning of the Year	5,574
Net Assets-End of the Year	<u>\$ 5,699</u>

The accompanying notes are an integral part of this statement.

This page left blank intentionally.

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

**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. 8<sup>th</sup> St.  
Mission, Texas 78572

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

**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. As of September 30, 2004 only one other entity is participating thus leaving one position on the Board vacant. 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, 2004

**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, 2004

**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, 2004

**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 and certificates of deposit.

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, 2004

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

The Mission Economic Development Corporation 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.

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, 2004

**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 fixed 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. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

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

**K. *Compensated Absences (Continued)***

funds as the benefits accrue to employees. In accordance with the provisions of Governmental Accounting Standards 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, 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 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 deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. 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.

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

**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, 2004 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, 2004 (2003 levy), was \$.55 per \$100 valuation.

Taxes receivable consists of property taxes of \$1,592,541 and sales taxes of \$1,046,736 for a total taxes receivable of \$2,639,277.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

*A. Primary Government*

*Deposits* - At September 30, 2004, the carrying value of the City's deposits with financial institutions was \$26,195,573 and the bank balance was \$27,304,254. Included in this balance are certificates of deposit of \$17,583,471. Of this bank balance, \$300,000 was covered by FDIC insurance, and the remainder was collateralized with securities held by the City's agent in the City's name.

*Investments* - During the year, the City's investments consisted of obligations of the U.S. Government or its Agencies and instrumentalities. Investments are categorized to give an indication of the level of risk assumed by the City at September 30, 2004. Such investments are categorized as either (1) insured or registered in the City's name, or securities held by the City or its agent in the City's name, (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name, or (3) uninsured and unregistered, with securities held by the counterparty's trust department or agent but not in the City's name. The City did not have any investments at September 30, 2004.

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)**

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

Cash on hand	\$ 8,590
Carrying amount deposit	26,195,573
Less: Statement of Fiduciary Net Assets - investments	<u>(5,654)</u>
Cash and Investments Statement of Net Assets	<u>\$ 26,198,509</u>
Cash and cash equivalents	\$ 4,224,207
Investments	5,110,913
Restricted assets	16,949,603
Less: Accrued interest	<u>(86,214)</u>
Cash and Investments Statement of Net Assets	<u>\$ 26,198,509</u>

**B. Component Units**

*Deposits* - At September 30, 2004, the carrying value of the Mission Economic Development Corporation's deposits with financial institutions was \$3,509,177, and the bank balance was \$3,510,168. Included in this balance are certificates of deposit of \$2,014,811. At September 30, 2004, the carrying value of the Mission Redevelopment Authority's deposits with financial institutions was \$242,053 and the bank balance was \$242,053. 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, 2004.

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

Cash and cash equivalents	\$ 491,861
Investments	600,000
Restricted assets	2,425,994
Less: Accrued interest	<u>(8,678)</u>
Cash and Investments Statement of Net Assets	<u>\$ 3,509,177</u>

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

A. Interfund receivable and payable balances at September 30, 2004 were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Solid Waste Fund	\$ 199,632
General Fund	Non-Major Governmental Funds	363,899
General Fund	Golf Course Fund	200,955
Utility Fund	General Fund	4,851
Internal Service Fund	Non-Major Governmental Fund	9,393
Community Development Fund	General Fund	2,393
Non-Major Governmental Funds	General Fund	62,628
		<u>\$ 843,751</u>

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, 2004 were as follows:

Receivable Entity	Payable Entity	Amount
Primary Government - Non-Major Fund	Component Unit - MEDC	\$ 434,191

C. Interfund Transfers:

Transfer Out:	Transfer In:				Total
	General Fund	Community Development Fund	Debt Service Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 22,379	\$ 1,820,038	\$ 418,343	\$ 2,260,760
Nonmajor Governmental Funds	150,000	-	32,027	-	182,027
Utility Fund	250,000	-	-	1,114,172	1,364,172
Solid Waste Fund	200,000	-	-	-	200,000
Total Transfer Out	<u>\$ 600,000</u>	<u>\$ 22,379</u>	<u>\$ 1,852,065</u>	<u>\$ 1,532,515</u>	<u>\$ 4,006,959</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. The utility fund transferred funds to one nonmajor governmental fund as part of a matching obligation due to a grant stipulation and to another nonmajor governmental fund to pay for a portion of a major drainage project. The utility fund also transferred funds to the general fund for the Stewart/Bryan Road Drainage Project.

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2004 was as follows:

	Balance at October 1, 2003 As Restated	Increases	Decreases	Balance at September 30, 2004
<b><u>Governmental Activities:</u></b>				
Capital assets, not being depreciated:				
Land	\$ 25,635,417	\$ 1,666,091	\$ -	\$ 27,301,508
Construction in progress	1,090,897	4,046,475	(425,302)	4,712,070
Total capital assets, not being depreciated	<u>26,726,314</u>	<u>5,712,566</u>	<u>(425,302)</u>	<u>32,013,578</u>
Capital assets, being depreciated:				
Buildings	9,653,144	81,935	-	9,735,079
Improvements other than buildings	3,672,945	928,053	-	4,600,998
Machinery and equipment	10,630,815	1,587,080	(789,648)	11,428,247
Infrastructure	37,790,508	4,588,243	-	42,378,751
Total capital assets, being depreciated	<u>61,747,412</u>	<u>7,185,311</u>	<u>(789,648)</u>	<u>68,143,075</u>
Less accumulated depreciation for:				
Buildings	(2,126,649)	(246,973)	-	(2,373,622)
Improvements other than buildings	(1,655,806)	(169,858)	-	(1,825,664)
Machinery and equipment	(5,988,032)	(1,217,318)	372,759	(6,832,591)
Infrastructure	(13,156,928)	(1,903,587)	-	(15,060,515)
Total accumulated depreciation	<u>(22,927,415)</u>	<u>(3,537,736)</u>	<u>372,759</u>	<u>(26,092,392)</u>
Total capital assets, being depreciated, net	<u>38,819,997</u>	<u>3,647,575</u>	<u>(416,889)</u>	<u>42,050,683</u>
Governmental Activities Capital Assets, Net	<u>\$ 65,546,311</u>	<u>\$ 9,360,141</u>	<u>\$ (842,191)</u>	<u>\$ 74,064,261</u>
<b><u>Business-type Activities:</u></b>				
Capital assets, not being depreciated:				
Land	\$ 2,705,947	\$ 423,769	\$ -	\$ 3,129,716
Water Rights	740,000	-	-	740,000
Construction in progress	3,454,184	12,862,952	(538,627)	15,778,509
Total assets, not being depreciated	<u>6,900,131</u>	<u>13,286,721</u>	<u>(538,627)</u>	<u>19,648,225</u>
Capital assets, being depreciated:				
Buildings and system	50,481,794	4,439,216	-	54,921,010
Improvements other than buildings	1,786,554	-	-	1,786,554
Furniture and equipment	3,047,147	1,903,065	(134,211)	4,816,001
Total assets, being depreciated	<u>55,315,495</u>	<u>6,342,281</u>	<u>(134,211)</u>	<u>61,523,565</u>
Less accumulated depreciation:				
Buildings and system	(21,988,600)	(1,709,059)	-	(23,697,659)
Improvements other than buildings	(933,578)	(63,540)	-	(997,118)
Furniture and equipment	(1,920,971)	(328,887)	128,898	(2,120,960)
Total accumulated depreciation	<u>(24,843,149)</u>	<u>(2,101,486)</u>	<u>128,898</u>	<u>(26,815,737)</u>
Total Capital Assets, Being Depreciated, Net	<u>30,472,346</u>	<u>4,240,795</u>	<u>(5,313)</u>	<u>34,707,828</u>
Business-type Activities Capital Assets, Net	<u>\$ 37,372,477</u>	<u>\$ 17,527,516</u>	<u>\$ (543,940)</u>	<u>\$ 54,356,053</u>



CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 6 – CAPITAL ASSETS (Continued)**

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

<b><u>Governmental Activities:</u></b>	
General government	\$ 239,788
Public safety	846,471
Highways and streets, including depreciation of general infrastructure assets	2,024,271
Sanitation	49,273
Culture and recreation	377,933
Total depreciation expense - governmental activities	<u>\$ 3,537,736</u>
<b><u>Business-type Activities:</u></b>	
Utility	\$ 1,955,156
Golf Course	146,330
Total depreciation expense - business-type activities	<u>\$ 2,101,486</u>

The beginning balances of capital assets and accumulated depreciation for governmental activities were restated by \$56,430,542, and \$13,106,931, respectively, to recognize prior year infrastructure, right of way, and related accumulated depreciation.

**NOTE 7 – RECEIVABLES**

Receivables at September 30, 2004 were as follows:

	Taxes	Accounts	Special Assessments	Due From Other Governments	Other	Allowance for Uncollectibles	Net Receivables
<b>Governmental Activities:</b>							
General	\$ 2,639,277	\$ 680,860	\$ -	\$ 155,603	\$ 21,627	\$ (698,372)	\$ 2,798,995
Community Development	-	-	-	7,019	-	-	7,019
Debt Service	-	-	-	-	7,091	-	7,091
Other							
Governmental	-	202,942	101,452	393,153	4,144	(35,534)	666,157
Internal Service	-	327,703	-	-	2,977	-	330,680
Total Governmental Activities	<u>\$ 2,639,277</u>	<u>\$ 1,211,505</u>	<u>\$ 101,452</u>	<u>\$ 555,775</u>	<u>\$ 35,839</u>	<u>\$ (733,906)</u>	<u>\$ 3,809,942</u>
<b>Business-type Activities</b>							
Utility	-	1,733,868	-	2,303,411	20,749	(317,068)	3,740,960
Golf Course	-	11,441	-	-	-	-	11,441
Solid Waste	-	611,032	-	-	3,002	(152,192)	461,842
Total Business-type Activities	<u>\$ -</u>	<u>\$ 2,356,342</u>	<u>\$ -</u>	<u>\$ 2,303,411</u>	<u>\$ 23,751</u>	<u>\$ (469,260)</u>	<u>\$ 4,214,243</u>

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 7 – RECEIVABLES (Continued)**

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	\$ 9,935,902	\$ 3,033,923
Uncollectibles Related to Current Year	<u>(30,266)</u>	<u>(16,080)</u>
Net Operating Revenues	<u>\$ 9,905,636</u>	<u>\$ 3,017,843</u>

**NOTE 8 - 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 \$6,555,000.

Public Property Financing Contractual Obligations payable at September 30, 2004 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%.	\$ 425,000
\$3,420,000, Public Property Financing Contractual Obligations, Series 1998, of which \$2,955,00 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%.	1,555,000
\$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%.	990,000
\$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%	<u>2,335,000</u>
Total Public Property Financing Contractual Obligations	<u>\$ 5,305,000</u>

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 8 - LONG-TERM DEBT (Continued)**

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
2005	\$ 765,000	\$ 143,135	\$ 290,000	\$ 39,202
2006	935,000	111,726	245,000	32,265
2007	595,000	82,481	365,000	23,352
2008	465,000	60,225	325,000	12,838
2009	225,000	45,519	120,000	6,013
2010-2014	775,000	90,951	125,000	2,031
2015-2019	75,000	4,069	-	-
Total	<u>\$ 3,835,000</u>	<u>\$ 538,106</u>	<u>\$ 1,470,000</u>	<u>\$ 115,701</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 \$15,625,000.

Certificates of Obligation payable at September 30, 2004 are comprised of the following:

Governmental 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%.		\$ 4,255,000
\$1,650,000 Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 1998A, payable in annual installments ranging from \$200,000 to \$450,000 through February 15, 2006, interest at 3.6% to 4.25%.		400,000
\$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%.		3,755,000

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 8 - LONG-TERM DEBT (Continued)**

\$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%	4,120,000
\$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%	<u>1,035,000</u>
Total Certificates of Obligations	<u>\$ 13,565,000</u>

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

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2005	\$ 525,000	\$ 652,862
2006	440,000	622,471
2007	415,000	601,026
2008	435,000	581,926
2009	465,000	562,043
2010-2014	2,825,000	2,449,001
2015-2019	3,305,000	1,724,632
2020-2024	3,510,000	860,675
2025-2029	<u>1,645,000</u>	<u>143,688</u>
Total	<u>\$ 13,565,000</u>	<u>\$ 8,198,324</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, 2004 are comprised of the following:

Business – type activities:

Utility Fund:

\$6,675,000 1993 Waterworks and Sewer System Revenue Refunding Serial Bonds due in annual installments ranging from \$75,000 to \$920,000 from April 1, 1994 through 2006; interest at 2.6% to 5.5%.	\$ 1,775,000
\$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%.	404,000

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 8 - LONG-TERM DEBT (Continued)**

\$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%.	1,346,000
\$7,100,000 1996 Waterworks and Sewer System Revenue Bonds due in annual installments ranging \$50,000 to \$710,000 from October 1, 1996 through April 1, 2017; interest at 4.5% to 6.5%.	5,995,000
\$9,200,000 2001 Waterworks and Sewer System Revenue Bonds due in annual installments ranging \$135,000 to \$655,000 from April 1, 2002 through April 1, 2027; interest at 3.0% to 5.5%.	8,595,000
\$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%.	14,645,000
\$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%.	<u>603,000</u>
Total Revenue Bonds Payable	<u>\$ 33,363,000</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ending September 30,	Business - type Activities	
	Principal	Interest
2005	\$ 1,131,000	\$ 1,682,697
2006	1,197,000	1,620,913
2007	1,431,000	1,557,883
2008	1,499,000	1,493,233
2009	1,564,000	1,423,209
2010-2014	7,726,000	5,968,889
2015-2019	7,287,000	4,048,142
2020-2024	7,323,000	2,233,838
2025-2029	<u>4,205,000</u>	<u>292,977</u>
Total	<u>\$ 33,363,000</u>	<u>\$ 20,321,781</u>

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 8 - LONG-TERM DEBT (Continued)**

*Notes Payable*

The City entered into a loan agreement to purchase land to be donated to the Veterans Land Board for a cemetery. The City also entered into loan agreements to expand the golf course facility. Note payables at September 30, 2004 consist of the following:

Governmental-type activities:

\$250,000 Note payable to Bentsen Palm, Ltd. dated, December 27, 2002, non-interest bearing, payable in 4 annual installments of \$50,000 each commencing on the anniversary date Bentsen Palm, Ltd. conveyed the property to the City. \$ 200,000

Business-type activities:

Golf Course Fund:

\$300,000 Note payable to Mission Economic Development Corporation, dated November 21, 1995, non-interest bearing, payable in 10 annual installments of \$30,000 each. Unsecured. 90,000

\$370,000 Note payable to First National Bank, dated June 25, 2004, bearing interest at 4.75%, payable in 4 annual installments of \$92,500 each. 370,000

\$193,986 Note payable to First National Bank, dated February 25, 2004, bearing interest at 4.75%, payable in 4 annual installments of \$48,496.60 each. 193,986

Total Notes Payable \$ 853,986

Note payable debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2005	\$ 50,000	\$ -	\$ 170,997	\$ 12,522
2006	50,000	-	170,996	20,686
2007	50,000	-	170,997	14,973
2008	<u>50,000</u>	<u>-</u>	<u>140,996</u>	<u>8,986</u>
Total	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 653,986</u>	<u>\$ 57,167</u>

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 8 - LONG-TERM DEBT (Continued)**

*Changes in Long-Term Liabilities*

Long-term liability activity for the year ended September 30, 2004 was follows:

	Balance at September 30, 2003	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2004	Amounts Due within One Year
<b><u>Governmental Activities:</u></b>					
Bonds Payable:					
Public Property Financing					
Contractual Obligations	\$ 4,440,000	\$ -	\$ 605,000	\$ 3,835,000	\$ 765,000
Certificates of Obligation	12,940,000	1,035,000	410,000	13,565,000	525,000
Total Bonds Payable	17,380,000	1,035,000	1,015,000	17,400,000	1,290,000
Notes Payable	-	250,000	50,000	200,000	50,000
Compensated Absences	1,011,353	826,520	658,421	1,179,452	697,748
Governmental Activity					
Long-term Liabilities	<u>\$ 18,391,353</u>	<u>\$ 2,111,520</u>	<u>\$ 1,723,421</u>	<u>\$ 18,779,452</u>	<u>\$ 2,037,748</u>
<b><u>Business-type Activities:</u></b>					
Bonds Payable:					
Public Property Financing					
Contractual Obligations	\$ 1,530,000	\$ -	\$ 60,000	\$ 1,470,000	\$ 290,000
Revenue Bonds	19,429,000	15,248,000	1,314,000	33,363,000	1,131,000
Less deferred amounts:					
On refunding	(50,976)	-	(27,781)	(23,195)	-
For issuance discounts	(4,144)	-	(1,485)	(2,659)	-
Total Bonds Payable	20,903,880	15,248,000	1,344,734	34,807,146	1,421,000
Notes Payable	90,000	563,986	-	653,986	170,997
Compensated Absences	203,951	30,134	-	234,085	165,413
Business-type Activity					
Long-term Liabilities	<u>\$ 21,197,831</u>	<u>\$ 15,842,120</u>	<u>\$ 1,344,734</u>	<u>\$ 35,695,217</u>	<u>\$ 1,757,410</u>

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

The government-wide statement of net assets includes \$1,421,000 of the long-term liabilities due within one year for business-type activities under "liabilities payable from restricted assets." The remaining amount of \$336,411 is displayed as "noncurrent liabilities, due within one year" on that same statement.

The Utility Fund capitalized \$455,453 of bond interest expense as part of various construction projects for the year-ended September 30, 2004.

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 9 - COMPONENT UNIT - LONG-TERM DEBT PAYABLE**

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, 2004 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%.		\$ 1,145,000
 \$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>4,565,000</u>
Total		<u>\$ 5,710,000</u>

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

Year Ending September 30,	Principal	Interest
2005	\$ 190,000	\$ 285,293
2006	195,000	276,240
2007	205,000	266,959
2008	215,000	257,042
2009	225,000	246,528
2010-2014	1,305,000	1,050,411
2015-2019	1,690,000	664,493
2020-2024	1,685,000	208,005
2025-2029	<u>-</u>	<u>-</u>
Total	<u>\$ 5,710,000</u>	<u>\$ 3,254,971</u>



CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 9 - COMPONENT UNIT - LONG-TERM DEBT PAYABLE (Continued)**

The following is a summary of changes in long-term debt obligations for the MEDC for the year ended September 30, 2004:

	Balance at September 30, 2003	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2004	Amounts Due within One Year
Sales Tax Revenue Bonds	<u>\$ 5,885,000</u>	<u>\$ -</u>	<u>\$ 175,000</u>	<u>\$ 5,710,000</u>	<u>\$ 190,000</u>

Mission Redevelopment Authority (MRA) has entered into various Development Agreements with Developers within the boundaries of the MRA. The total amount due to them for costs incurred related to these agreements at September 30, 2004 is \$1,326,057. Of this amount, \$1,247,043 is related to public improvement expenditures related to the expansion of Shary Road, the extension of the 12" water line to Madero and the Sharyland Service Center Project. Additionally, interest in the amount of \$79,014 has been accrued through September 30, 2004 in accordance with the Development Agreements. It is expected that the Developers will eventually be reimbursed from proceeds from the MRA's sale of bonds or available tax increments attributable to the development. Due to the uncertainty of the timing of the payment to the Developers, this amount has been recorded as a long-term liability as of September 30, 2004.

The following is a summary of changes in long-term debt obligations for MRA for the year ended September 30, 2004:

	Balance at September 30, 2003	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2004	Amounts Due within One Year
Long-term Liability	<u>\$ 844,101</u>	<u>\$ 559,652</u>	<u>\$ 77,696</u>	<u>\$ 1,326,057</u>	<u>\$ -</u>

Due to the uncertain nature of the repayment of the amounts due to the developer, no projection of a debt repayment schedule can be made.

**NOTE 10 - DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. 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 deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes	\$ 1,216,883	\$ -
Delinquent park fees	277,472	277,472
Grants	1,534	1,534
Loans receivable - HOME	<u>138,631</u>	<u>138,631</u>
	<u>\$ 1,634,520</u>	<u>\$ 417,637</u>

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 10 - DEFERRED REVENUE (*Continued*)**

Deferred revenues of \$85,847 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.

**NOTE 11 – NOTES RECEIVABLE**

*A Sale of Hospital*

On October 23, 1981, the City Council authorized the sale of Mission Municipal Hospital to Mission Hospital Inc., a nonprofit corporation, for and in consideration of the sum of \$1,256,000, as evidenced by a promissory note secured by a deed of trust, bearing interest at 7 percent per annum, due and payable on or before October 1, 1983. The note was twice extended with the same terms. During 1985, the City received \$175,000 payment on the note; this amount was recorded as revenue in the General Fund.

Under the terms of an agreement between the parties pursuant to Council resolution of May 13, 1985, the City accepted reversion of title to the hospital realty and a residual receipts note in the amount of \$406,000 in final satisfaction of the \$1,256,000 note described above.

The non-negotiable residual receipts note bears interest of 1/2% per annum. Principal and interest on the residual receipts note is due and payable only after the mortgage note financing construction of a new hospital and guaranteed by the U.S. Department of Housing and Urban Development has matured. Prepayments of principal and interest on this note may be made only from a residual receipts fund.

The original balance of this note plus the related accrued interest receivable for a total of \$445,182 is fully offset by an allowance for uncollectible accounts.

*B. Utility Fund Note Receivable*

The City's Utility Fund has the following note receivable at September 30, 2004 :

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. \$ 227,974

During the year ended September 30, 2004, the following changes occurred in Enterprise Fund Notes Receivable:

Utility Fund:

	Balance at 9/30/2003	Additions	Reductions	Balance Outstanding 9/30/2004	Less Current Portion	Amount Net of Current Portion
Note Receivable	<u>\$ 254,042</u>	<u>\$ -</u>	<u>\$ 26,068</u>	<u>\$ 227,974</u>	<u>\$ 27,813</u>	<u>\$ 200,161</u>

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 12 – LONG-TERM RECEIVABLE**

Governmental Activities:

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. The amount remaining as long-term receivable at September 30, 2004 is \$122,875.

**NOTE 13 - 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, 2004 consist of:

	Cash and Cash Equivalents	Investments	Accrued Interest	Total
Revenue Bond Reserve Fund	\$ 9,484	\$ 1,829,904	\$ 23,734	\$ 1,863,122
Bond Interest and Sinking Fund	245,767	485,000	1,106	731,873
PPFCO's Interest and Sinking	10,372	27,000	348	37,720
Revenue Bond Extension and Improvement Fund	206,707	50,000	925	257,632
Subdividers Deposits	389,350	375,000	3,953	768,303
Water and Sewer Plant Improvements	2,892,384	9,400,000	56,148	12,348,532
2003 PPFCO	88,827	-	-	88,827
Contractor Retainage	494,557	-	-	494,557
	<u>\$ 4,337,448</u>	<u>\$ 12,166,904</u>	<u>\$ 86,214</u>	<u>\$ 16,590,566</u>

Restricted assets of governmental funds as of September 30, 2004 consisted of cash and cash equivalents for contractor retainage as follows:

General Fund	\$ 46,907
Designated Purpose Fund	23,247
Drainage Assessment Fund	82,392
2003 CO Construction Fund	206,490
	<u>\$ 359,036</u>

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 13 - RESTRICTED ASSETS (Continued)**

*B. Component Unit*

Restricted assets held by Mission Economic Development Corporation at September 30, 2004 consist of the following:

	Cash and Cash Equivalents	Investments	Accrued Interest	Total
Reserve Fund	\$ -	\$ 124,811	\$ 1,822	\$ 126,633
Debt Service Fund	45,222	340,000	1,915	387,137
Capital Projects	957,283	950,000	4,941	1,912,224
	<u>\$ 1,002,505</u>	<u>\$ 1,414,811</u>	<u>\$ 8,678</u>	<u>\$ 2,425,994</u>

**NOTE 14 - 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 794 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 amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 14 - PENSION PLAN (Continued)**

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 5%, 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, 2003 valuation is effective for rates beginning January, 2005).

Annual Pension Cost – The City's pension cost for the year ended September 30, 2004 and related information follow:

Contributions:	
City	10%
Plan Members	5%
Annual pension cost	1,011,850
Contribution made	1,011,850
Actuarial valuation date	12/31/03
Actuarial cost method	unit credit
Actuarial assumptions:	
Investment rate of return	7%
Projected salary increases	none
Includes inflation at	none
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

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 14 - PENSION PLAN (Continued)**

Three Year Trend Information			
Fiscal Year Funding September 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	\$ 700,660	100%	\$ -0-
2003	866,491	100%	-0-
2004	1,011,850	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, 2004 the contribution rate to provide this benefit was 0.21% out a total pension contribution rate for the City of 7.20 %.

As of January 1, 2003 the contribution rate to provide this benefit was 0.21% out of a total pension contribution rate for the City of 7.07%. 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 monthly basis. The estimated cost to the City for this Supplemental Death Benefit for the year ended September 30, 2004 was \$28,813 and for the year ended September 30, 2003 was \$25,686.

**NOTE 15 - PENSION PLAN - EMERGENCY SERVICES PERSONNEL RETIREMENT FUND**

*Plan Description*

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. The pension system was created by the S.B. 411, 65<sup>th</sup> Legislature, Regular Session (1977). The Texas Statewide Emergency Services Personnel Retirement Fund 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. Morris Sandiser, P.O. Box 12577, Austin, Texas 78711-2577, or by calling 1-800-919-3372.

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 15 - PENSION PLAN - EMERGENCY SERVICES PERSONNEL RETIREMENT FUND (Continued)**

Contribution requirements were established by S.B. 411, 65<sup>th</sup> Legislative, Regular Session (1977). No contributions are required by members. The governing bodies of participating department's members are required to contribute at least \$12 per month for each member. In addition to the contributions for dues and prior services made to the Texas Statewide Emergency Services Personnel Retirement Fund, 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 TSESPRF for the years ending September 30, 2004, 2003, and 2002 were \$5,236, \$6,000, and \$5,253, respectively, equal to the contributions required under both S.B. 411 and H.B. 258 for each year.

**NOTE 16 - 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 17 - CONSTRUCTION AND IMPROVEMENT COMMITMENTS**

At September 30, 2004, the City had several active construction projects. The projects include drainage improvements, widening of an existing bridge, renovation of parks, construction of infrastructure, and wastewater treatment facilities.

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 17 - CONSTRUCTION AND IMPROVEMENT COMMITMENTS (Continued)**

Project	Spent to Date	Remaining Commitment	Financing Sources
Drainage Improvements	\$ 56,400	\$ 41,300	Drainage Assessment Fund Revenues
Fire Station #4	448,073	57,427	Bond Revenue
Lift Station	174,290	97,410	Utility Fund Revenues
Speer Library Expansion	1,798,244	1,442,331	Bond Revenue
Parking Area - Recreation Center	25,000	25,000	General Fund Revenues
Infrastructure Project A - Bond Issue	567,657	149,343	Utility Fund Revenues
EDAP - Sewer Project	1,901,305	661,462	Utility Revenues & Grant
Bryan/Stewart Rd. Drainage	972,352	189,578	Drainage Assessment Fund Revenues
North Mission WTP Expansion	5,501,103	91,617	Revenue Bonds
Indoor Recreation Center	472,776	21,124	Operating Revenues & Grant
2004 Street Improvements	554,640	293	General Fund Revenues
Lopez Park-Restrooms	15,000	21,500	General Fund Revenues
Nell Tolle Park	24,900	305,100	Operating Revenues
Madero Park Restrooms	30,000	32,500	General Fund Revenues
N. EDAP Sewer Collection System	3,995,073	9,584,146	Revenue Bonds
Nell Tolle Park	2,924,680	11,230,970	Revenue Bonds
Total	<u>\$ 19,461,493</u>	<u>\$ 23,951,101</u>	

**NOTE 18 - OPERATING LEASE COMMITMENTS**

The City leases office equipment under operating leases. Total costs for such leases were \$23,829 for the year ended September 30, 2004. The future minimum lease payments for these leases are as follows:

Years Ended September 30,	
2005	\$ 27,157
2006	23,454
2007	14,890
2008	6,213
2009	-
Total	<u>\$ 71,714</u>

**NOTE 19- 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.



CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 19- RISK MANAGEMENT (Continued)**

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, 2004, 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.

The following is a reconciliation of the claims liability:

	Health Insurance Claims Liability For the Year Ended September 30,		Worker's Compensation Claims Liability For the Year Ended September 30,	
	2004	2003	2004	2003
Unpaid claims, beginning of fiscal year	\$ 172,589	\$ 203,819	\$ -	\$ -
Incurred claims (including IBNRs) and adjustments	2,102,740	1,331,651	-	2,273
Claim payments	(1,848,907)	(1,362,881)	-	(2,273)
Unpaid Claims, end of Fiscal Year	<u>\$ 426,422</u>	<u>\$ 172,589</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 20 - 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.

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 21- 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 120% coverage over the succeeding fiscal year's debt service requirement (first lien bonds); or 120% over the greater of the average annual debt service requirements or the succeeding fiscal year's debt service requirements (junior lien bonds). For the fiscal year ended September 30, 2004 the City's Utility Fund did not meet these coverage requirements .

**NOTE 22 – 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 1<sup>st</sup> compared to the base year appraised value of property in the zone as of January 1, 2001. As of September 30, 2004, 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 \$170,844 and \$144,169, respectively.

**NOTE 23 – PRIOR PERIOD ADJUSTMENTS**

Prior period adjustments were required in the General Fund and Mission Economic Development Corporation, a component unit, to properly reflect sales tax revenue.

Prior period adjustments were also necessary in the Utility, Solid Waste and Drainage Assessment Funds to properly recognize the unbilled usage for services provided after the last billing of September 2003.

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 24 – SUBSEQUENT EVENTS**

Subsequent to year end the Mission Economic Development Corporation (MEDC), a component unit, authorized the forgiveness of debt in the amount of \$90,000 from the Shary Golf Course.

MEDC had approved a note in the amount of \$300,000 in November 1995 which was agreed to be paid in ten years at \$30,000 annually with no interest. The balance on the note was \$90,000 which included \$30,000 due in the fiscal year ending September 30, 2004 and two consecutive years at \$30,000 to end in 2006.

This page left blank intentionally.

# **REQUIRED SUPPLEMENTARY INFORMATION**

This page left blank intentionally.

# CITY OF MISSION, TEXAS

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT B-1

Page 1 of 8

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
Revenues:				
Taxes:				
Ad valorem taxes:				
Current ad valorem taxes	\$ 8,000,000	\$ 8,000,000	\$ 8,227,344	\$ 227,344
Delinquent ad valorem taxes	525,000	525,000	478,341	(46,659)
Interest and penalties on taxes	315,000	315,000	288,776	(26,224)
Less: Tax adjustments and refunds	(24,652)	(24,652)	(6,038)	18,614
Net ad valorem tax revenue	8,815,348	8,815,348	8,988,423	173,075
Sales tax	4,000,000	4,000,000	4,004,379	4,379
Sales tax - tax abatement	2,000,000	2,000,000	2,002,189	2,189
Franchise business tax	1,500,000	1,500,000	1,434,222	(65,778)
Telecommunication access fee	275,000	275,000	258,360	(16,640)
Corporation court fines tax	27,500	27,500	39,455	11,955
Mixed drink tax	28,500	28,500	27,189	(1,311)
Total Taxes	16,646,348	16,646,348	16,754,217	107,869
Licenses and Permits:				
Occupational licenses	33,000	33,000	25,346	(7,654)
Moving and building permits	435,000	435,000	463,646	28,646
Health permits	--	--	14,418	14,418
Seismograph testing permits	--	--	100,000	100,000
Electrical permits	90,000	90,000	78,415	(11,585)
Mechanical permits	50,000	50,000	43,922	(6,078)
Plumbing permits	110,000	110,000	102,747	(7,253)
Alarm permits	--	--	23,311	23,311
Miscellaneous	15,000	15,000	15,807	807
Total Licenses and Permits	733,000	733,000	867,612	134,612
Intergovernmental:				
MCISD and SISD Dare Program	68,500	68,500	76,224	7,724
BJA - Bulletproof Vest Grant	--	4,873	4,009	(864)
FEMA Emerg. Preparedness & Response	--	397,080	57,487	(339,593)
COPS Grant	--	70,588	53,909	(16,679)
Safe & Sober Grant	--	48,000	48,000	--
FEMA Assistance to Firefighter's Grant	--	6,908	--	(6,908)
Reimb. - TXDOT/FM 1016 ROW	--	--	9,136	9,136
Reimb. from Housing Authority	5,000	5,000	--	(5,000)
County contribution - rural fire	37,500	37,500	33,100	(4,400)
County restitution reimbursement	--	--	1,326	1,326
Overhead - MRA	--	--	15,751	15,751
FEMA reimbursement	20,000	20,000	19,144	(856)
LEOSE Peace Officer	7,800	7,800	8,337	537
State Highway Revenues	87,420	87,420	87,420	--
FBI overtime	7,500	7,500	9,697	2,197
Peace Officers Fire Prev.	860	860	747	(113)
DEA Overtime Task Force	14,000	28,000	18,190	(9,810)
Hidalgo County - library	10,000	10,978	10,978	--
Total Intergovernmental	258,580	801,007	453,455	(347,552)
Charges for Services:				
Birth certificate service	1,050	1,050	697	(353)
Inspection fee - 2%	100,000	100,000	137,812	37,812

**CITY OF MISSION, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

**EXHIBIT B-1**  
Page 2 of 8

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Fire inspection fee	10,000	10,000	12,684	2,684
Lot cleaning	30,000	30,000	19,604	(10,396)
Lot cleaning - admin. fee	50,000	50,000	16,262	(33,738)
Lease - service center complex	30,000	30,000	30,001	1
Library copies	7,500	7,500	8,816	1,316
Rent - City buildings	15,000	15,000	7,080	(7,920)
Cemetery charges	15,000	15,000	21,903	6,903
Vital statistics	70,000	70,000	67,111	(2,889)
Vital statistics preservation fee	--	--	6,394	6,394
Burial transit permit	--	--	919	919
Zoning and subdivision fees	25,000	25,000	26,374	1,374
Plans and specifications	500	500	2,666	2,166
Food manager/handler ID fee	--	--	7,358	7,358
Police Dept. service charges	5,000	5,000	7,418	2,418
Total Charges for Services	359,050	359,050	373,099	14,049
Fines:				
Arrest fees - M.P.D.	35,000	35,000	40,032	5,032
Corporation court fines	650,000	650,000	685,033	35,033
Warrant execution fee	125,000	125,000	170,282	45,282
Library fines	10,000	10,000	12,693	2,693
Total Fines	820,000	820,000	908,040	88,040
Interest:				
Interest earned on investments	85,000	85,000	66,180	(18,820)
Interest earned on demand deposits	21,000	21,000	16,877	(4,123)
Total Interest	106,000	106,000	83,057	(22,943)
Miscellaneous:				
Overhead expenses - Utility	750,000	750,000	750,000	--
Overhead expenses - Golf Course	52,500	52,500	--	(52,500)
Reimb. - TX Citrus Fiesta	--	31,900	13,084	(18,816)
Library donations	--	6,875	6,875	--
Child safety fees	1,000	1,000	3,540	2,540
Library donations/memorial	1,500	1,500	156	(1,344)
Insurance settlement	--	41,786	58,408	16,622
Miscellaneous income	100,000	100,000	36,619	(63,381)
Coke machine & vending machines	1,000	1,000	1,057	57
Street lights reimbursement	5,000	5,000	2,250	(2,750)
Street signs reimbursement	15,000	15,000	16,350	1,350
Subdividers reimb. - streets	200,000	271,778	135,289	(136,489)
Park dedication fee	275,000	382,000	174,835	(207,165)
Contributions - HVI FM 494 landscaping	--	107,939	107,939	--
Universal service fund rebate	--	12,505	12,505	--
Oil lease	4,000	4,000	4,237	237
Reimbursement - MEDC	700,000	700,000	490,709	(209,291)
Total Miscellaneous	2,105,000	2,484,783	1,813,853	(670,930)
Total Revenues	21,027,978	21,950,188	21,253,333	(696,855)



**CITY OF MISSION, TEXAS****GENERAL FUND****BUDGETARY COMPARISON SCHEDULE****FOR THE YEAR ENDED SEPTEMBER 30, 2004****EXHIBIT B-1**

Page 3 of 8

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
Expenditures:				
Current:				
General Government:				
Legislative:				
Personal services	2,100	2,100	1,940	160
Employee benefits	1,612	1,612	1,528	84
Other purchased services	18,700	17,950	17,834	116
Supplies	1,500	1,830	1,607	223
Miscellaneous	500	920	680	240
	<u>24,412</u>	<u>24,412</u>	<u>23,589</u>	<u>823</u>
Executive Administration:				
Personal services	345,669	345,669	383,011	(37,342)
Employee benefits	101,973	103,222	114,792	(11,570)
Other purchased services	18,500	14,500	13,864	636
Supplies	7,000	7,000	9,036	(2,036)
Capital outlays	5,000	5,000	5,132	(132)
Miscellaneous	4,000	5,000	5,186	(186)
	<u>482,142</u>	<u>480,391</u>	<u>531,021</u>	<u>(50,630)</u>
Finance Department:				
Personal services	445,924	446,838	447,393	(555)
Employee benefits	120,845	122,573	120,163	2,410
Purchased property services	35,000	35,000	34,070	930
Other purchased services	12,750	11,890	10,340	1,550
Supplies	12,600	13,250	12,742	508
Capital outlays	3,000	2,600	2,289	311
Miscellaneous	2,400	2,096	1,687	409
	<u>632,519</u>	<u>634,247</u>	<u>628,684</u>	<u>5,563</u>
Municipal Court:				
Personal services	365,133	357,877	339,251	18,626
Employee benefits	99,925	104,432	100,701	3,731
Professional & technical services	15,000	21,297	20,428	869
Purchased property services	1,750	1,810	1,809	1
Other purchased services	8,500	8,908	8,107	801
Supplies	6,700	6,435	6,395	40
Capital outlays	500	--	280	(280)
Miscellaneous	2,500	1,940	1,939	1
	<u>500,008</u>	<u>502,699</u>	<u>478,910</u>	<u>23,789</u>
Planning:				
Personal services	428,367	419,367	428,153	(8,786)
Employee benefits	131,394	133,381	130,580	2,801
Professional & technical services	10,000	10,000	--	10,000
Purchased property services	500	--	--	--
Other purchased services	17,500	20,064	19,077	987
Supplies	13,250	17,010	16,375	635
Capital outlays	--	2,176	2,176	--
Miscellaneous	2,000	3,000	2,735	265
	<u>603,011</u>	<u>604,998</u>	<u>599,096</u>	<u>5,902</u>

**CITY OF MISSION, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

**EXHIBIT B-1**  
**Page 4 of 8**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
<b>Facilities Maintenance:</b>				
Personal services	278,137	276,137	283,918	(7,781)
Employee benefits	98,386	95,392	96,034	(642)
Purchased property services	26,000	52,500	64,107	(11,607)
Other purchased services	2,000	2,700	1,977	723
Supplies	80,000	81,325	80,122	1,203
Capital outlays	--	1,800	1,526	274
Miscellaneous	200	--	--	--
	<u>484,723</u>	<u>509,854</u>	<u>527,684</u>	<u>(17,830)</u>
<b>Fleet Maintenance:</b>				
Professional & technical services	585,000	585,000	301,677	283,323
Purchased property services	1,000	1,000	462	538
Other purchased services	500	500	434	66
Supplies	2,100	1,235	1,135	100
Miscellaneous	20,000	20,865	20,795	70
	<u>608,600</u>	<u>608,600</u>	<u>324,503</u>	<u>284,097</u>
<b>Organizational Expense:</b>				
Professional & technical services	372,000	560,937	644,295	(83,358)
Purchased property services	110,000	106,902	126,823	(19,921)
Other purchased services	62,000	92,679	101,090	(8,411)
Supplies	6,000	20,440	20,823	(383)
Capital outlays	50,000	149,431	180,511	(31,080)
Miscellaneous	830,000	1,386,579	852,009	534,570
	<u>1,430,000</u>	<u>2,316,968</u>	<u>1,925,551</u>	<u>391,417</u>
<b>Purchasing:</b>				
Personal services	96,328	96,328	98,016	(1,688)
Employee benefits	27,814	28,246	28,325	(79)
Purchased property services	500	--	--	--
Other purchased services	14,000	12,568	12,531	37
Supplies	4,500	2,812	2,733	79
Capital outlays	300	3,944	3,944	--
Miscellaneous	800	776	776	--
	<u>144,242</u>	<u>144,674</u>	<u>146,325</u>	<u>(1,651)</u>
<b>City Secretary:</b>				
Personal services	154,140	162,148	160,965	1,183
Employee benefits	49,374	52,628	50,503	2,125
Purchased property services	250	250	--	250
Other purchased services	17,900	18,310	15,677	2,633
Supplies	7,800	7,390	7,092	298
Capital outlays	500	500	320	180
Miscellaneous	1,750	1,750	1,739	11
	<u>231,714</u>	<u>242,976</u>	<u>236,296</u>	<u>6,680</u>
<b>Risk Management:</b>				
Personal services	76,092	76,092	74,414	1,678
Employee benefits	24,672	26,268	25,785	483
Professional & technical services	5,000	4,925	3,822	1,103
Other purchased services	161,750	197,060	195,747	1,313
Supplies	22,500	23,050	20,661	2,389

# CITY OF MISSION, TEXAS

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT B-1

Page 5 of 8

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Capital outlays	1,000	1,000	829	171
Miscellaneous	950	950	247	703
	<u>291,964</u>	<u>329,345</u>	<u>321,505</u>	<u>7,840</u>
Elections:				
Employee benefits	--	9	205	(196)
Professional & technical services	7,500	8,111	7,915	196
Purchased property services	3,000	3,100	3,100	--
Other purchased services	4,000	7,300	3,796	3,504
Supplies	2,200	2,250	2,095	155
Miscellaneous	100	30	--	30
	<u>16,800</u>	<u>20,800</u>	<u>17,111</u>	<u>3,689</u>
Civil Service:				
Personal services	68,123	68,123	68,604	(481)
Employee benefits	19,814	19,958	19,667	291
Professional & technical services	58,000	58,000	48,215	9,785
Other purchased services	8,500	8,400	4,357	4,043
Supplies	6,500	9,400	8,965	435
Capital outlays	500	500	--	500
Miscellaneous	5,500	2,700	674	2,026
	<u>166,937</u>	<u>167,081</u>	<u>150,482</u>	<u>16,599</u>
Total General Government	<u>5,617,072</u>	<u>6,587,045</u>	<u>5,910,757</u>	<u>676,288</u>
Public Safety:				
Police Department:				
Personal services	4,440,851	4,463,851	4,544,596	(80,745)
Employee benefits	1,388,147	1,347,804	1,295,603	52,201
Professional & technical services	71,000	40,200	42,508	(2,308)
Purchased property services	229,500	259,074	238,715	20,359
Other purchased services	154,700	169,900	163,686	6,214
Supplies	176,250	201,109	199,134	1,975
Capital outlays	--	43,600	38,823	4,777
Miscellaneous	23,000	23,500	20,743	2,757
	<u>6,483,448</u>	<u>6,549,038</u>	<u>6,543,808</u>	<u>5,230</u>
COPS Grant:				
Personal services	--	83,511	63,778	19,733
Employee benefits	--	10,606	8,100	2,506
	<u>--</u>	<u>94,117</u>	<u>71,878</u>	<u>22,239</u>
Safe and Sober Step Grant:				
Personal services	--	39,000	39,103	(103)
Employee benefits	--	8,000	7,897	103
Supplies	--	1,000	1,000	--
Miscellaneous	--	5,333	5,078	255
	<u>--</u>	<u>53,333</u>	<u>53,078</u>	<u>255</u>
FEMA Emerg. Preparedness & Response Grant:				
Professional & technical services	--	60,000	--	60,000
Other purchased services	--	43,000	11,060	31,940

**CITY OF MISSION, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

**EXHIBIT B-1**  
**Page 6 of 8**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Supplies	--	110,493	3,000	107,493
Capital outlays	--	227,707	45,685	182,022
	--	441,200	59,745	381,455
BJA Bulletproof Vest Program:				
Capital outlays	--	9,746	8,019	1,727
	--	9,746	8,019	1,727
Fire Department:				
Personal services	1,414,806	1,414,806	1,451,697	(36,891)
Employee benefits	390,953	395,604	370,815	24,789
Professional & technical services	1,500	50	--	50
Purchased property services	69,000	60,667	50,116	10,551
Other purchased services	37,250	44,750	41,547	3,203
Supplies	66,500	63,544	61,771	1,773
Capital outlays	--	900	897	3
Miscellaneous	13,500	20,950	20,197	753
	1,993,509	2,001,271	1,997,040	4,231
Fire Prevention Bureau:				
Personal services	176,179	176,179	186,578	(10,399)
Employee benefits	51,516	52,236	51,728	508
Professional & technical services	500	1,300	896	404
Purchased property services	1,000	870	868	2
Other purchased services	15,300	16,452	15,027	1,425
Supplies	12,600	12,840	11,786	1,054
Capital outlays	3,000	4,153	1,123	3,030
Miscellaneous	1,200	710	573	137
	261,295	264,740	268,579	(3,839)
FEMA Assistance to Firefighter's Grant:				
Capital outlays	--	7,675	--	7,675
	--	7,675	--	7,675
Total Public Safety	8,738,252	9,421,119	9,002,147	418,972
Highways and Streets:				
Streets Department:				
Personal services	576,638	578,638	576,935	1,703
Employee benefits	251,504	237,260	235,901	1,359
Professional & technical services	10,000	--	31,900	(31,900)
Purchased property services	421,500	580,835	735,752	(154,917)
Other purchased services	7,000	9,900	8,150	1,750
Supplies	176,500	173,934	178,666	(4,732)
Capital outlays	600,000	730,844	808,958	(78,114)
Miscellaneous	1,500	500	307	193
	2,044,642	2,311,911	2,576,569	(264,658)
Total Highways and Streets	2,044,642	2,311,911	2,576,569	(264,658)
Health and Welfare:				
Health regulation and inspections:				
Personal services	213,412	213,412	234,234	(20,822)
Employee benefits	69,291	70,706	70,149	557

**CITY OF MISSION, TEXAS****GENERAL FUND****BUDGETARY COMPARISON SCHEDULE****FOR THE YEAR ENDED SEPTEMBER 30, 2004****EXHIBIT B-1**

Page 7 of 8

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Professional & technical services	400	400	--	400
Purchased property services	3,400	3,500	1,896	1,604
Other purchased services	19,000	17,500	14,387	3,113
Supplies	22,700	29,200	19,860	9,340
Capital outlays	10,500	5,500	2,525	2,975
Miscellaneous	4,250	4,250	6,418	(2,168)
Total Health and Welfare	342,953	344,468	349,469	(5,001)
Culture and Recreation:				
Mission Historical Museum:				
Personal services	62,490	65,531	65,692	(161)
Employee benefits	17,351	18,019	18,359	(340)
Professional & technical services	18,000	19,200	18,430	770
Purchased property services	10,000	12,286	8,988	3,298
Other purchased services	4,000	9,067	5,234	3,833
Supplies	4,800	12,994	11,693	1,301
Capital outlays	25,000	4,469	3,530	939
Miscellaneous	1,939	2,339	1,223	1,116
	143,580	143,905	133,149	10,756
Parks and Recreation Administration:				
Personal services	84,200	108,200	96,497	11,703
Employee benefits	26,485	34,598	32,162	2,436
Professional & technical services	--	7,376	6,959	417
Purchased property services	16,000	19,600	17,566	2,034
Other purchased services	3,200	4,700	4,120	580
Supplies	3,000	2,399	2,332	67
Miscellaneous	350	350	184	166
	133,235	177,223	159,820	17,403
Parks:				
Personal services	516,469	543,584	554,670	(11,086)
Employee benefits	188,562	187,050	193,659	(6,609)
Professional & technical services	7,200	7,200	39,863	(32,663)
Purchased property services	125,500	128,309	162,073	(33,764)
Other purchased services	8,500	10,500	7,648	2,852
Supplies	82,000	95,150	98,843	(3,693)
Capital outlays	260,000	327,235	286,945	40,290
Miscellaneous	50,100	50,100	49,791	309
	1,238,331	1,349,128	1,393,492	(44,364)
Recreation:				
Personal services	128,853	128,853	159,095	(30,242)
Employee benefits	24,256	25,062	31,854	(6,792)
Other purchased services	5,500	7,100	6,418	682
Supplies	3,500	3,400	3,307	93
Capital outlays	5,000	--	--	--
Miscellaneous	10,000	13,500	13,294	206
	177,109	177,915	213,968	(36,053)
Library:				
Personal services	489,074	511,422	483,673	27,749
Employee benefits	149,674	158,941	148,868	10,073

**CITY OF MISSION, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

**EXHIBIT B-1**  
Page 8 of 8

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
Professional & technical services	10,000	10,000	3,280	6,720
Purchased property services	43,700	45,700	28,951	16,749
Other purchased services	30,000	28,500	26,135	2,365
Supplies	37,850	37,850	26,865	10,985
Capital outlays	20,000	31,456	30,440	1,016
Miscellaneous	67,000	46,858	40,695	6,163
	<u>847,298</u>	<u>870,727</u>	<u>788,907</u>	<u>81,820</u>
 Total Culture and Recreation	 <u>2,539,553</u>	 <u>2,718,899</u>	 <u>2,689,336</u>	 <u>29,563</u>
 Debt Service:				
Principal retirement	--	--	50,000	(50,000)
Total Debt Service	<u>--</u>	<u>--</u>	<u>50,000</u>	<u>(50,000)</u>
 Total Expenditures	 <u>19,282,472</u>	 <u>21,383,441</u>	 <u>20,578,278</u>	 <u>805,163</u>
 Excess (Deficiency) of				
Revenues Over Expenditures	<u>1,745,506</u>	<u>566,747</u>	<u>675,055</u>	<u>108,308</u>
 Other Financing Sources (Uses):				
Debt proceeds	--	--	250,000	250,000
Sale of capital assets	50,000	50,000	71,684	21,684
Operating transfers in	150,000	600,000	600,000	--
Operating transfers out	(2,310,062)	(2,742,176)	(2,260,760)	481,416
 Total Other Financing Sources (Uses)	 <u>(2,110,062)</u>	 <u>(2,092,176)</u>	 <u>(1,339,076)</u>	 <u>753,100</u>
 Net Change in Fund Balance	 <u>(364,556)</u>	 <u>(1,525,429)</u>	 <u>(664,021)</u>	 <u>861,408</u>
 Fund Balance at Beginning of Year	 3,346,836	 3,346,836	 3,346,836	 --
 Prior Period Adjustment	 --	 --	 483,541	 483,541
 Fund Balance at Beginning of Year				
As Restated	<u>3,346,836</u>	<u>3,346,836</u>	<u>3,346,836</u>	<u>483,541</u>
 Fund Balance at End of Year	 <u>\$ 2,982,280</u>	 <u>\$ 1,821,407</u>	 <u>\$ 3,166,356</u>	 <u>\$ 1,344,949</u>

**CITY OF MISSION, TEXAS**  
**COMMUNITY DEVELOPMENT FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

**EXHIBIT B-2**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental:				
Community Development Block Grant	\$ 995,000	\$ 1,344,640	\$ 1,224,599	\$ (120,041)
Total Intergovernmental	995,000	1,344,640	1,224,599	(120,041)
Total Revenues	995,000	1,344,640	1,224,599	(120,041)
<b>Expenditures:</b>				
Current:				
General Government:				
General administration	231,015	231,015	221,379	9,636
Housing rehabilitation	500,000	685,983	628,452	57,531
Total General Government	731,015	916,998	849,831	67,167
Highways and Streets:				
Sidewalks	50,000	50,000	50,000	--
Total Highways and Streets	50,000	50,000	50,000	--
Health and Welfare:				
Other social services	122,000	117,000	115,816	1,184
Total Health and Welfare	122,000	117,000	115,816	1,184
Culture and Recreation:				
Park Improvements	124,000	292,657	231,331	61,326
Total Culture and Recreation	124,000	292,657	231,331	61,326
Total Expenditures	1,027,015	1,376,655	1,246,978	129,677
Excess (Deficiency) of Revenues Over Expenditures	(32,015)	(32,015)	(22,379)	9,636
Other Financing Sources (Uses):				
Operating transfers in	32,015	32,015	22,379	(9,636)
Total Other Financing Sources (Uses)	32,015	32,015	22,379	(9,636)
Net Change in Fund Balance	--	--	--	--
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)
2002	12,229,256	14,506,044	84.30%	2,276,788	9,817,489	23.20%
2003	13,895,643	16,858,566	83.80%	2,689,923	11,023,339	24.40%
2004	15,708,153	19,247,716	81.60%	3,539,563	12,609,897	28.10%



TEXAS STATEWIDE EMERGENCY SERVICES PERSONNEL RETIREMENT FUND  
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Total Members Covered ( c )	UAAL per Member Covered ((b-a)/c)
8/31/2000	36,767,553	36,048,771	(718,782)	102.00%	7,114	(101)
8/31/2002	32,797,262	45,976,387	13,179,125	71.30%	7,669	1,718
8/31/2004	38,140,501	51,567,426	13,426,925	74.00%	7,994	1,680

CITY OF MISSION, TEXAS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
September 30, 2004

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	\$ 2,100,969
Special Revenue Funds	1,966,079
*Capital Project Funds	5,328,383

\* 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, 2004

At September 30, 2004, Community Development, Designated Purpose, and Drainage Assessment Special Revenue Funds had outstanding encumbrances of \$89,330, \$21,124, and \$92,444, respectively. Capital Projects Funds 2003 CO Construction and 2004 Certificates of Obligation had outstanding encumbrances of \$1,446,843 and \$582,718, respectively.

During the year ended September 30, 2004, expenditures in the following General Fund departments exceeded appropriations by \$424,026.

Department	Over Appropriations
Executive	\$ 50,630
Facilities	17,830
Purchasing	1,651
Fire Prevention Bureau	3,839
Streets	264,658
Health Regulation and Inspections	5,001
Parks	44,364
Recreation	36,053
	<u>\$ 424,026</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)	\$ 21,253,333
Adjustments:	
Amount recorded as a contribution to the City for the difference between the fair value of land purchased and the purchase price	<u>312,500</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds (Exhibit A-5)	<u>\$ 21,565,833</u>

CITY OF MISSION, TEXAS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
September 30, 2004

**Budget to GAAP Reconciliation (Continued)**

<u>Expenditures:</u>	<u>General Fund</u>
Actual expenditures (budgetary basis) from the budgetary comparison schedule (Exhibit B-1)	\$ 20,578,278
Adjustments:	
Amount recorded as an expenditure to recognize the fair market value of land purchased and then contributed to another entity	<u>562,500</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds (Exhibit A-5)	<u>\$ 21,140,778</u>

## **OTHER SUPPLEMENTARY INFORMATION**

This page left blank intentionally.

## **NON-MAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for specific revenues that are restricted to expenditure 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 collection and expenditure of municipal court technology fees.

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.

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 collection and expenditure 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.

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

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

## **NON-MAJOR GOVERNMENTAL FUNDS (CONT'D)**

### **CAPITAL PROJECTS FUNDS**

Capital project funds are used to account for the acquisition of capital assets and construction of major capital facilities other than those financed by proprietary funds.

Capital Projects Fund: To account for the World Birding Center project.

1998 Public Property Finance Contractual Obligations Fund: To account for the acquisition of equipment.

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

2000 Certificates of Obligation: To account for the construction of a new City Hall and street improvements.

2000 Public Property Finance Contractual Obligations Fund: To account for the acquisition of equipment.

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 station 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.



**CITY OF MISSION, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2004**

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Cemetery Fund	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS</b>				
Cash and cash equivalents	\$ 350,946	\$ 1,859,255	\$ 6	\$ 2,210,207
Investments	216,761	450,000	55,252	722,013
Receivables:				
Accounts	202,942	--	--	202,942
Special assessments	101,452	--	--	101,452
Less: allowance for uncollectibles	(35,534)	--	--	(35,534)
Accrued interest receivable	1,963	1,668	513	4,144
Due from other governments	393,153	--	--	393,153
Due from other funds	62,628	--	--	62,628
Restricted assets	105,639	206,491	--	312,130
Total Assets	<u>\$ 1,399,950</u>	<u>\$ 2,517,414</u>	<u>\$ 55,771</u>	<u>\$ 3,973,135</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 206,815	\$ 186,119	\$ 539	\$ 393,473
Other liabilities	5,322	2,474	--	7,796
Payable from restricted assets:				
Retainage payable	105,638	206,491	--	312,129
Accrued payroll	36,543	--	--	36,543
Due to other funds	373,292	--	--	373,292
Deferred revenue	140,165	--	--	140,165
Total Liabilities	<u>867,775</u>	<u>395,084</u>	<u>539</u>	<u>1,263,398</u>
<b>FUND BALANCES</b>				
Reserved for encumbrances	95	--	--	95
Reserved for capital projects	--	2,122,330	--	2,122,330
Reserved for perpetual care	--	--	55,232	55,232
Reserved for scholarships and books	36,724	--	--	36,724
Reserved for other purposes	316,720	--	--	316,720
Unreserved, reported in nonmajor:				
Special revenue funds	178,636	--	--	178,636
Total Fund Balances	<u>532,175</u>	<u>2,122,330</u>	<u>55,232</u>	<u>2,709,737</u>
Total Liabilities and Fund Balances	<u>\$ 1,399,950</u>	<u>\$ 2,517,414</u>	<u>\$ 55,771</u>	<u>\$ 3,973,135</u>

This page left blank intentionally.

**CITY OF MISSION, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Special Revenue Funds	Capital Projects Funds	Permanent Fund  Cemetery Fund	Total Nonmajor Governmental Funds (See Exhibit A-5)
<b>Revenues:</b>				
Taxes and special assessments	\$ 654,887	\$ --	\$ --	\$ 654,887
Intergovernmental	1,481,586	21,260	--	1,502,846
Charges for services	74,387	--	--	74,387
Interest	16,288	77,447	1,227	94,962
Miscellaneous	179,148	--	--	179,148
Total Revenues	<u>2,406,296</u>	<u>98,707</u>	<u>1,227</u>	<u>2,506,230</u>
<b>Expenditures:</b>				
Current:				
General government	211,945	--	--	211,945
Public Safety	1,158,372	--	--	1,158,372
Highways and streets	1,727,909	--	--	1,727,909
Culture and recreation	487,187	--	--	487,187
Economic development	315,013	--	--	315,013
Capital projects	--	3,198,994	--	3,198,994
Total Expenditures	<u>3,900,426</u>	<u>3,198,994</u>	<u>--</u>	<u>7,099,420</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,494,130)</u>	<u>(3,100,287)</u>	<u>1,227</u>	<u>(4,593,190)</u>
<b>Other Financing Sources (Uses):</b>				
Debt proceeds	--	1,035,000	--	1,035,000
Sale of capital assets	8,764	--	--	8,764
Operating transfers in	1,518,343	14,172	--	1,532,515
Operating transfers out	(150,000)	(32,027)	--	(182,027)
Total Other Financing Sources (Uses)	<u>1,377,107</u>	<u>1,017,145</u>	<u>--</u>	<u>2,394,252</u>
Net Change in Fund Balance	<u>(117,023)</u>	<u>(2,083,142)</u>	<u>1,227</u>	<u>(2,198,938)</u>
Fund Balance at Beginning of Year	617,453	4,205,472	54,005	4,876,930
Prior Period Adjustment	31,745	--	--	31,745
Fund Balance at Beginning of Year As Restated	<u>649,198</u>	<u>4,205,472</u>	<u>54,005</u>	<u>4,908,675</u>
Fund Balance at End of Year	<u>\$ 532,175</u>	<u>\$ 2,122,330</u>	<u>\$ 55,232</u>	<u>\$ 2,709,737</u>

**CITY OF MISSION, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**SEPTEMBER 30, 2004**

	<u>Aquatics Fund</u>	<u>Parks and Recreation Fund</u>	<u>Police Department Special Fund</u>	<u>Police Federal Sharing Fund</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,582	\$ --	\$ 20,765	\$ 119,623
Investments	--	--	20,000	100,000
Receivables:				
Accounts	--	345	--	1,685
Special assessments	--	--	--	--
Less: allowance for uncollectibles	--	--	--	--
Accrued interest receivable	--	--	46	1,248
Due from other governments	161,118	--	--	--
Due from other funds	--	--	--	--
Restricted assets	--	--	--	--
Total Assets	<u>\$ 165,700</u>	<u>\$ 345</u>	<u>\$ 40,811</u>	<u>\$ 222,556</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 3,986	\$ 1,330	\$ --	\$ 45,961
Other liabilities	616	--	--	200
Payable from restricted assets:				
Retainage payable	--	--	--	--
Accrued payroll	6,543	--	1,046	419
Due to other funds	144,555	10,809	--	--
Deferred revenue	--	--	--	--
Total Liabilities	<u>155,700</u>	<u>12,139</u>	<u>1,046</u>	<u>46,580</u>
<b>FUND BALANCES</b>				
Reserved for encumbrances	95	--	--	--
Reserved for scholarships and books	--	--	--	--
Reserved for other purposes	--	--	39,765	175,976
Unreserved, reported in nonmajor:				
Special revenue funds	<u>9,905</u>	<u>(11,794)</u>	<u>--</u>	<u>--</u>
Total Fund Balances	<u>10,000</u>	<u>(11,794)</u>	<u>39,765</u>	<u>175,976</u>
Total Liabilities and Fund Balances	<u>\$ 165,700</u>	<u>\$ 345</u>	<u>\$ 40,811</u>	<u>\$ 222,556</u>

Municipal Court Technology Fund	Designated Purpose Fund	Drainage Assessment Fund	Mission Jr. Golf Trust	Speer Memorial Library
\$ 16,185 45,000	\$ 20,467 --	\$ 104,526 --	\$ 5,261 --	\$ 9,673 26,761
--	--	953	--	--
--	--	101,452	--	--
--	--	(35,534)	--	--
257	--	--	--	290
--	232,035	--	--	--
--	--	62,628	--	--
--	23,247	82,392	--	--
<u>\$ 61,442</u>	<u>\$ 275,749</u>	<u>\$ 316,417</u>	<u>\$ 5,261</u>	<u>\$ 36,724</u>
\$ --	\$ --	\$ 155,538	\$ --	\$ --
--	4,506	--	--	--
--	23,246	82,392	--	--
--	28,535	--	--	--
--	217,928	--	--	--
--	1,534	--	--	--
<u>--</u>	<u>275,749</u>	<u>237,930</u>	<u>--</u>	<u>--</u>
--	--	--	--	--
--	--	--	--	36,724
61,442	--	--	5,261	--
--	--	78,487	--	--
<u>61,442</u>	<u>--</u>	<u>78,487</u>	<u>5,261</u>	<u>36,724</u>
<u>\$ 61,442</u>	<u>\$ 275,749</u>	<u>\$ 316,417</u>	<u>\$ 5,261</u>	<u>\$ 36,724</u>

**CITY OF MISSION, TEXAS****COMBINING BALANCE SHEET****NONMAJOR SPECIAL REVENUE FUNDS****SEPTEMBER 30, 2004**

	Hotel/Motel Tax Fund	Municipal Court Building Security Fund
ASSETS		
Cash and cash equivalents	\$ 38,735	\$ 9,154
Investments	--	25,000
Receivables:		
Accounts	61,328	--
Special assessments	--	--
Less: allowance for uncollectibles	--	--
Accrued interest receivable	--	122
Due from other governments	--	--
Due from other funds	--	--
Restricted assets	--	--
Total Assets	<u>\$ 100,063</u>	<u>\$ 34,276</u>
LIABILITIES		
Accounts payable	\$ --	\$ --
Other liabilities	--	--
Payable from restricted assets:		
Retainage payable	--	--
Accrued payroll	--	--
Due to other funds	--	--
Deferred revenue	--	--
Total Liabilities	<u>--</u>	<u>--</u>
FUND BALANCES		
Reserved for encumbrances	--	--
Reserved for scholarships and books	--	--
Reserved for other purposes	--	34,276
Unreserved, reported in nonmajor:		
Special revenue funds	100,063	--
Total Fund Balances	<u>100,063</u>	<u>34,276</u>
Total Liabilities and Fund Balances	<u>\$ 100,063</u>	<u>\$ 34,276</u>

HOME Fund	Tax Increment Reinvestment Zone One	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$	\$	\$
--	1,975	350,946
--	--	216,761
138,631	--	202,942
--	--	101,452
--	--	(35,534)
--	--	1,963
--	--	393,153
--	--	62,628
--	--	105,639
\$ 138,631	\$ 1,975	\$ 1,399,950
\$	\$	\$
--	--	206,815
--	--	5,322
--	--	105,638
--	--	36,543
--	--	373,292
138,631	--	140,165
138,631	--	867,775
--	--	95
--	--	36,724
--	--	316,720
--	1,975	178,636
--	1,975	532,175
\$ 138,631	\$ 1,975	\$ 1,399,950

# CITY OF MISSION, TEXAS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Aquatics Fund	Parks and Recreation Fund	Police Department Special Fund	Police Federal Sharing Fund
Revenues:				
Taxes and special assessments	\$ --	\$ --	\$ --	\$ --
Intergovernmental	161,118	--	10,731	253,310
Charges for services	22,469	--	--	--
Interest	--	--	1,387	4,207
Miscellaneous	--	48,472	--	--
Total Revenues	<u>183,587</u>	<u>48,472</u>	<u>12,118</u>	<u>257,517</u>
Expenditures:				
Current:				
General government	--	--	--	--
Public Safety	--	--	22,948	201,335
Highways and streets	--	--	--	--
Culture and recreation	344,705	97,766	--	--
Economic development	--	--	--	--
Total Expenditures	<u>344,705</u>	<u>97,766</u>	<u>22,948</u>	<u>201,335</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(161,118)</u>	<u>(49,294)</u>	<u>(10,830)</u>	<u>56,182</u>
Other Financing Sources (Uses):				
Sale of capital assets	--	--	461	8,303
Operating transfers in	161,118	37,500	--	--
Operating transfers out	--	--	--	--
Total Other Financing Sources (Uses)	<u>161,118</u>	<u>37,500</u>	<u>461</u>	<u>8,303</u>
Net Change in Fund Balance	<u>--</u>	<u>(11,794)</u>	<u>(10,369)</u>	<u>64,485</u>
Fund Balance at Beginning of Year	10,000	--	50,134	111,491
Prior Period Adjustment	--	--	--	--
Fund Balance at Beginning of Year As Restated	<u>10,000</u>	<u>--</u>	<u>50,134</u>	<u>111,491</u>
Fund Balance at End of Year	<u>\$ 10,000</u>	<u>\$ (11,794)</u>	<u>\$ 39,765</u>	<u>\$ 175,976</u>



Municipal Court Technology Fund	Designated Purpose Fund	Drainage Assessment Fund	Mission Jr. Golf Trust	Speer Memorial Library
\$ --	\$ --	\$ 405,750	\$ --	\$ --
--	912,258	--	--	--
30,737	--	--	--	--
1,251	--	6,138	87	800
--	770	107,904	22,002	--
<u>31,988</u>	<u>913,028</u>	<u>519,792</u>	<u>22,089</u>	<u>800</u>
11,945	--	--	--	--
--	934,089	--	--	--
--	--	1,727,909	--	--
--	27,820	--	16,896	--
--	--	--	--	--
<u>11,945</u>	<u>961,909</u>	<u>1,727,909</u>	<u>16,896</u>	<u>--</u>
20,043	(48,881)	(1,208,117)	5,193	800
--	--	--	--	--
--	48,881	1,100,000	--	--
--	--	(150,000)	--	--
--	48,881	950,000	--	--
<u>20,043</u>	<u>--</u>	<u>(258,117)</u>	<u>5,193</u>	<u>800</u>
41,399	--	304,859	68	35,924
--	--	31,745	--	--
<u>41,399</u>	<u>--</u>	<u>336,604</u>	<u>68</u>	<u>35,924</u>
<u>\$ 61,442</u>	<u>\$ --</u>	<u>\$ 78,487</u>	<u>\$ 5,261</u>	<u>\$ 36,724</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, 2004

	Hotel/Motel Tax Fund	Municipal Court Building Security Fund	Tax Increment Reinvestment Zone One	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
<b>Revenues:</b>				
Taxes and special assessments	\$ 249,137	\$ --	\$ --	\$ 654,887
Intergovernmental	--	--	144,169	1,481,586
Charges for services	--	21,181	--	74,387
Interest	890	558	970	16,288
Miscellaneous	--	--	--	179,148
<b>Total Revenues</b>	<u>250,027</u>	<u>21,739</u>	<u>145,139</u>	<u>2,406,296</u>
<b>Expenditures:</b>				
Current:				
General government	200,000	--	--	211,945
Public Safety	--	--	--	1,158,372
Highways and streets	--	--	--	1,727,909
Culture and recreation	--	--	--	487,187
Economic development	--	--	315,013	315,013
<b>Total Expenditures</b>	<u>200,000</u>	<u>--</u>	<u>315,013</u>	<u>3,900,426</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>50,027</u>	<u>21,739</u>	<u>(169,874)</u>	<u>(1,494,130)</u>
<b>Other Financing Sources (Uses):</b>				
Sale of capital assets	--	--	--	8,764
Operating transfers in	--	--	170,844	1,518,343
Operating transfers out	--	--	--	(150,000)
<b>Total Other Financing Sources (Uses)</b>	<u>--</u>	<u>--</u>	<u>170,844</u>	<u>1,377,107</u>
<b>Net Change in Fund Balance</b>	<u>50,027</u>	<u>21,739</u>	<u>970</u>	<u>(117,023)</u>
<b>Fund Balance at Beginning of Year</b>	<u>50,036</u>	<u>12,537</u>	<u>1,005</u>	<u>617,453</u>
<b>Prior Period Adjustment</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>31,745</u>
<b>Fund Balance at Beginning of Year As Restated</b>	<u>50,036</u>	<u>12,537</u>	<u>1,005</u>	<u>649,198</u>
<b>Fund Balance at End of Year</b>	<u>\$ 100,063</u>	<u>\$ 34,276</u>	<u>\$ 1,975</u>	<u>\$ 532,175</u>

## CITY OF MISSION, TEXAS

## EXHIBIT C-5

## AQUATICS FUND

## SPECIAL REVENUE FUND

## BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental:			
MCISD contribution	\$ 181,370	\$ 161,118	\$ (20,252)
Total Intergovernmental	<u>181,370</u>	<u>161,118</u>	<u>(20,252)</u>
Charges for Services:			
Aquatics	<u>41,000</u>	<u>22,469</u>	<u>(18,531)</u>
Total Charges for Services	<u>41,000</u>	<u>22,469</u>	<u>(18,531)</u>
Total Revenues	<u>222,370</u>	<u>183,587</u>	<u>(38,783)</u>
Expenditures:			
Current:			
Culture and Recreation:			
Personal services	165,955	147,773	18,182
Employee benefits	30,679	25,842	4,837
Purchased property services	37,800	27,687	10,113
Other purchased services	10,600	7,073	3,527
Supplies	47,600	33,115	14,485
Capital outlays	112,500	103,215	9,285
Miscellaneous	100	--	100
	<u>405,234</u>	<u>344,705</u>	<u>60,529</u>
Total Culture and Recreation	<u>405,234</u>	<u>344,705</u>	<u>60,529</u>
Total Expenditures	<u>405,234</u>	<u>344,705</u>	<u>60,529</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(182,864)</u>	<u>(161,118)</u>	<u>21,746</u>
Other Financing Sources (Uses):			
Operating transfers in	181,369	161,118	(20,251)
Total Other Financing Sources (Uses)	<u>181,369</u>	<u>161,118</u>	<u>(20,251)</u>
Net Change in Fund Balance	<u>(1,495)</u>	<u>--</u>	<u>1,495</u>
Fund Balance at Beginning of Year	10,000	10,000	--
Fund Balance at End of Year	<u>\$ 8,505</u>	<u>\$ 10,000</u>	<u>\$ 1,495</u>

**CITY OF MISSION, TEXAS****EXHIBIT C-6**

PARKS AND RECREATION FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Miscellaneous:			
Fees and charges	\$ 40,000	\$ 39,459	\$ (541)
Miscellaneous income	--	20	20
Fundraising	9,000	8,993	(7)
Total Miscellaneous	<u>49,000</u>	<u>48,472</u>	<u>(528)</u>
Total Revenues	<u>49,000</u>	<u>48,472</u>	<u>(528)</u>
Expenditures:			
Current:			
Culture and Recreation:			
Professional & technical services	32,500	36,936	(4,436)
Other purchased services	14,480	17,821	(3,341)
Supplies	28,105	31,468	(3,363)
Miscellaneous	11,515	11,541	(26)
	<u>86,600</u>	<u>97,766</u>	<u>(11,166)</u>
Total Culture and Recreation	<u>86,600</u>	<u>97,766</u>	<u>(11,166)</u>
Total Expenditures	<u>86,600</u>	<u>97,766</u>	<u>(11,166)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(37,600)</u>	<u>(49,294)</u>	<u>(11,694)</u>
Other Financing Sources (Uses):			
Operating transfers in	37,500	37,500	--
Total Other Financing Sources (Uses)	<u>37,500</u>	<u>37,500</u>	<u>--</u>
Net Change in Fund Balance	<u>(100)</u>	<u>(11,794)</u>	<u>(11,694)</u>
Fund Balance at Beginning of Year	--	--	--
Fund Balance at End of Year	<u>\$ (100)</u>	<u>\$ (11,794)</u>	<u>\$ (11,694)</u>

**CITY OF MISSION, TEXAS****EXHIBIT C-7****POLICE DEPARTMENT SPECIAL FUND****SPECIAL REVENUE FUND****BUDGETARY COMPARISON SCHEDULE****FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Intergovernmental:			
BJA - Bulletproof Vest Grant	\$ 10,731	\$ 10,731	\$ --
Total Intergovernmental	<u>10,731</u>	<u>10,731</u>	<u>--</u>
Interest:			
Interest earned on investments	500	887	387
Interest earned on demand deposits	<u>300</u>	<u>500</u>	<u>200</u>
Total Interest	<u>800</u>	<u>1,387</u>	<u>587</u>
Total Revenues	<u>11,531</u>	<u>12,118</u>	<u>587</u>
<b>Expenditures:</b>			
Current:			
Public Safety:			
BJA Grant 2003:			
Capital outlays	11,923	11,915	8
	<u>11,923</u>	<u>11,915</u>	<u>8</u>
State Seizures:			
Professional & technical services	3,744	--	3,744
Other purchased services	8,000	--	8,000
Supplies	8,000	--	8,000
Capital outlays	20,000	11,033	8,967
Miscellaneous	<u>4,000</u>	<u>--</u>	<u>4,000</u>
	<u>43,744</u>	<u>11,033</u>	<u>32,711</u>
Total Public Safety	<u>55,667</u>	<u>22,948</u>	<u>32,719</u>
Total Expenditures	<u>55,667</u>	<u>22,948</u>	<u>32,719</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(44,136)</u>	<u>(10,830)</u>	<u>33,306</u>
Other Financing Sources (Uses):			
Sale of capital assets	--	461	461
Total Other Financing Sources (Uses)	<u>--</u>	<u>461</u>	<u>461</u>
Net Change in Fund Balance	<u>(44,136)</u>	<u>(10,369)</u>	<u>33,767</u>
Fund Balance at Beginning of Year	50,134	50,134	--
Fund Balance at End of Year	<u>\$ 5,998</u>	<u>\$ 39,765</u>	<u>\$ 33,767</u>

**CITY OF MISSION, TEXAS**  
**POLICE FEDERAL SHARING FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

**EXHIBIT C-8**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Intergovernmental:			
Equitable Sharing	\$ 200,635	\$ 253,310	\$ 52,675
Total Intergovernmental	<u>200,635</u>	<u>253,310</u>	<u>52,675</u>
Interest:			
Interest earned on investments	3,000	3,247	247
Interest earned on demand deposits	<u>1,000</u>	<u>960</u>	<u>(40)</u>
Total Interest	<u>4,000</u>	<u>4,207</u>	<u>207</u>
Total Revenues	<u>204,635</u>	<u>257,517</u>	<u>52,882</u>
Expenditures:			
Current:			
Public Safety:			
Personal services	35,809	36,321	(512)
Employee benefits	9,826	7,674	2,152
Professional & technical services	44,859	7,590	37,269
Purchased property services	12,365	3,743	8,622
Other purchased services	6,077	6,250	(173)
Supplies	9,491	1,025	8,466
Capital outlays	147,894	136,244	11,650
Miscellaneous	<u>22,000</u>	<u>2,488</u>	<u>19,512</u>
Total Public Safety	<u>288,322</u>	<u>201,335</u>	<u>86,987</u>
Total Expenditures	<u>288,322</u>	<u>201,335</u>	<u>86,987</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(83,687)</u>	<u>56,182</u>	<u>139,869</u>
Other Financing Sources (Uses):			
Sale of capital assets	--	8,303	8,303
Total Other Financing Sources (Uses)	<u>--</u>	<u>8,303</u>	<u>8,303</u>
Net Change in Fund Balance	<u>(83,687)</u>	<u>64,485</u>	<u>148,172</u>
Fund Balance at Beginning of Year	111,491	111,491	--
Fund Balance at End of Year	<u>\$ 27,804</u>	<u>\$ 175,976</u>	<u>\$ 148,172</u>

**CITY OF MISSION, TEXAS****EXHIBIT C-9**

**MUNICIPAL COURT TECHNOLOGY FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for Services:			
Court technology fees	\$ 25,000	\$ 30,737	\$ 5,737
Total Charges for Services	<u>25,000</u>	<u>30,737</u>	<u>5,737</u>
Interest:			
Interest earned on investments	400	990	590
Interest earned on demand deposits	200	261	61
Total Interest	<u>600</u>	<u>1,251</u>	<u>651</u>
Total Revenues	<u>25,600</u>	<u>31,988</u>	<u>6,388</u>
Expenditures:			
Current:			
General Government:			
Purchased property services	9,671	9,671	--
Supplies	200	186	14
Capital outlays	2,760	2,088	672
Miscellaneous	1,500	--	1,500
	<u>14,131</u>	<u>11,945</u>	<u>2,186</u>
Total General Government	<u>14,131</u>	<u>11,945</u>	<u>2,186</u>
Total Expenditures	<u>14,131</u>	<u>11,945</u>	<u>2,186</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>11,469</u>	<u>20,043</u>	<u>8,574</u>
Fund Balance at Beginning of Year	41,399	41,399	--
Fund Balance at End of Year	<u>\$ 52,868</u>	<u>\$ 61,442</u>	<u>\$ 8,574</u>

**CITY OF MISSION, TEXAS**  
**DESIGNATED PURPOSE FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

**EXHIBIT C-10**  
Page 1 of 2

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Intergovernmental:			
COPS Grant	\$ 1,481,000	\$ 511,263	\$ (969,737)
CJD Grant	8,268	8,267	(1)
Texas Parks & Wildlife Grant	20,440	10,616	(9,824)
Lone Star Library Grant	6,588	6,588	--
State Homeland Security Program	161,228	--	(161,228)
State Homeland Security LETPP Grant	62,980	--	(62,980)
Office of Victims Assistance Grant	81,061	43,048	(38,013)
TEEX Homeland Security	205,796	203,969	(1,827)
Task Force	231,976	128,507	(103,469)
Total Intergovernmental	<u>2,259,337</u>	<u>912,258</u>	<u>(1,347,079)</u>
Miscellaneous:			
Wal-mart Child ID Program	1,200	166	(1,034)
Wal-mart Safe Neighborhood Heroes	1,105	604	(501)
Total Miscellaneous	<u>2,305</u>	<u>770</u>	<u>(1,535)</u>
Total Revenues	<u>2,261,642</u>	<u>913,028</u>	<u>(1,348,614)</u>
Expenditures:			
Current:			
Public Safety:			
Task Force Grant:			
Personal services	167,961	98,199	69,762
Employee benefits	48,967	28,693	20,274
Supplies	15,048	1,615	13,433
	<u>231,976</u>	<u>128,507</u>	<u>103,469</u>
Wal-mart Child ID Program:			
Supplies	--	166	(166)
Capital outlays	1,200	--	1,200
	<u>1,200</u>	<u>166</u>	<u>1,034</u>
Office of Victims Assistance Grant:			
Personal services	62,725	32,749	29,976
Employee benefits	14,336	8,424	5,912
Other purchased services	4,000	1,875	2,125
	<u>81,061</u>	<u>43,048</u>	<u>38,013</u>
Wal-mart Safe Neighborhood Program:			
Other purchased services	500	--	500
Capital outlays	605	604	1
	<u>1,105</u>	<u>604</u>	<u>501</u>
COPS Grant:			
Personal services	1,478,648	408,488	1,070,160
Employee benefits	454,172	140,121	314,051
	<u>1,932,820</u>	<u>548,609</u>	<u>1,384,211</u>



**CITY OF MISSION, TEXAS**

DESIGNATED PURPOSE FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2004

**EXHIBIT C-10**

Page 2 of 2

	Budget	Actual	Variance Positive (Negative)
CJD Juvenile Enforcement:			
Capital outlays	9,186	9,186	--
	<u>9,186</u>	<u>9,186</u>	<u>--</u>
TEEX Homeland Security Program:			
Capital outlays	205,796	203,969	1,827
	<u>205,796</u>	<u>203,969</u>	<u>1,827</u>
State Homeland Security Program:			
Capital outlays	161,228	--	161,228
	<u>161,228</u>	<u>--</u>	<u>161,228</u>
State Homeland Security Program:			
Capital outlays	62,980	--	62,980
	<u>62,980</u>	<u>--</u>	<u>62,980</u>
Total Public Safety	<u>2,687,352</u>	<u>934,089</u>	<u>1,753,263</u>
Culture and Recreation:			
Texas Parks and Wildlife Armory Grant:			
Professional & technical services	1,360	--	1,360
Capital outlays	62,596	21,232	41,364
	<u>63,956</u>	<u>21,232</u>	<u>42,724</u>
Loan Star Libraries Grant:			
Capital outlays	6,588	6,588	--
	<u>6,588</u>	<u>6,588</u>	<u>--</u>
Total Culture and Recreation	<u>70,544</u>	<u>27,820</u>	<u>42,724</u>
Total Expenditures	<u>2,757,896</u>	<u>961,909</u>	<u>1,795,987</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(496,254)</u>	<u>(48,881)</u>	<u>447,373</u>
Other Financing Sources (Uses):			
Operating transfers in	496,254	48,881	(447,373)
Total Other Financing Sources (Uses)	<u>496,254</u>	<u>48,881</u>	<u>(447,373)</u>
Net Change in Fund Balance	<u>--</u>	<u>--</u>	<u>--</u>
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**  
**DRAINAGE ASSESSMENT FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

**EXHIBIT C-11**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Special Assessments:			
Drainage assessments	\$ 393,650	\$ 405,750	\$ 12,100
Total Assessments	<u>393,650</u>	<u>405,750</u>	<u>12,100</u>
Interest:			
Interest earned on investments	5,000	4,901	(99)
Interest earned on demand deposits	1,500	1,237	(263)
Total Interest	<u>6,500</u>	<u>6,138</u>	<u>(362)</u>
Miscellaneous:			
Drainage reimb. - subdividers	14,000	26,713	12,713
Miscellaneous income	80,191	81,191	1,000
Total Miscellaneous	<u>94,191</u>	<u>107,904</u>	<u>13,713</u>
Total Revenues	<u>494,341</u>	<u>519,792</u>	<u>25,451</u>
Expenditures:			
Current:			
Highways and Streets:			
Professional & technical services	48,519	47,223	1,296
Purchased property services	17,800	17,671	129
Other purchased services	106,615	107,845	(1,230)
Supplies	570	859	(289)
Capital outlays	1,695,487	1,554,311	141,176
	<u>1,868,991</u>	<u>1,727,909</u>	<u>141,082</u>
Total Highways and Streets	<u>1,868,991</u>	<u>1,727,909</u>	<u>141,082</u>
Total Expenditures	<u>1,868,991</u>	<u>1,727,909</u>	<u>141,082</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,374,650)</u>	<u>(1,208,117)</u>	<u>166,533</u>
Other Financing Sources (Uses):			
Operating transfers in	1,100,000	1,100,000	--
Operating transfers out	(150,000)	(150,000)	--
Total Other Financing Sources (Uses)	<u>950,000</u>	<u>950,000</u>	<u>--</u>
Net Change in Fund Balance	<u>(424,650)</u>	<u>(258,117)</u>	<u>166,533</u>
Fund Balance at Beginning of Year	304,859	304,859	--
Prior Period Adjustment	--	31,745	31,745
Fund Balance at Beginning of Year As Restated	<u>304,859</u>	<u>336,604</u>	<u>31,745</u>
Fund Balance at End of Year	<u>\$ (119,791)</u>	<u>\$ 78,487</u>	<u>\$ 198,278</u>

**CITY OF MISSION, TEXAS**
**EXHIBIT C-12**
**HOTEL/MOTEL TAX FUND**
**SPECIAL REVENUE FUND**
**BUDGETARY COMPARISON SCHEDULE**
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Taxes:			
Hotel occupancy tax	\$ 220,000	\$ 248,254	\$ 28,254
Penalties and interest - hotel occupancy tax	500	883	(383)
Total Taxes	<u>220,500</u>	<u>249,137</u>	<u>28,637</u>
Interest:			
Interest earned on demand deposits	300	890	590
Total Interest	<u>300</u>	<u>890</u>	<u>590</u>
Total Revenues	<u>220,800</u>	<u>250,027</u>	<u>29,227</u>
Expenditures:			
Current:			
General Government:			
Tourist Promotion & Advertising:			
Miscellaneous	200,000	200,000	--
	<u>200,000</u>	<u>200,000</u>	<u>--</u>
Total General Government	<u>200,000</u>	<u>200,000</u>	<u>--</u>
Total Expenditures	<u>200,000</u>	<u>200,000</u>	<u>--</u>
Excess (Deficiency) of			
Revenues Over Expenditures	20,800	50,027	29,227
Net Change in Fund Balance	<u>20,800</u>	<u>50,027</u>	<u>29,227</u>
Fund Balance at Beginning of Year	50,036	50,036	--
Fund Balance at End of Year	<u>\$ 70,836</u>	<u>\$ 100,063</u>	<u>\$ 29,227</u>

**CITY OF MISSION, TEXAS**  
**MUNI COURT BLDG SECURITY FD**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

**EXHIBIT C-13**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for Services:			
Municipal court security fees	\$ 11,700	\$ 21,181	\$ 9,481
Total Charges for Services	<u>11,700</u>	<u>21,181</u>	<u>9,481</u>
Interest:			
Interest earned on investments	--	375	375
Interest earned on demand deposits	120	183	63
Total Interest	<u>120</u>	<u>558</u>	<u>438</u>
Total Revenues	<u>11,820</u>	<u>21,739</u>	<u>9,919</u>
Expenditures:			
Current:			
Total Expenditures	<u>--</u>	<u>--</u>	<u>--</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>11,820</u>	<u>21,739</u>	<u>9,919</u>
Fund Balance at Beginning of Year	12,537	12,537	--
Fund Balance at End of Year	<u>\$ 24,357</u>	<u>\$ 34,276</u>	<u>\$ 9,919</u>

**CITY OF MISSION, TEXAS****EXHIBIT C-14**

**TAX INCREMENT REINVESTMENT ZONE FUND  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Intergovernmental:			
Contribution - Hidalgo County	\$ 144,169	\$ 144,169	\$ --
Total Intergovernmental	<u>144,169</u>	<u>144,169</u>	<u>--</u>
Interest:			
Interest earned on demand deposits	<u>--</u>	<u>970</u>	<u>970</u>
Total Interest	<u>--</u>	<u>970</u>	<u>970</u>
Total Revenues	<u>144,169</u>	<u>145,139</u>	<u>970</u>
Expenditures:			
Current:			
Mission Redevelopment Authority	<u>315,013</u>	<u>315,013</u>	<u>--</u>
Total Expenditures	<u>315,013</u>	<u>315,013</u>	<u>--</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(170,844)</u>	<u>(169,874)</u>	<u>970</u>
Other Financing Sources (Uses):			
Operating transfers in	<u>170,844</u>	<u>170,844</u>	<u>--</u>
Total Other Financing Sources (Uses)	<u>170,844</u>	<u>170,844</u>	<u>--</u>
Net Change in Fund Balance	<u>--</u>	<u>970</u>	<u>970</u>
Fund Balance at Beginning of Year	1,005	1,005	--
Fund Balance at End of Year	<u>\$ 1,005</u>	<u>\$ 1,975</u>	<u>\$ 970</u>

This page left blank intentionally.

**CITY OF MISSION, TEXAS****EXHIBIT C-15****DEBT SERVICE FUND****BUDGETARY COMPARISON SCHEDULE****FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Interest:			
Interest earned on investments	\$ 10,200	\$ 14,424	\$ 4,224
Interest earned on demand deposits	4,700	4,770	70
Total Interest	<u>14,900</u>	<u>19,194</u>	<u>4,294</u>
Total Revenues	<u>14,900</u>	<u>19,194</u>	<u>4,294</u>
Expenditures:			
Current:			
Debt Service:			
Principal retirement	1,015,000	1,015,000	--
Interest and fiscal agent charges	805,038	803,601	1,437
Total Debt Service	<u>1,820,038</u>	<u>1,818,601</u>	<u>1,437</u>
Total Expenditures	<u>1,820,038</u>	<u>1,818,601</u>	<u>1,437</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,805,138)</u>	<u>(1,799,407)</u>	<u>5,731</u>
Other Financing Sources (Uses):			
Operating transfers in	1,820,038	1,852,065	32,027
Total Other Financing Sources (Uses)	<u>1,820,038</u>	<u>1,852,065</u>	<u>32,027</u>
Net Change in Fund Balance	<u>14,900</u>	<u>52,658</u>	<u>37,758</u>
Fund Balance at Beginning of Year	503,430	503,430	--
Fund Balance at End of Year	<u>\$ 518,330</u>	<u>\$ 556,088</u>	<u>\$ 37,758</u>

**CITY OF MISSION, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**SEPTEMBER 30, 2004**

	1998 Public Prop. Fin. Contractual Obligations	1998-A Certificates of Obligation
<b>ASSETS</b>		
Cash and cash equivalents	\$ 11	\$ 2,488
Investments	--	--
Accrued interest receivable	--	--
Restricted assets	--	--
Total Assets	<u>\$ 11</u>	<u>\$ 2,488</u>
<b>LIABILITIES</b>		
Accounts payable	\$ --	\$ --
Other liabilities	--	2,474
Payable from restricted assets:		
Retainage payable	--	--
Total Liabilities	<u>--</u>	<u>2,474</u>
<b>FUND BALANCES</b>		
Reserved for capital projects	11	14
Total Fund Balances	<u>11</u>	<u>14</u>
Total Liabilities and Fund Balances	<u>\$ 11</u>	<u>\$ 2,488</u>



2003 Public Prop. Fin. Contractual Obligations	2003 Certificates of Obligation	2004 Certificates of Obligation	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ 19,149	\$ 1,237,607	\$ 600,000	\$ 1,859,255
--	250,000	200,000	450,000
--	1,495	173	1,668
--	206,491	--	206,491
<u>\$ 19,149</u>	<u>\$ 1,695,593</u>	<u>\$ 800,173</u>	<u>\$ 2,517,414</u>
\$ --	\$ 65,048	\$ 121,071	\$ 186,119
--	--	--	2,474
--	206,491	--	206,491
<u>--</u>	<u>271,539</u>	<u>121,071</u>	<u>395,084</u>
19,149	1,424,054	679,102	2,122,330
<u>19,149</u>	<u>1,424,054</u>	<u>679,102</u>	<u>2,122,330</u>
<u>\$ 19,149</u>	<u>\$ 1,695,593</u>	<u>\$ 800,173</u>	<u>\$ 2,517,414</u>

# CITY OF MISSION, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Capital Projects Fund	1998 Public Prop. Fin. Contractual Obligations	1998-A Certificates of Obligation
Revenues:			
Intergovernmental	\$ 21,260	\$ --	\$ --
Interest	--	4,667	3,083
Total Revenues	<u>21,260</u>	<u>4,667</u>	<u>3,083</u>
Expenditures:			
Current:			
Capital projects	<u>35,432</u>	<u>--</u>	<u>--</u>
Total Expenditures	<u>35,432</u>	<u>--</u>	<u>--</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(14,172)</u>	<u>4,667</u>	<u>3,083</u>
Other Financing Sources (Uses):			
Debt proceeds	--	--	--
Operating transfers in	14,172	--	--
Operating transfers out	<u>--</u>	<u>(15,954)</u>	<u>(14,786)</u>
Total Other Financing Sources (Uses)	<u>14,172</u>	<u>(15,954)</u>	<u>(14,786)</u>
Net Change in Fund Balance	<u>--</u>	<u>(11,287)</u>	<u>(11,703)</u>
Fund Balance at Beginning of Year	--	11,298	11,717
Fund Balance at End of Year	<u>\$ --</u>	<u>\$ 11</u>	<u>\$ 14</u>

2000 Certificates of Obligation	2003 Public Prop. Fin. Contractual Obligations	2003 Certificates of Obligation	2004 Certificates of Obligation	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ --	\$ --	\$ --	\$ --	\$ 21,260
174	6,206	63,144	173	77,447
<u>174</u>	<u>6,206</u>	<u>63,144</u>	<u>173</u>	<u>98,707</u>
2,875	602,864	2,201,752	356,071	3,198,994
<u>2,875</u>	<u>602,864</u>	<u>2,201,752</u>	<u>356,071</u>	<u>3,198,994</u>
(2,701)	(596,658)	(2,138,608)	(355,898)	(3,100,287)
--	--	--	1,035,000	1,035,000
--	--	--	--	14,172
(1,287)	--	--	--	(32,027)
<u>(1,287)</u>	<u>--</u>	<u>--</u>	<u>1,035,000</u>	<u>1,017,145</u>
(3,988)	(596,658)	(2,138,608)	679,102	(2,083,142)
3,988	615,807	3,562,662	--	4,205,472
<u>\$ --</u>	<u>\$ 19,149</u>	<u>\$ 1,424,054</u>	<u>\$ 679,102</u>	<u>\$ 2,122,330</u>

**This page left blank intentionally.**

## **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.

This page left blank intentionally.

**CITY OF MISSION, TEXAS**

UTILITY FUND

ENTERPRISE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2004

**EXHIBIT C-18**

Page 1 of 4

	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
<b>Operating Revenues:</b>			
Water sales, net of adjustment	\$ 5,995,000	\$ 5,917,363	\$ (77,637)
Connection fee	384,000	322,527	(61,473)
Reconnect fee	60,000	60,800	800
Sewage service	3,350,000	3,199,010	(150,990)
Wastewater assessment	187,500	161,560	(25,940)
Service charge	74,000	65,449	(8,551)
Industrial sewer surcharge	115,000	92,743	(22,257)
Waterline and sewer line	43,634	72,652	29,018
Miscellaneous income	13,000	13,532	532
Operating Revenues	<u>10,222,134</u>	<u>9,905,636</u>	<u>(316,498)</u>
<b>Nonoperating Revenues:</b>			
Interest earned	330,000	422,329	92,329
Gain (loss) on disposal of capital assets	--	(495)	(495)
Insurance settlement	24,993	13,963	(11,030)
Nonoperating Revenues	<u>354,993</u>	<u>435,797</u>	<u>80,804</u>
<b>Total Revenues</b>	<u>10,577,127</u>	<u>10,341,433</u>	<u>(235,694)</u>
<b>Operating Expenses:</b>			
Utility Administration:			
Personal services	190,612	215,432	(24,820)
Employee benefits	57,484	56,124	1,360
Professional & technical services	16,000	15,589	411
Purchased property services	23,250	18,487	4,763
Other purchased services	32,327	29,985	2,342
Supplies	29,135	23,536	5,599
Capital outlays	8,000	7,818	182
Miscellaneous	10,787	9,359	1,428
	<u>367,596</u>	<u>376,330</u>	<u>(8,734)</u>
<b>Water Distribution:</b>			
Personal services	775,772	809,087	(33,315)
Employee benefits	264,869	284,167	(19,298)
Professional & technical services	103,155	94,151	9,004
Purchased property services	411,141	379,991	31,150
Other purchased services	57,000	44,967	12,033
Supplies	752,131	637,158	114,973
Capital outlays	2,157,364	745,849	1,411,515
Miscellaneous	44,354	29,812	14,542
	<u>4,565,787</u>	<u>3,025,182</u>	<u>1,540,605</u>
<b>Water Treatment:</b>			
Personal services	283,223	298,986	(15,763)
Employee benefits	111,028	107,168	3,860
Professional & technical services	20,000	14,345	5,655
Purchased property services	215,320	182,325	32,995
Other purchased services	13,300	11,524	1,776
Supplies	508,330	481,195	27,135

**CITY OF MISSION, TEXAS**  
**UTILITY FUND**  
**ENTERPRISE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

**EXHIBIT C-18**  
**Page 2 of 4**

	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
Capital outlays	30,500	24,986	5,514
Miscellaneous	4,500	2,887	1,613
	<u>1,186,201</u>	<u>1,123,416</u>	<u>62,785</u>
<b>Wastewater Treatment and Collection:</b>			
Personal services	322,238	306,683	15,555
Employee benefits	105,586	101,713	3,873
Professional & technical services	60,000	53,450	6,550
Purchased property services	282,500	231,385	51,115
Other purchased services	9,600	8,687	913
Supplies	225,394	199,287	26,107
Capital outlays	40,500	38,711	1,789
Miscellaneous	137,780	124,871	12,909
	<u>1,183,598</u>	<u>1,064,787</u>	<u>118,811</u>
<b>Industrial Pretreatment:</b>			
Personal services	30,039	30,525	(486)
Employee benefits	9,466	9,409	57
Professional & technical services	44,500	--	44,500
Purchased property services	255,400	208,623	46,777
Other purchased services	2,600	1,289	1,311
Supplies	73,150	62,147	11,003
Capital outlays	31,000	23,856	7,144
Miscellaneous	53,750	18,396	35,354
	<u>499,905</u>	<u>354,245</u>	<u>145,660</u>
<b>Utility Billing and Collection:</b>			
Personal services	419,815	417,085	2,730
Employee benefits	152,440	146,152	6,288
Purchased property services	8,995	7,902	1,093
Other purchased services	57,500	54,610	2,890
Supplies	61,500	59,221	2,279
Capital outlays	20,948	17,784	3,164
Miscellaneous	3,500	1,561	1,939
	<u>724,698</u>	<u>704,315</u>	<u>20,383</u>
<b>Organizational Expense:</b>			
Professional & technical services	190,061	461,232	(271,171)
Other purchased services	75,750	74,490	1,260
Capital outlays	42,286	48,656	(6,370)
Miscellaneous	68,800	347,266	(278,466)
	<u>376,897</u>	<u>931,645</u>	<u>(554,748)</u>
<b>Northside Water Treatment Plant:</b>			
Personal services	106,809	110,418	(3,609)
Employee benefits	42,930	40,476	2,454
Professional & technical services	20,000	5,254	14,746
Purchased property services	152,799	150,005	2,794
Other purchased services	5,700	4,816	884
Supplies	523,808	494,420	29,388
Capital outlays	30,000	22,521	7,479
Miscellaneous	71,300	70,805	495
	<u>953,346</u>	<u>898,715</u>	<u>54,631</u>



**CITY OF MISSION, TEXAS**

UTILITY FUND

ENTERPRISE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2004

**EXHIBIT C-18**

Page 3 of 4

	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
2001 Bonds - Water Projects:			
Professional & technical services	117,569	117,569	--
Capital outlays	5,521,792	5,521,792	--
	<u>5,639,361</u>	<u>5,639,361</u>	<u>--</u>
2001 Bonds - Sewer Projects:			
Professional & technical services	15,000	--	15,000
Capital outlays	53,764	--	53,764
Miscellaneous	13,355	--	13,355
	<u>82,119</u>	<u>--</u>	<u>82,119</u>
TWDB 2004-A Bonds:			
Professional & technical services	112,214	112,214	--
Capital outlays	4,184,616	4,184,616	--
Miscellaneous	13,165	13,165	--
	<u>4,309,994</u>	<u>4,309,994</u>	<u>--</u>
TWDB 2004-B Bonds:			
Capital outlays	603,000	603,000	--
	<u>603,000</u>	<u>603,000</u>	<u>--</u>
TWDB - CWTAP Grant:			
Professional & technical services	218,603	218,603	--
Capital outlays	2,161,040	2,161,040	--
Miscellaneous	2,835	2,835	--
	<u>2,382,479</u>	<u>2,382,479</u>	<u>--</u>
2003 PPFCO Procurement:			
Capital outlays	1,350,000	1,340,903	9,097
	<u>1,350,000</u>	<u>1,340,903</u>	<u>9,097</u>
Reimbursement to General Fund for Overhead	750,000	750,000	--
Contingency	(11,000)	--	(11,000)
Total Operating Expenses	<u>24,963,981</u>	<u>23,504,371</u>	<u>1,459,610</u>
Nonoperating Expenses:			
Bond interest expense	1,228,686	1,287,117	(58,431)
Bond fiscal charges	8,500	6,435	2,065
Bond principal	1,374,000	1,374,000	--
Nonoperating Expenses	<u>2,611,186</u>	<u>2,667,552</u>	<u>(56,366)</u>
Transfers:			
Transfers in (out)	<u>(1,417,388)</u>	<u>(1,364,172)</u>	<u>53,216</u>
Capital Contributions	2,423,282	5,285,983	2,862,701
Operating and Nonoperating Expenses, Transfers, and Capital Contributions (Budgetary Basis)	<u>26,569,273</u>	<u>22,250,112</u>	<u>4,319,161</u>

**CITY OF MISSION, TEXAS**

UTILITY FUND

ENTERPRISE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-18

Page 4 of 4

	<u>Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Net Income (Budgetary Basis)	\$ <u>(15,992,146)</u>	(11,908,679)	\$ <u>4,083,467</u>
Adjustments:			
Current year depreciation of capital assets, not budgeted		(1,955,156)	
Bond principal		1,374,000	
Amount budgeted as expense per budget basis, capitalized per GAAP basis		<u>15,661,700</u>	
		<u>15,080,544</u>	
Net Income (GAAP Basis)		\$ <u>3,171,865</u>	

# CITY OF MISSION, TEXAS

GOLF COURSE FUND

ENTERPRISE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-19

Page 1 of 2

	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
Operating Revenues:			
Pro shop sales	\$ 110,000	\$ 64,864	\$ (45,136)
Cart and club rental	255,000	156,784	(98,216)
Pull carts and club rentals	5,500	4,119	(1,381)
Food and beverage sales	82,000	56,479	(25,521)
Restaurant lease	12,000	369	(11,631)
Daily green fees	525,000	402,969	(122,031)
Summer rates - green fees	40,000	12,467	(27,533)
Trail fees	60,000	52,563	(7,437)
Juniors' fees	20,000	21,325	1,325
Prepaid members	215,000	209,012	(5,988)
Driving range	42,500	37,013	(5,487)
Miscellaneous income	3,500	2,345	(1,155)
Operating Revenues	<u>1,370,500</u>	<u>1,020,309</u>	<u>(350,191)</u>
Nonoperating Revenues:			
Interest earned	2,400	714	(1,686)
Gain (loss) on disposal of capital assets	10,000	4,412	(5,588)
Loan proceeds	570,000	--	(570,000)
Insurance settlement	472	472	--
Nonoperating Revenues	<u>582,872</u>	<u>5,598</u>	<u>(577,274)</u>
Total Revenues	<u>1,953,372</u>	<u>1,025,907</u>	<u>(927,465)</u>
Operating Expenses:			
Cost of sales - pro shop	31,771	75,941	(44,170)
Cost of sales - restaurant	41,900	29,028	12,872
Total Cost of Sales	<u>73,671</u>	<u>104,969</u>	<u>(31,298)</u>
Golf Course Operation:			
Club House:			
Personal services	299,792	293,429	6,363
Employee benefits	111,272	99,390	11,882
Purchased property services	32,027	28,691	3,336
Other purchased services	8,220	8,803	(583)
Supplies	19,141	17,597	1,544
Capital outlays	2,800	812	1,988
Miscellaneous	7,501	6,793	708
	<u>480,752</u>	<u>455,515</u>	<u>25,237</u>
Grounds:			
Personal services	240,601	232,852	7,749
Employee benefits	90,763	86,126	4,637
Purchased property services	37,000	34,547	2,453
Other purchased services	275	405	(130)
Supplies	110,212	105,664	4,548
Miscellaneous	7,448	7,369	79
	<u>486,299</u>	<u>466,963</u>	<u>19,336</u>
Restaurant:			
Personal services	26,700	24,643	2,057
Employee benefits	4,909	3,919	990

# CITY OF MISSION, TEXAS

GOLF COURSE FUND

ENTERPRISE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2004

EXHIBIT C-19

Page 2 of 2

	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
Supplies	--	34	(34)
Capital outlays	3,500	2,950	550
Miscellaneous	600	--	600
	<u>35,709</u>	<u>31,546</u>	<u>4,163</u>
2003 Installment Note:			
Supplies	1,453	1,453	--
Capital outlays	<u>198,547</u>	<u>194,834</u>	<u>3,713</u>
	<u>200,000</u>	<u>196,287</u>	<u>3,713</u>
2004 Bank Loan:			
Capital outlays	<u>370,000</u>	<u>367,379</u>	<u>2,621</u>
	<u>370,000</u>	<u>367,379</u>	<u>2,621</u>
Organizational Expense:			
Professional & technical services	20,000	24,866	(4,866)
Other purchased services	5,000	5,088	(88)
Miscellaneous	<u>5,500</u>	<u>41,057</u>	<u>(35,557)</u>
	<u>30,500</u>	<u>71,011</u>	<u>(40,511)</u>
Total Golf Course Operation	<u>1,603,259</u>	<u>1,588,701</u>	<u>14,558</u>
Depreciation	100,000	146,330	(46,330)
Reimbursement to General Fund for Overhead	52,500	--	52,500
Contingency	3,847	--	3,847
Total Operating Expenses	<u>1,833,277</u>	<u>1,840,000</u>	<u>(6,723)</u>
Nonoperating Expenses:			
Bond fiscal charges	--	1,850	(1,850)
Note interest expense	7,500	8,785	(1,285)
Note principal	<u>75,000</u>	<u>--</u>	<u>75,000</u>
Nonoperating Expenses	<u>82,500</u>	<u>10,635</u>	<u>71,865</u>
Operating and Nonoperating Expenses, Transfers, and Capital Contributions (Budgetary Basis)	<u>1,915,777</u>	<u>1,850,635</u>	<u>65,142</u>
Net Income (Budgetary Basis)	<u>\$ 37,595</u>	<u>(824,728)</u>	<u>\$ (862,323)</u>
Adjustments:			
Amount budgeted as expense per budget basis, capitalized per GAAP basis		<u>565,975</u>	
Net Income (GAAP Basis)		<u>\$ (258,753)</u>	

**CITY OF MISSION, TEXAS****EXHIBIT C-20****SOLID WASTE****ENTERPRISE FUND****BUDGETARY COMPARISON SCHEDULE****FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Operating Revenues:</b>			
Garbage fees	\$ 2,675,000	\$ 2,636,649	\$ (38,351)
Brush fees	340,000	340,183	183
Roll-off fees	6,000	10,756	4,756
Miscellaneous income	850	30,255	29,405
Operating Revenues	<u>3,021,850</u>	<u>3,017,843</u>	<u>(4,007)</u>
<b>Nonoperating Revenues:</b>			
Interest earned	<u>4,300</u>	<u>9,397</u>	<u>5,097</u>
Nonoperating Revenues	<u>4,300</u>	<u>9,397</u>	<u>5,097</u>
<b>Total Revenues</b>	<u>3,026,150</u>	<u>3,027,240</u>	<u>1,090</u>
<b>Operating Expenses:</b>			
Solid waste disposal	2,952,500	2,868,909	83,591
Miscellaneous	60,000	--	60,000
Rental - machinery & equipment	5,000	--	5,000
<b>Total Operating Expenses</b>	<u>3,017,500</u>	<u>2,852,829</u>	<u>164,671</u>
<b>Transfers:</b>			
Transfers in (out)	<u>(200,000)</u>	<u>(200,000)</u>	<u>--</u>
<b>Operating Expenses and Transfers</b>	<u>3,217,500</u>	<u>3,052,829</u>	<u>164,671</u>
<b>Net Income (GAAP Basis)</b>	<u>\$ (191,350)</u>	<u>\$ (25,589)</u>	<u>\$ (165,761)</u>

This page left blank intentionally.

**CAPITAL ASSETS USED IN THE  
OPERATION OF GOVERNMENTAL  
FUNDS**

CITY OF MISSION, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 COMPARATIVE SCHEDULE BY SOURCE  
 As of September 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Governmental Funds Capital Assets:		
Land	\$ 27,301,508	\$ 25,635,417
Buildings and structures	9,735,079	9,653,144
Improvements other than buildings	4,600,998	3,672,945
Furniture and equipment	11,428,247	10,630,815
Construction in progress	4,712,070	1,090,897
Infrastructure	<u>42,378,751</u>	<u>37,790,508</u>
Total Governmental Funds Capital Assets	<u>\$ 100,156,653</u>	<u>\$ 88,473,726</u>
Investment in Governmental Funds Capital Assets by Source:		
General fund revenues	78,523,628	76,661,832
Grants	608,718	350,758
Bond funds	10,761,326	7,694,489
Enterprise funds	1,264	1,264
Special funds	3,726,404	1,528,918
Donations	170,527	129,865
Developers	<u>6,364,786</u>	<u>2,106,600</u>
Total Governmental Funds Capital Assets	<u>\$ 100,156,653</u>	<u>\$ 88,473,726</u>



CITY OF MISSION, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
 For the fiscal year ended September 30, 2004

<u>Function and Activity:</u>	Governmental Funds			Governmental Funds
	Capital Assets September 30, 2003	Additions	Deductions	Capital Assets September 30, 2004
General Government	\$ 5,800,443	\$ 895,752	\$ 452,271	\$ 6,243,924
Public Safety	11,982,948	1,004,437	161,740	12,825,645
Highways and Streets	61,618,356	8,149,737	380,072	69,388,021
Health and Welfare	37,640	31,586	700	68,526
Culture and Recreation	<u>9,034,339</u>	<u>2,816,365</u>	<u>220,167</u>	<u>11,630,537</u>
Total Governmental Funds Capital Assets	<u>\$ 88,473,726</u>	<u>\$ 12,897,877</u>	<u>\$ 1,214,950</u>	<u>\$ 100,156,653</u>

CITY OF MISSION, TEXAS  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION AND ACTIVITY  
September 30, 2004

<u>Function and Activity:</u>	<u>Land</u>	<u>Buildings and Structures</u>	<u>Improvements Other Than Buildings</u>	<u>Furniture and Equipment</u>
General Government	\$ 1,404,323	\$ 2,954,147	\$ 397,734	\$ 1,450,790
Public Safety	564,497	4,440,854	151,048	7,203,518
Highways and Streets	23,811,191	-	335,209	1,406,248
Health and Welfare	-	-	-	68,526
Culture and Recreation	<u>1,521,497</u>	<u>2,340,078</u>	<u>3,717,007</u>	<u>1,299,165</u>
Total Governmental Funds Capital Assets	<u>\$ 27,301,508</u>	<u>\$ 9,735,079</u>	<u>\$ 4,600,998</u>	<u>\$ 11,428,247</u>

<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
\$ 36,930	\$ -	6,243,924
-	465,728	12,825,645
42,109,834	1,725,539	69,388,021
-	-	68,526
<u>231,987</u>	<u>2,520,803</u>	<u>11,630,537</u>
<u>\$ 42,378,751</u>	<u>\$ 4,712,070</u>	<u>\$ 100,156,653</u>

This page left blank intentionally.

## **SUPPLEMENTAL SCHEDULES**

CITY OF MISSION, TEXAS  
UTILITY FUND  
SCHEDULE OF REVENUE BOND COVERAGE  
Year Ended September 30, 2004

Operating Revenues	\$ 9,905,636	
Interest Earned by Funds Created by the Bond Indenture	<u>276,694</u>	
Gross Revenues Per Bond Ordinance		\$ 10,182,330
Operating Expenses	10,253,280	
Less: Depreciation Expense	<u>(1,955,156)</u>	
Operating Expenses Per Bond Ordinance		<u>8,298,124</u>
Net Revenue Per Bond Ordinance		<u>\$ 1,884,206</u>
Average Annual Debt Service Requirements		<u>\$ 2,390,750</u>
Succeeding Fiscal year Debt Service Requirement		<u>\$ 2,813,697</u>
Required Coverage Ratio		<u>120%</u>
Calculated Coverage Ratio		
A) Based upon Average Annual Debt Service Requirements		<u>78.81%</u>
B) Based upon Succeeding Fiscal Year Debt Service Requirements		<u>66.97%</u>

CITY OF MISSION, TEXAS  
UTILITY FUND  
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS -  
RESTRICTED ACCOUNTS  
REQUIRED BY REVENUE BOND ORDINANCE  
Year Ended September 30, 2004

Revenue Bond Series 1993, 1995, 1996, 2001 and 2004

	<u>Extension and Improvement Cash</u>	<u>Interest and Sinking Cash</u>	<u>Reserve Cash</u>	<u>Waterworks and Sewer Construction Cash</u>	<u>Total</u>
Cash and Investments, September 30, 2003	<u>\$ 250,995</u>	<u>\$ 984,723</u>	<u>\$1,466,711</u>	<u>\$ 8,018,229</u>	<u>\$ 10,720,658</u>
Cash Receipts:					
Bond Proceeds	-	-	308,698	15,248,000	15,556,698
Transfer from operating cash	-	2,208,865	27,096	-	2,235,961
Transfer other I&S acct.	-	8,712	-	-	8,712
Interest received	<u>5,712</u>	<u>26,076</u>	<u>36,883</u>	<u>208,023</u>	<u>276,694</u>
Total Cash Receipts	<u>5,712</u>	<u>2,243,653</u>	<u>372,677</u>	<u>15,456,023</u>	<u>18,078,065</u>
Total Cash And Investments Available	<u>256,707</u>	<u>3,228,376</u>	<u>1,839,388</u>	<u>23,474,252</u>	<u>28,798,723</u>
Cash Disbursements:					
Principal payments	-	1,314,000	-	-	1,314,000
Interest and fiscal charges	-	1,183,609	-	111,355	1,294,964
Transfer to reserve				308,698	308,698
Construction Costs	-	-	-	9,717,575	9,717,575
Transfer to operating Cash	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,044,240</u>	<u>1,044,240</u>
Total Cash Disbursements	<u>-</u>	<u>2,497,609</u>	<u>-</u>	<u>11,181,868</u>	<u>13,679,477</u>
Cash and Investments, September 30, 2004	<u>\$ 256,767</u>	<u>\$ 730,767</u>	<u>\$1,839,388</u>	<u>\$ 12,292,384</u>	<u>\$ 15,119,246</u>
Total Cash and Investments Restricted at September 30, 2004 is Composed of the Following:					
Cash and cash equivalents	\$ 206,707	\$ 245,767	\$ 9,484	\$ 2,892,384	\$ 3,354,342
Investments	<u>50,000</u>	<u>485,000</u>	<u>1,829,904</u>	<u>9,400,000</u>	<u>11,764,904</u>
Total	<u>\$ 256,707</u>	<u>\$ 730,767</u>	<u>\$1,839,388</u>	<u>\$ 12,292,384</u>	<u>\$ 15,119,246</u>

**This page left blank intentionally.**



# *STATISTICAL SECTION*

CITY OF MISSION, TEXAS  
GOVERNMENT-WIDE EXPENSES BY FUNCTION  
LAST TWO FISCAL YEARS

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Highways and Streets</u>	<u>Sanitation</u>	<u>Health and Welfare</u>
2003	\$ 7,043,021	\$ 9,831,094	\$ 1,980,187	\$ 97,899	\$ 105,738
2004	6,905,631	10,633,900	3,968,401	-	511,520

Note: The City implemented GASB Statement No. 34 in fiscal year 2003; therefore, government-wide financial information for years prior to fiscal year 2003 is not available.

TABLE 1

<u>Culture and Recreation</u>	<u>Economic Development</u>	<u>Interest and Fiscal Charges on Long-Term Debt</u>	<u>Utility</u>	<u>Golf Course</u>	<u>Solid Waste</u>	<u>Total</u>
\$ 3,593,377	\$ 217,581	\$ 744,599	\$ 9,602,954	\$ 1,381,360	\$2,752,986	\$ 37,350,796
3,200,156	315,013	837,851	11,056,182	1,276,211	2,868,909	41,573,774

CITY OF MISSION, TEXAS  
GOVERNMENT-WIDE REVENUES  
LAST TWO FISCAL YEARS

Fiscal Year	Program Revenues		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
2003	\$ 16,518,149	\$ 2,586,290	\$ 6,745,663
2004	17,266,781	4,109,821	10,978,422

Note: The City implemented GASB Statement No. 34 in fiscal year 2003; therefore, government-wide financial information for years prior to fiscal year 2003 is not available.

TABLE 2

General Revenues					
Grants and Contributions		Interest	Miscellaneous	Total	
Taxes	Not Restricted To Specific Programs				
\$ 15,545,965	\$ 4,121	\$ 288,481	\$ 202,292	\$ 41,890,961	
17,063,052	8,993	261,027	109,462	49,797,558	

CITY OF MISSION, TEXAS  
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)  
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Highways and Streets</u>	<u>Sanitation</u>	<u>Health and Welfare</u>
1995	\$ 3,475,021	\$ 3,670,006	\$ 1,690,706	\$ -	\$ 219,122
1996	3,576,568	3,724,102	2,069,317	-	115,275
1997	4,969,054	4,055,975	1,709,923	20,854	167,046
1998	3,648,764	6,307,331	1,569,173	136,386	143,729
1999	3,999,613	5,502,603	2,479,122	83,875	146,001
2000	5,280,252	5,883,722	2,371,373	8,468	131,763
2001	5,125,486	6,722,653	2,890,238	145,918	104,000
2002	7,646,116	7,420,386	3,763,183	127,451	85,802
2003	7,285,978	8,900,690	3,198,793	98,726	105,738
2004	7,535,033	10,160,519	4,354,478	-	465,285

(1) Includes General, Special Revenue and Debt Service Funds.

TABLE 3

<u>Culture and Recreation</u>	<u>Economic Development</u>	<u>Debt Service</u>	<u>Total</u>
\$ 1,448,780	\$ -	\$ 882,076	\$ 11,385,711
1,396,810	-	903,916	11,785,988
1,430,286	-	1,039,668	13,392,806
1,447,612	-	1,024,834	14,277,829
1,986,545	-	1,428,821	15,626,580
2,313,753	-	1,597,783	17,587,114
2,659,752	-	1,665,314	19,313,361
2,963,292	-	1,735,986	23,742,216
3,817,905	217,581	1,785,120	28,335,921
3,407,854	315,013	1,868,601	28,106,783

CITY OF MISSION, TEXAS  
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)  
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter- Governmental</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>
1995	\$ 7,856,720	\$ 212,592	\$ 1,571,719	\$ 184,826	\$ 164,602
1996	8,434,277	292,547	1,503,742	287,560	205,070
1997	9,149,919	282,471	1,576,343	256,331	186,561
1998	10,211,214	328,625	2,193,676	275,787	216,232
1999	11,666,401	346,717	2,560,336	230,869	424,714
2000	12,528,013	459,477	2,735,608	277,274	496,603
2001	14,040,894	503,857	2,278,882	315,094	556,007
2002	15,128,378	656,295	2,694,512	338,052	551,659
2003	16,445,782	662,923	2,916,538	410,861	723,591
2004	17,409,104	867,612	3,159,640	447,486	908,040

(1) Includes General, Special Revenue, and Debt Service Funds.



TABLE 4

<u>Interest</u>	<u>Miscellaneous</u>	<u>Total</u>
\$ 190,945	\$ 691,318	\$ 10,480,768
126,053	560,075	11,409,324
158,331	746,633	12,356,589
193,278	700,088	14,118,900
309,093	767,826	16,305,956
516,024	407,658	17,420,657
488,129	1,078,715	19,261,578
225,792	1,840,859	21,435,547
146,398	1,423,424	22,729,517
118,539	2,305,501	25,215,922

CITY OF MISSION, TEXAS  
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE (1)  
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Hotel Occupancy Tax</u>	<u>Alcoholic Beverage Tax</u>
1995	\$ 3,564,535	\$ 3,022,512	\$ 945,611	\$ 14,503	\$ 11,731
1996	3,979,144	3,094,420	1,029,101	12,577	10,175
1997	4,417,847	3,303,211	1,122,053	12,304	11,739
1998	5,062,784	3,742,864	1,085,185	12,509	12,465
1999	5,584,238	4,378,531	1,317,840	44,591	21,184
2000	6,231,041	4,424,065	1,408,278	100,672	24,319
2001	6,904,086	4,826,440	1,790,343	137,525	22,965
2002	7,664,308	5,309,647	1,584,095	163,033	22,808
2003	8,057,602	6,170,905	1,560,472	222,383	25,639
2004	8,988,423	6,006,568	1,692,582	249,137	27,189

(1) Includes General, Special Revenue and Debt Service Funds.

TABLE 5

<u>Special Assessment</u>	<u>Other Tax</u>	<u>Total</u>
\$ 284,640	\$ 13,188	\$ 7,856,720
293,138	15,722	8,434,277
270,522	12,243	9,149,919
281,608	13,799	10,211,214
300,410	19,607	11,666,401
317,651	21,987	12,528,013
336,817	22,718	14,040,894
358,786	25,701	15,128,378
382,484	26,297	16,445,782
405,750	27,189	17,396,838

CITY OF MISSION, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current (1) Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent (1) Tax Collections</u>	<u>Total Tax Collections</u>
1995	\$ 3,415,445	\$ 3,167,646	92.74	\$ 211,584	\$ 3,379,230
1996	3,771,358	3,502,071	92.86	269,326	3,771,397
1997	4,288,913	3,995,332	93.15	219,870	4,215,202
1998	4,924,646	4,600,665	93.42	306,094	4,906,759
1999	5,487,261	5,049,886	92.03	334,171	5,384,057
2000	6,130,892	5,715,957	94.72	318,704	6,034,661
2001	6,857,582	6,319,182	92.14	347,421	6,666,603
2002	7,542,074	6,939,236	92.01	467,766	7,407,002
2003	7,675,727	7,206,507	93.89	561,514	7,768,021
2004	8,757,156	8,227,346	93.95	478,341	8,705,686

(1) Actual cash collections

TABLE 6

<u>Ratio of Total Tax Collections to Total Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Total Tax Levy</u>
98.94	\$ 705,406	20.65
100.00	692,402	18.36
98.28	785,223	18.31
99.64	856,538	17.39
98.12	924,076	16.84
98.43	993,931	16.21
97.21	1,252,385	18.26
98.21	1,471,301	19.51
101.20	1,405,130	18.31
99.41	1,592,541	18.19

CITY OF MISSION, TEXAS  
PROPERTY TAX LEVIES AND ALLOCATION  
Last Ten Fiscal Years

Fiscal Year Period	Valuations			Total
	Real Property	Personal Property	Minerals	
1995	\$ 496,174,200	\$ 61,465,450	\$ 21,251,300	\$ 578,890,950
1996	551,496,732	68,746,565	24,186,130	644,429,427
1997	609,597,796	68,728,005	24,774,340	703,100,141
1998	695,408,835	83,964,376	30,712,650	810,085,861
1999	763,112,041	85,071,277	26,134,040	874,317,358
2000	853,220,415	110,317,583	25,207,880	988,745,878
2001	968,162,798	109,663,626	28,208,180	1,106,034,604
2002	1,056,620,459	123,103,407	36,690,590	1,216,414,456
2003	1,201,935,319	142,787,477	50,835,170	1,395,557,966
2004	1,386,216,881	152,507,379	53,470,880	1,592,195,140

TABLE 7

Taxes Levied For (PER \$100/ASSESSED VALUATION)					
Tax Rate	Total Tax Levy	General Fund		Debt Service Fund	
		Rate	Amount	Rate	Amount
0.59	\$ 3,415,445	0.45	\$ 2,605,000	0.14	\$ 810,445
0.58	3,771,358	0.46	2,970,747	0.12	800,611
0.61	4,288,913	0.47	3,295,432	0.14	993,481
0.60	4,924,646	0.48	3,922,727	0.12	1,001,919
0.62	5,487,261	0.47	4,124,296	0.15	1,362,965
0.62	6,130,892	0.47	4,690,132	0.15	1,440,760
0.62	6,857,582	0.48	5,263,747	0.14	1,593,835
0.62	7,542,074	0.48	5,806,181	0.14	1,735,893
0.55	7,675,727	0.42	5,927,057	0.13	1,748,670
0.55	8,757,156	0.44	6,938,852	0.11	1,818,304

This page left blank intentionally.



CITY OF MISSION, TEXAS  
PROPERTY TAX RATES AND TAX LEVIES  
DIRECT AND OVERLAPPING  
Last Ten Fiscal Years

TABLE 8

TAX RATES: (1)

<u>Fiscal Period</u>	<u>City</u>	<u>School</u>	<u>County</u>	<u>Total</u>
1995	0.5900	1.40	0.4140	2.4040
1996	0.5847	1.39	0.4460	2.4207
1997	0.6100	1.46	0.4654	2.5354
1998	0.6000	1.45	0.4747	2.5247
1999	0.6200	1.50	0.4467	2.5667
2000	0.6200	1.50	0.4467	2.5667
2001	0.6200	1.53	0.5007	2.6548
2002	0.6200	1.53	0.5195	2.6736
2003	0.5500	1.58	0.5900	2.7241
2004	0.5500	1.58	0.5900	2.7241

TAX LEVIES: (1)

<u>Fiscal Period</u>	<u>City</u>	<u>School</u>	<u>County</u>	<u>Total</u>
1995	3,415,445	6,226,230	34,097,841	43,739,516
1996	3,771,358	6,644,990	38,566,458	48,982,806
1997	4,288,913	7,249,026	41,922,339	53,460,278
1998	4,924,646	7,632,568	46,735,803	59,293,017
1999	5,487,261	8,383,626	47,546,103	61,416,990
2000	6,130,892	9,142,431	50,014,563	65,287,886
2001	6,857,582	10,777,430	61,840,408	79,475,420
2002	7,542,074	11,551,858	70,959,997	90,053,929
2003	7,675,727	12,923,883	83,133,564	106,733,174
2004	8,757,156	13,952,862	92,733,814	115,443,832

(1) Per \$100 Assessed Valuation

CITY OF MISSION, TEXAS  
 RATIO OF NET GENERAL BONDED DEBT  
 TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA  
 LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt (2)</u>	<u>Debt Service Monies Available (3)</u>	<u>Debt Payable From Enterprise Revenues (4)</u>
1995	\$ 37,385	\$ 578,890,950	\$ 3,490,000	\$ 171,934	\$ 615,000
1996	38,880	644,429,427	2,660,000	184,459	490,000
1997	40,364	703,100,141	3,205,000	196,131	355,000
1998	42,000	810,085,861	10,420,000	256,282	685,000
1999	43,500	874,317,358	10,925,000	279,722	465,000
2000	45,408	988,745,878	15,995,000	343,243	665,000
2001	48,000	1,106,034,604	14,845,000	367,550	475,000
2002	50,515	1,216,414,456	13,645,000	384,335	320,000
2003	51,000	1,395,557,966	18,910,000	503,430	1,530,000
2004	56,934	1,592,195,140	18,870,000	556,088	1,470,000

(1) Estimated

(2) Amount does not include special assessment bonds and revenue bonds

(3) Amount available for repayment of general obligation bonds

(4) These amounts include the general obligation bonds that are being repaid from the Utility and Golf Funds

TABLE 9

<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt To Assessed Value</u>	<u>Bonded Debt Per Capita</u>
\$ 2,703,066	0.47 %	\$ 72.30
1,985,541	0.31	51.07
2,653,869	0.38	65.75
9,478,718	1.17	225.68
10,180,278	1.16	234.03
14,986,757	1.52	329.17
14,002,450	1.26	291.72
12,940,665	1.06	256.17
16,876,570	1.20	330.91
16,843,912	1.06	295.85

TABLE 10

CITY OF MISSION, TEXAS  
COMPUTATION OF ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT  
GENERAL OBLIGATION BONDS  
September 30, 2004

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to Government</u>	<u>Amount Applicable to Government</u>
Hidalgo County	\$ 129,760,000	9.62%	\$ 12,482,912
Hidalgo County Drainage District #1	-	9.32%	-
Hidalgo County Road District #5	-	55.18%	-
La Joya I.S.D.	30,832,635 <sup>(1)</sup>	4.38%	1,350,469
Mission C.I.S.D.	6,613,473 <sup>(2)</sup>	75.85%	5,016,319
South Texas Community College District	108,409,996	7.83%	8,488,503
Sharyland I.S.D.	<u>21,710,675</u> <sup>(3)</sup>	<u>53.54%</u>	<u>11,623,896</u>
Total Overlapping Debt			38,962,099
City of Mission	<u>16,843,912</u> <sup>(4)</sup>	100.00%	<u>16,843,912</u>
Total Estimated Direct and Overlapping Debt			<u>\$ 55,806,011</u>

(1) Excluding \$142,190,007 of EDA and/or IFA Debt

(2) Excluding \$56,916,534 of EDA Debt.

(3) Excluding \$14,879,324 of EDA Debt.

(4) Net Debt.

CITY OF MISSION, TEXAS  
 RATIO OF ANNUAL DEBT SERVICE EXPENDITURES  
 FOR GENERAL OBLIGATIONS BONDED DEBT (1)  
 TO TOTAL GENERAL GOVERNMENT EXPENDITURES  
 LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest (2)</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures (3)</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
1995	\$ 685,000	\$ 125,035	\$ 810,035	\$ 11,385,711	.0711
1996	705,000	143,862	848,862	11,785,988	.0720
1997	850,000	147,715	997,715	13,392,806	.0745
1998	890,000	120,233	1,010,233	13,139,368	.0769
1999	925,000	503,821	1,428,821	15,626,580	.0914
2000	965,000	482,052	1,447,052	17,315,915	.0836
2001	960,000	740,429	1,700,429	19,313,361	.0880
2002	1,045,000	688,469	1,733,469	23,742,216	.0730
2003	1,085,000	714,423	1,799,423	28,335,921	.0635
2004	1,015,000	797,036	1,729,423	28,106,783	.0615

(1) General obligation bonds reported in the enterprise funds and special assessment debt with government commitment have been excluded

(2) Excludes bond issuance and other costs

(3) Includes general, special revenue and debt service funds

CITY OF MISSION, TEXAS  
REVENUE BOND COVERAGE  
WATER AND SEWER AUTHORITY  
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Gross Revenues (1)</u>	<u>Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements (3) Total</u>	<u>Coverage (4)</u>
1995	\$ 6,193,683	\$ 4,112,673	\$ 2,081,010	\$ 1,069,891	1.95
1996	6,282,072	3,024,677	3,257,395	1,495,459	2.18
1997	6,262,593	3,702,839	2,559,754	1,541,485	1.66
1998	6,784,623	3,643,856	3,140,767	1,540,891	2.04
1999	6,704,271	3,846,329	2,857,942	1,567,527	1.82
2000	8,248,204	4,172,593	4,075,611	1,569,379	2.60
2001	8,637,135	4,916,189	3,720,946	1,603,601	2.32
2002	9,958,967	5,702,737	4,256,230	2,284,683	1.86
2003	9,832,105	6,828,679	3,003,426	2,288,628	1.31
2004	10,182,330	8,298,124	1,884,206	2,813,697	.67

- (1) Total operating revenues including interest earned on funds created by the bond ordinance
- (2) Total operating expenses exclusive of depreciation
- (3) Includes principal and interest of revenue bonds only. It does 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 1.20

TABLE 13

CITY OF MISSION, TEXAS  
 PRINCIPAL TAXPAYERS  
 September 30, 2004

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2003 Taxable Value</u>	<u>Percentage of Total Taxable Value</u>
Halliburton Energy Service	Oilfield Services	\$ 16,848,320	1.06%
Wal-Mart, Stores East Inc. #452	Retail Store	13,336,882	.84
Bert Ogden Chevrolt - Mission	Automotive	11,946,612	.75
Rio Grande Snack Co.	Food Manufacturer	11,511,835	.72
A.E.P. Texas Central Co.	Utility Service	10,853,710	.68
Southwestern Bell Company	Telecommunications	10,721,501	.67
H.E. Butt Grocery Company	Grocery	9,066,366	.57
Spikes Motor Company, Inc.	Automotive	8,928,194	.56
Cinemark U.S.A., Inc.	Theatre	7,620,355	.48
T-Mobile, Inc.	Telecommunications	<u>6,290,057</u>	<u>.40</u>
Total		<u>\$107,123,832</u>	<u>6.73%</u>

CITY OF MISSION, TEXAS  
SCHEDULE OF INSURANCE COVERAGES  
September 30, 2004

TABLE 14

<u>Name of Insurer</u>	<u>Amount of Policy</u>	<u>Risk Covered</u>	<u>Expiration Date</u>
Texas Municipal League - Intergovernmental Risk Pool	\$2 million/occur. \$4 million/aggre.	General Liability	10-01-05
Texas Municipal League - Intergovernmental Risk Pool	\$1,116,327	Mobile Equipment	10-01-05
Texas Municipal League - Intergovernmental Risk Pool	\$2 million/occur.	Auto Liability	10-01-05
Texas Municipal League - Intergovernmental Risk Pool	ACV	Auto Physical Damage	10-01-05
Texas Municipal League - Intergovernmental Risk Pool	\$35,073,500	Real & Personal Property	10-01-05
Hartford	\$100,000	Public Employees Blanket Bond	05-05-05
Texas Municipal League Intergovernmental Risk Pool	\$1 million/occur. \$2 million/aggre.	Law Enforcement Liability	10-01-05
Texas Municipal League Intergovernmental Risk Pool	\$1,000,000	Workers Compensation	12-01-05
Texas Municipal League Intergovernmental Risk Pool	\$ 300,000/occur.	Boiler and Machinery	10-01-05
Texas Municipal League Intergovernmental Risk Pool	\$1,000,000/Each Wrongful Act \$2,000,000/aggre.	Error and Omissions Liability	10-01-05



CITY OF MISSION, TEXAS  
DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS

TABLE 15

<u>Fiscal Year</u>	<u>Population</u>	<u>Per Capita Income</u>	<u>Median Age</u>	<u>Percentage HS Graduate</u>	<u>Total MCISD School Enrollment</u>	<u>Unemployment Rate</u>
1995	37,385	7,453	29.6	N/A	11,786	16.40%
1996	38,880	7,602	29.8	N/A	11,948	15.80%
1997	40,364	7,754	29.9	86.1	11,834	14.80%
1998	41,085	7,909	30.1	74.3	12,077	15.10%
1999	43,500	8,067	30.3	75.6	12,269	11.20%
2000	45,408	13,339	30.4	77.9	12,481	10.80%
2001	48,000	13,606	30.5	81.2	13,131	10.50%
2002	50,515	13,344	30.5	84.4	13,600	10.70%
2003	51,000	10,898	31.0	88.0	14,038	11.20%
2004	56,934	11,443	31.0	81.7	14,156	9.00%
	(a)	(b)	(c)	(d)	(e)	(f)

(a). U.S. Bureau of Census, 1970, 1980, 1990, & 2000 Decennial Census & Series P-26 Intercensal Estimates & Local estimates.

(b). U.S. Bureau of Census, 1970, 1980, 1990, & 2000 Decennial Census & Series P-26 & Local estimates.

(c). U.S. Bureau of Census, 1970, 1980, 1990, & 2000 Decennial Census & Series and Texas Census & Local estimates.

(d). Mission Independent School District (percent of high school seniors who graduated).

(e). Mission Independent School District and Mission Economic Development.

(f). Texas Census and Texas Workforce Commission.

N/A=not available

CITY OF MISSION, TEXAS  
PROPERTY VALUE AND NEW CONSTRUCTION  
LAST TEN FISCAL YEARS

TABLE 16

<u>Fiscal Year</u>	<u>Property Value (1)</u>	<u>Commercial Construction (2)</u>		<u>Residential Construction (2)</u>	
		<u>Number of Permits</u>	<u>Value</u>	<u>Number of Permits</u>	<u>Value</u>
1995	\$ 578,890,950	31	\$ 6,192,635	417	\$ 26,841,489
1996	644,429,427	19	6,462,100	414	23,413,732
1997	703,100,141	32	10,042,190	396	25,657,526
1998	810,085,861	36	7,436,905	619	38,841,871
1999	874,317,358	31	13,947,561	683	44,161,793
2000	988,745,878	29	6,568,185	630	45,234,944
2001	1,106,034,604	25	19,712,400	659	42,189,578
2002	1,216,414,456	24	10,355,709	1,191	95,725,200
2003	1,395,557,966	38	12,781,315	1,052	92,666,068
2004	1,592,195,140	55	20,212,753	917	89,339,416

(1) Includes only taxable property.

(2) Information provided by the Mission Planning Department.

CITY OF MISSION, TEXAS  
COMPUTATION OF LEGAL DEBT MARGIN  
September 30, 2004

TABLE 17

Assessed valuation 2003 tax roll for fiscal year 2004	\$ 1,592,195,140
Debt limit- Texas statutes do not prescribe a debt limit; however, by custom a practical economic debt limit of 5% of the assessed valuation is used.	<u>5%</u>
	<u>79,609,757</u>
Total bonded debt	18,870,000
Less: Amount available in debt service fund	560,915
Debt payable from enterprise revenues	<u>1,470,000</u>
Applicable debt	<u>16,839,085</u>
Economic debt margin	<u><u>\$ 62,770,672</u></u>

CITY OF MISSION, TEXAS  
STATISTICAL DATA  
September 30, 2004

TABLE 18

Number of Customers

Number of water, sewer and garbage customers billed in September, 2003	21,086
---	--------

Water Purchases and Sales

Number of gallons of water registered through the City's master meter during year ended September 30, 2004	3,031,800,000
--	---------------

Number of gallons of water sold or delivered by the City during the year ended September 30, 2004	2,647,471,000
---	---------------

United Irrigation District transports raw water to the City filter plant for a fee of 0.1568 cents per 1,000 gallons. The fee was last revised in October, 2000.

Water Rates, Connection Fees, and Deposits  
(As Revised October 1, 2001)

Water Rates:

Rate per month is computed on the following basis:

1. Minimum charge per month for each connection with mains based on size of service connection (except fire protection systems):

	<u>Inside City Limits</u>	<u>Outside City Limits</u>
5/8" or 3/4"	\$ 7.50	\$ 10.75
1"	8.10	11.65
1 1/2"	25.80	38.20
2"	32.55	48.33
3"	46.15	68.73
4"	59.70	89.05
6"	96.60	144.40
8"	385.70	578.05

CITY OF MISSION, TEXAS  
STATISTICAL DATA  
September 30, 2004

TABLE 18 (Cont'd.)

Water Rates: (Continued)

Automatic fire protection sprinkler systems are exempt from the minimum charge. The monthly charge is .50 per inch in diameter of the service connection.

An amount of water at the current rate in effect is allowed as a credit on the minimum charge.

	<u>Inside City Limits</u>	<u>Outside City Limits</u>
2. Charge per month based on 5/8" or 3/4 " service connection for water furnished:		
First 999 gallons to 19,999	\$ 1.55	\$ 2.30
Consumption per 1,000 gallons of water metered, rounded forward to the next 1,000 gallons		
From 20,000 +	1.60	2.40

Connection Fees:

Minimum amount (3/4" or less meter)	\$ 250.00
-------------------------------------	-----------

Additional fees required as size of meter increases and/or when character of the surface in which the connection is located requires repair.

Deposit Requirements:

A deposit is required in advance in an amount which will, in the judgment of the city, be sufficient to insure it against loss due to non-payment.

CITY OF MISSION, TEXAS  
STATISTICAL DATA  
September 30, 2004

TABLE 18 (Cont'd.)

Sewer Rates  
(As Revised September 29, 1995)

Single Family Dwellings, Duplexes, Multiple Family Units and Mobile Home Parks:

Minimum monthly charge (per connection)	\$	6.00
Monthly volume charge per 1,000 gallons of water metered, rounded forward to the next 1,000 gallons		1.35

The monthly charge shall be constant from March through February of the succeeding year. The charge shall be determined by using the customer's average water consumption for the immediately preceding period of December through February, inclusive. In cases where a water meter is not in place or operational, the volume used to compute the monthly volume charge will be 7,000 gallons. Where a residential account had no consumption during the previous winter quarter, the volume used to calculate the volume charge will not exceed 7,000 gallons.

Other:

All commercial users, charitable or public institutions, churches, public and private schools, and fraternal organizations:

Minimum monthly charge (per connection)	\$	6.00
Monthly volume charge per 1,000 gallons of water metered		1.35

Monthly volume charge based upon actual water metered during each billing period.

Additional Charge:

First washrack and/or sanitary sewer dumping	\$	30.00
--	----	-------

Industrial Waste Rates  
(As Revised February 1, 1998)

Persons making discharges into public sewers of industrial waste, as defined by Ord. 2276, as amended, shall pay a charge to cover the cost of collection and treatment except where otherwise exempt. The schedule of charges for each industry is to be computed by the City Manager and City Engineer in accordance with ordinance guidelines.

CITY OF MISSION, TEXAS  
STATISTICAL DATA  
September 30, 2004

TABLE 18 (Cont'd.)

Garbage Collection Rates  
(As Revised January 13, 2003)

Residences:

	<u>Per Month</u>
One family dwelling unit	\$ 12.27
For each additional family dwelling or housekeeping unit other than apartments located on a residential lot	8.86

Apartment Houses:

	<u>Per Month</u>
All apartments on one water meter - one unit	\$ 10.43
For each apartment unit in excess of one, whether or not all of such units are rented	10.24
Plus Brush	1.84

Trailers or Mobile Home Units:

For each active trailer space, whether the trailer thereon is occupied or unoccupied	12.27
---	-------

Rooming Houses:

Kitchen facilities not made available to the rooms	10.43
Kitchen facilities made available to the rooms - main unit	10.43
For each room having kitchen facilities available to it	
Plus Brush	1.84

Business:

Twice a week pickup schedule, 96 gallon can furnished by BFI	13.70
Plus Brush	1.84

CITY OF MISSION, TEXAS  
STATISTICAL DATA  
September 30, 2004

TABLE 18 (Cont'd.)

Owner or Tenant Hauls Own Garbage:

Charges per vehicle type per load:

Passenger cars, station wagons, and pickup trucks	2.50
Vans, two-wheel trailers and up to 1 ton trucks	4.00
Medium-size trucks (single axle), fourwheel trailers and up to 6-yard dump trucks	8.00
Large trucks (dual axle), semi-trailers and compactors	15.00

Additional charge for disposal of bulky waste or construction debris	5.00
---	------

In all cases, if a water meter is in service, the  
house and all apartments or units served by  
that meter shall be deemed occupied

Containerized garbage pickup service provided by  
private third-party companies are not regulated  
by ordinance and rates for such service are  
negotiated between the company and the customer

Drainage Assessment Rates  
(As Adopted September 28, 1987)

Rate A: Rate Per Residential Unit:

\$1.50 per residential dwelling unit per month  
whether vacant or occupied.

Rate B: Rate Per Non-Residential Use:

\$3.00 per month on lot of less than 10,000 square feet  
\$6.00 per month on lot of 10,000 square feet or larger  
but less than 25,000 square feet  
\$12.00 per month on lot 25,000 square feet or larger  
but less than 1 acre  
\$25.00 per month on lot of 1 acre or larger



CITY OF MISSION, TEXAS  
STATISTICAL DATA  
September 30, 2004

TABLE 18 (Cont'd.)

Rate C: Mobile Home or Travel Trailer Park Rate Per Approved Space:

\$6.00 per year per space, payable monthly, quarterly,  
or annually

\$36.00 per year per acre, payable monthly and  
exclusive of designated drainage related  
retention ponds

CITY OF MISSION, TEXAS  
MISCELLANEOUS STATISTICS  
September 30, 2004

TABLE 19

Date of Incorporation	March 19, 1910
Form of Government	Council/Manager
Number of employees (excluding police and fire):	
Non-Exempt	215
Exempt	53
Part-time	16
Area in square miles	33.31
Name of Government facilities and services:	
Miles of streets	298
Number of street lights	4,583
Culture and Recreation:	
Parks	21
Park acreage	295.2
Swimming pools	2
Tennis courts	1
Museum	1
Fire Protection:	
Number of stations	4
Number of fire personnel and officers	44
Number of calls answered	2,119
Number of inspections conducted	1,191
Police Protection:	
Number of stations	1
Number of police personnel and officers	151
Number of volunteer firemen	25
Number of patrol units	71
Number of law violations:	
Physical arrests	3,779
Traffic violations	14,850
Parking violations	118
Sewerage System:	
Miles of sanitary sewers	200
Miles of storm sewers	75
Number of treatment plants	1
Number of service connections	16,682
Daily average treatment in gallons	4,240,000
Maximum daily capacity of treatment plant in gallons	5,160,000
Water System:	
Miles of water mains	270
Number of treatment plants	2
Number of service connections	19,931
Number of fire hydrants	1,990
Daily average consumption in gallons	8,290,000

CITY OF MISSION, TEXAS  
MISCELLANEOUS STATISTICS  
September 30, 2004

TABLE 19 (Cont'd)

Education

Number of elementary schools	13
Number of elementary school instructors	617
Number of secondary schools	6
Number of secondary school instructors	424

Facilities and services not included in the reporting entity:

Hospitals:

Number of hospitals	1
Number of patient beds	138

Note: The number of schools and instructors represent only Mission Consolidated Independent School District. City of Mission residents are served by three school districts, Mission CISD, La Joya ISD and Sharyland ISD.

This page left blank intentionally.

*FEDERAL AWARDS  
SECTION*

This page left blank intentionally.

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 financial statements of City of Mission, Texas as of and for the year ended September 30, 2004, and have issued our report thereon dated January 20, 2005. We did not audit the financial statements of the Mission Redevelopment Authority, which represent 5.7 percent and 12.3 percent, respectively of the 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. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### 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*.

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.

A handwritten signature in black ink that reads "Long Chilton, LLP". The script is cursive and fluid.

LONG CHILTON, LLP  
Certified Public Accountants

McAllen, Texas  
January 20, 2005



REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL 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, 2004. City of Mission, Texas'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 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, 2004.

### Internal Control Over Compliance

The management of the City 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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 20, 2005

CITY OF MISSION, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2004

---

**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?

\_\_\_\_\_ yes      X   no

- Reportable condition(s) identified that are not considered to be material weaknesses?

\_\_\_\_\_ yes      X   none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes      X   no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?

\_\_\_\_\_ yes      X   no

- Reportable condition(s) 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 Circular A-133?

\_\_\_\_\_ yes      X   no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

66.000

EDAP/CWTAP Grants

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 (*CONTINUED*)  
For the Year Ended September 30, 2004

---

**Section II – Financial Statement Findings**

---

None.

---

**Section III - Federal Award Findings and Questioned Costs**

---

<u>PROGRAM</u>	<u>DESCRIPTION</u>
None.	

CITY OF MISSION, TEXAS  
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS  
For the Year Ended September 30, 2004

**Section III - Federal Award Findings and Questioned Costs**

<b><u>PROGRAM</u></b>	<b><u>STATUS OF PRIOR YEAR FINDING/ NONCOMPLIANCE</u></b>
<b>TITLE II PUBLIC WORKS AND ECONOMIC DEVELOPMENT</b> Award No.: 08-01-3623 CFDA #: 11.300 <b>Reference No.: 03-1</b>	<p>The prior audit report contained a finding regarding the prevailing wage requirement. There was no indication that wages were being reviewed for compliance with the Davis-Bacon Act.</p> <p>The City's representative periodically conducted contractor employee interviews to verify that the wages paid matched or exceeded the prevailing wage rate included in the contract bid documents.</p>
<b>TITLE II PUBLIC WORKS AND ECONOMIC DEVELOPMENT</b> Award No.: 08-01-3623 CFDA #: 11.300 <b>Reference No.: 03-2</b>	<p>The prior audit report contained a finding in which vendors or contractors were not being screened to verify if they were suspended or debarred parties.</p> <p>The City's purchasing director and grants coordinator reviewed the certification form for each vendor or contractor certifying that they were not suspended or debarred parties. The certification was also checked against data on the internet.</p>

CITY OF MISSION, TEXAS  
CORRECTIVE ACTION PLAN  
For the Year Ended September 30, 2004

<u>PROGRAM</u>	<u>CORRECTIVE ACTION PLAN</u>
None.	

CITY OF MISSION, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended September 30, 2004

(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:			
EMT- 2003-GM-090	Emergency Management Assistance	97.042	\$ 14,358	\$ -
EMT- 2004-GR-0105	Emergency Management Assistance	97.042	19,144	-
EMW- 2003-FG-18377	Emergency Preparedness & Reponses	97.044	<u>57,487</u>	<u>-</u>
	Total Pass Through Programs		<u>90,989</u>	<u>-</u>
	Total Federal Emergency Management Agency		<u>90,989</u>	<u>-</u>
	<u>U.S. Department of Commerce Economic Development Administration</u>			
	Direct Programs:			
08-01-03623	Title II Public Works and Economic Development	11.300	<u>21,260</u>	<u>-</u>
	Total Direct Programs		<u>21,260</u>	<u>-</u>
	Total U.S. Department of Commerce		<u>21,260</u>	<u>-</u>
	<u>U.S. Department of Justice</u>			
	Direct Programs:			
	Equitable Sharing Program	16.000	201,335	-
	Local Law Enforcement Block Grant	16.592	10,731	-
	Bullet Proof Vests	16.607	4,009	-
	Office of Community Oriented Policing Services	16.710	<u>565,171</u>	<u>-</u>
	Total Direct Programs		<u>781,246</u>	<u>-</u>
	Total U.S. Department of Justice		<u>781,246</u>	<u>-</u>
	<u>U.S. Department of Housing and and Urban Development</u>			
	Direct Programs:			
B-02-MC-48-0511	Community Development Block Grant	14.218	349,640	-
B-03-MC-48-0511	Community Development Block Grant	14.218	<u>874,959</u>	<u>115,816</u>
	Total Direct Programs		<u>1,224,599</u>	<u>115,816</u>
	Total U.S. Department of Housing and Urban Development		<u>1,224,599</u>	<u>115,816</u>

CITY OF MISSION, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended September 30, 2004

(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>2,423,282</u>	-
	<u>National Highway Traffic Safety Administration</u>			
	Passed Through Texas Department of Transportation:			
	Safe and Sober Program	20.600	<u>48,000</u>	-
	 TOTAL FEDERAL AWARDS EXPENDED		 <u>\$ 4,589,376</u>	 <u>\$ 115,816</u>



CITY OF MISSION, TEXAS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended September 30, 2004

**Basis of Presentation:**

The accompanying schedule of expenditures of federal awards includes the federal 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

This page left blank intentionally.