

# City of Mission



## Comprehensive Annual Financial Report For Fiscal Year Ended September 30, 2006

City of Mission, Texas

# *CITY OF MISSION, TEXAS*

## *Comprehensive Annual Financial Report*

*For Fiscal Year Ended  
September 30, 2006*

*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, 2006

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# *INTRODUCTORY SECTION*

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# CITY OF MISSION

*"Home Of The Grapefruit"*

February 3, 2007

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

**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, submitted herewith is the Comprehensive Annual Financial Report (CAFR) of the City of Mission for the year ended September 30, 2006. This report has been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and by the American Institute of Certified Public Accountants in its industry audit guide "Audits of State and Local Governmental Units".

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

The City of Mission's financial statements have been audited by Long Chilton, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Mission for the fiscal year ended September 30, 2006, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The independent auditor concluded that based upon the audit, there was a reasonable basis for rendering an unqualified opinion that the City of Mission's financial statements for the fiscal year ended September 30, 2006 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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

## **CITY PROFILE, STRUCTURE, AND ECONOMIC CONDITION**

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

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

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

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund and the Community Development Block Grant Fund, this comparison is presented on pages 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 116.

## **FACTORS AFFECTING FINANCIAL CONDITION**

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

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

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

Progressive Moulded Products  
Symbol Technologies  
Jabil Circuit  
Panasonic

Emerson Electric  
Global Logistics  
Black & Decker

Other major companies that have made Mission their home include:

Hi-Tech Plastics  
T-Mobile, USA

Frito Lay, Inc  
Vanity Fair Intimates

According to the Texas Labor Market Review December 2006 report, the City of Mission unemployment rate was 5.2% as of November 2006. The unemployment rate for the City has steadily been declining over the past 10 years. This is attributed to the various manufacturing plants, commercial businesses, industrial plants, retailers, and distribution centers that have relocated or expanded their business in Mission. The unemployment rate is expected to either remain stable or continue decreasing due to the anticipated development in commercial and industrial growth with the opening of the Anzalduas International Bridge expected in year 2009. The economic growth in Mission and its' surrounding areas have attracted retailers such as

Target (240 jobs) and Tractor Supply Co., which opened their doors in October and November 2006 respectively. La Quinta Inn Hotel also opened its doors in October 2006. The City has also attracted restaurants such as Chili's Bar & Grill and Denny's.

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

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

### **Major Accomplishments For the Year 2005-06**

1. Tax rate was increased from \$0.5398 to \$0.5589 per \$100.00 valuation.
2. Continued a Tax Freeze for the elderly and the disabled and \$10,000 Tax Exemptions for the elderly and the disabled.
3. Completed the expansion and renovation of the Speer Memorial Library, which made the Library the largest in South Texas (48,760 sq. feet) at a cost of approximately \$4 million.
4. Continued the North EDAP Project that includes over 45 colonias for sewer collection system. Project is to be completed in 2007.
5. Continued the upgrade of the existing sewer plant from 4.6 to 9.2 MGDs for a total amount of \$35 million (\$20M grant and \$15M in revenue bonds). Project is to be completed in 2007.
6. Completed the Bentsen Palm Water Tower on the southwest section of the City. The tower will store 750,000 gallons of water for use on a daily basis.
7. Continued residential and commercial growth in our city that will impact economic growth and opportunities to our citizenry.
8. Continued working closely with Mission Economic Development Corporation, Mission Economic Development Authority and Chamber of Commerce in order to promote commerce and industrial growth.
9. Increased the number of recreation programs for our adult citizens and teenagers.
10. Besides the EDAP project, the City has invested over \$1.5 million in water and sewer line improvements in order to upgrade the City's utility infrastructure.

### **Goals for FY 2006-07**

1. Reduce the tax rate from \$0.5589 to \$.5566 per \$100.00 per valuation.
2. Continue the improvement and maintenance of the City's infrastructure.
3. With the help of MEDA, MEDC, and the Chamber of Commerce, attract new businesses that will create new jobs for our citizens and increase the economic growth of the City.
4. Complete the EDAP project.
5. Commence the construction of the central fire station in the downtown area.
6. Complete the Bentsen Palm Community Park and commence the Northwest Park to

- improve the quality of life and provide recreational activities for our citizens.
7. Continue the Mission Police Academy to train and educate new police cadets and provide the necessary resources to ensure that our citizens and businesses have the best protection.
  8. 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.
  9. Coordinate with the State of Texas the grand opening of the first Veteran's Cemetery in the Lower Rio Grande Valley. The cemetery is located in the City of Mission and will be administered by the Texas Veterans Land Board. The cemetery consists of 75 acres and \$8.7 million in capital investments.
  10. Commence the construction of a new water tower in the Northeast section of the City.
  11. Implement the Comprehensive Master Plan.

**Long-term financial planning.** In fiscal year 1999, the City Council had passed resolution #963 establishing an unreserved, undesignated fund balance to equal to a minimum of three months of operations for the general operating fund; however, the this fund balance requirement has not been met for three fiscal years. However, during fiscal year 2006, the fund balance increased by approximately \$1 million dollars. The City issued bonds for street, drainage and park projects and did not use general operating funds to fund these projects; in addition, various revenues came in higher than what had been anticipated.

Careful long-term financial planning is an important goal for the City; therefore, during the next three fiscal years, the City Council's goal shall be to meet this requirement. The City Council has approved the updating of the Comprehensive Master Plan to guide city staff in future needs and demands of our fast growing community and still maintain the necessary fund balance. Additional bonds will be considered to provide 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, certificate of deposit, and other investment instruments 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 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 objectives are in order of safety, liquidity, yield, and public trust. The maturities of investments range from 7 days to 365 days with an average maturity of 180 days. The average yield on investments for fiscal year 2006 was 4.7 percent. A significant amount of the City's portfolio has been allocated to certificate of deposits.

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



Amegy Bank of Texas.

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

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

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

Members can retire at the age of 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The City of Mission also provides postretirement benefits for certain retirees and their dependents. Included with the retirement benefits described, the City has elected to provide a supplemental death benefit in the form of a \$7,500 life insurance policy for the retirees under the plan. The City also provides 18 months of free health insurance for all retirees who serviced the City for 20 years or more.

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

## **AWARDS AND ACKNOWLEDGEMENTS**

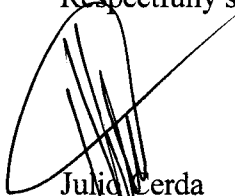
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Mission, Texas for its comprehensive annual financial report for the fiscal year ended September 30, 2005. This was the

fifth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Julio Cerda  
City Manager



Janie Flores  
Finance Director

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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Mission  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2005

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.



President

Executive Director

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# *CITY OF MISSION, TEXAS*

*List of Principal Officials  
Year Ended September 30, 2006*

## *CITY OFFICIALS*

<i>Mayor</i>	<i>Norberto "Beto" Salinas</i>
<i>Mayor Pro Tem</i>	<i>Gen Long</i>
<i>Council Member</i>	<i>Dr. Armando O'Cana, Sr.</i>
<i>Council Member</i>	<i>Leo Olivarez</i>
<i>Council Member</i>	<i>Celestino Ramirez</i>

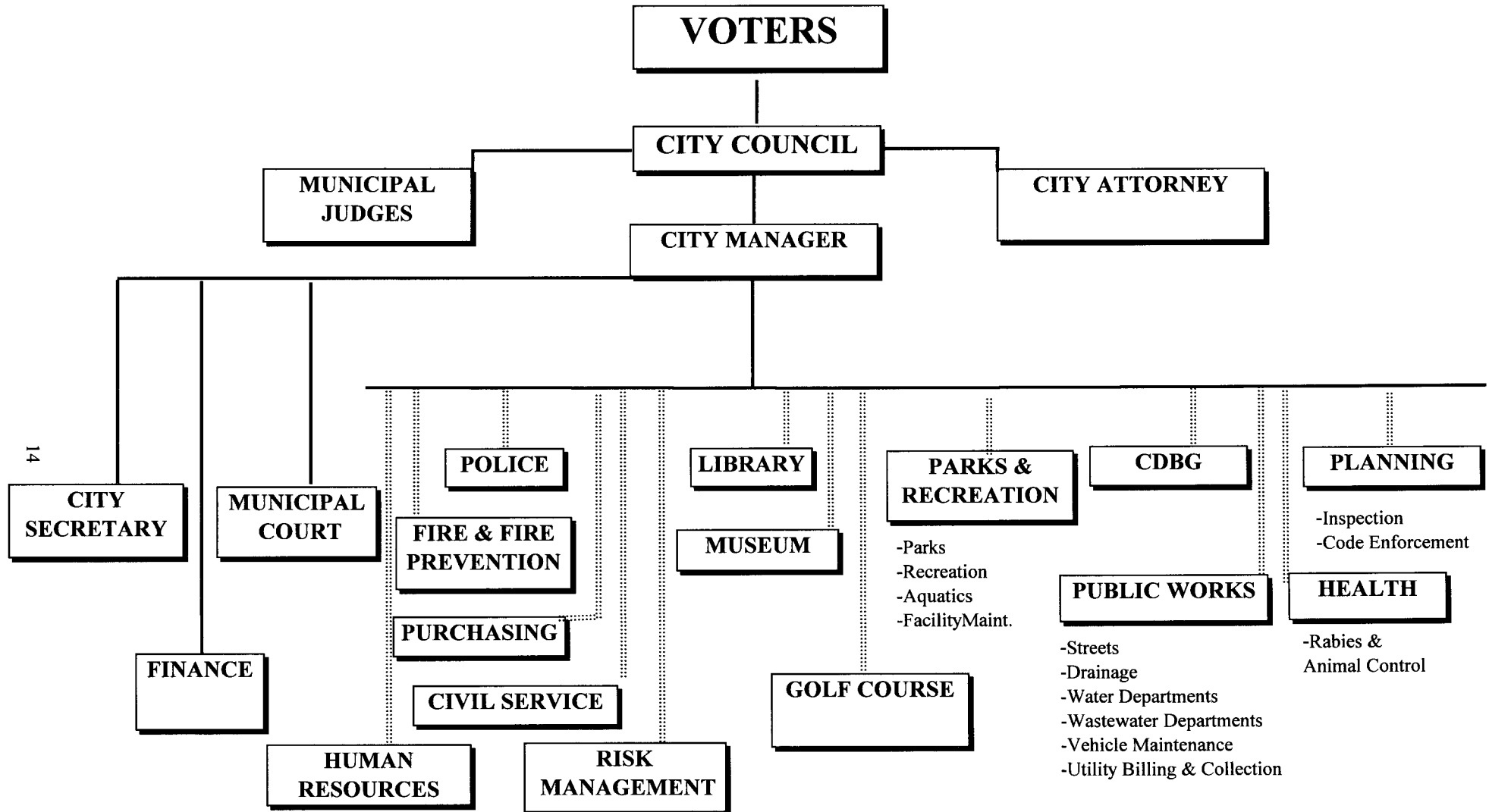
## *CITY ADMINISTRATION*

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

## *OFFICIAL ISSUING REPORT*

*Janie Flores  
Finance Director*

# ORGANIZATIONAL CHART





# *FINANCIAL SECTION*

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mission, Texas, as of and for the year ended September 30, 2006, 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 68.10 percent and 26.16 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mission, Texas, as of September 30, 2006, 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 February 3, 2007 on our consideration of the City of Mission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) and the required supplementary information schedules as listed in the table of contents on pages 19 through 32 and 85 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mission's basic financial statements. The introductory section, the other supplementary information section, 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  
Certified Public Accountants

McAllen, Texas  
February 3, 2007

# **Management's Discussion and Analysis**

As management of the City of Mission, we offer the City of Mission financial statements readers this narrative overview and analysis of the financial activities of the City of Mission for the fiscal year ending September 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that has been furnished in our letter of transmittal, which can be found on pages 3-10 of this report.

## **Financial Highlights**

- The assets of the City exceeded liabilities at the close of the most recent fiscal year by \$132,510,486 (net assets). Of this amount, \$11,078,371 (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 \$15,936,817. Approximately 23.16% of this increase is a result of charges for services, which increased by 19.02% compared to the prior year. Other general revenues represent approximately 9.76% of the total increase. Approximately 21.81% of the increase is attributed to taxes. Property taxes and other taxes increased 17.88% compared to the prior year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,523,181 an increase of \$2,724,271 or 40.07 percent in comparison with the prior year. Approximately 39.82 percent of the increase is attributed to unspent bond proceeds at the end of the fiscal year from bonds issued during the fiscal year. A reimbursement (\$1,364,417) from Mission Redevelopment Authority (component unit) for various improvements, which improved the economic status of the City, represents 50.08 percent of the increase in fund balance.
- At the end of the current fiscal year, the unreserved fund balance for the general fund was \$4,449,001 or 18.30 percent of total general fund expenditures.
- The City of Mission total debt increased by \$5,077,372 or 9.36 percent during the current fiscal year. The increase was attributed to the issuance of \$4,100,000 in certificate of obligations for various street, drainage, and park projects and \$18,300,000 in the business-type activities. The \$18.3 million refunded two revenue bonds for a total of \$15.3 million and the additional \$3 million was for new utility projects.

## **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the City of Mission's basic financial statements. The City of Mission's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

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

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

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

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

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

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

The City of Mission maintains twenty-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 for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 52-84 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 85-100 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 \$132,510,485 at the close of the most recent fiscal year.

The following table summarizes the City's net assets as of September 30, 2006.

City of Mission Net Assets September 30, 2006						
	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 15,724,632	\$ 11,892,819	\$ 18,013,265	\$ 14,412,253	\$ 33,737,897	\$ 26,305,072
Capital assets	86,499,064	79,496,700	82,325,880	75,995,785	168,824,944	155,492,485
Total assets	<u>102,223,696</u>	<u>91,389,519</u>	<u>100,339,145</u>	<u>90,408,038</u>	<u>202,562,841</u>	<u>181,797,557</u>
Long-term liabilities	24,827,742	21,914,988	36,083,819	34,071,515	60,911,561	55,986,503
Other liabilities	4,112,985	3,203,713	5,027,810	6,033,672	9,140,795	9,237,385
Total liabilities	<u>28,940,727</u>	<u>25,118,701</u>	<u>41,111,629</u>	<u>40,105,187</u>	<u>70,052,356</u>	<u>65,223,888</u>
Net assets						
Invested in capital assets, net of related debt	67,235,280	56,117,203	50,914,486	43,815,647	118,149,766	99,932,850
Restricted	1,288,945	802,534	1,993,403	3,634,865	3,282,348	4,437,399
Unrestricted (deficit)	<u>4,758,745</u>	<u>9,351,081</u>	<u>6,319,627</u>	<u>2,852,339</u>	<u>11,078,372</u>	<u>12,203,420</u>
Total net assets	<u>\$ 73,282,970</u>	<u>\$ 66,270,818</u>	<u>\$ 59,227,516</u>	<u>\$ 50,302,851</u>	<u>\$ 132,510,486</u>	<u>\$ 116,573,669</u>

By far the largest portion of the City's net assets (89.16 percent) reflects its investments in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Mission uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Mission's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Consequently, these long-term considerations have a significant impact on the resulting net assets of which 2.48 percent are subject to external restrictions on how they may be used, leaving the remaining balance of 8.36 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 13.67 percent compared to the prior year. Approximately 23.16 percent of this increase is a result of charges for services, which increased by 19.02 percent compared to prior year. Approximately 21.81 percent of the increase is attributed to taxes. Property taxes and other taxes increased 17.88 percent compared to prior year.

### 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, 2006.

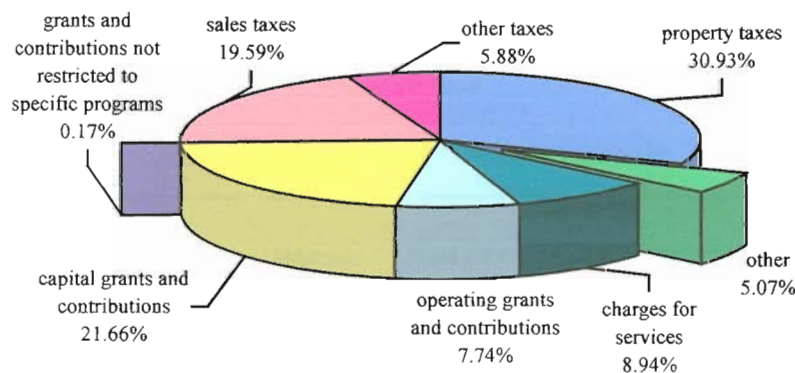
City of Mission Changes in Net Assets September 30, 2006						
	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	3,633,620	3,320,876	19,457,804	16,079,958	23,091,424	19,400,834
Operating grants and contributions	3,146,796	3,529,449	214,527	210,701	3,361,323	3,740,150
Capital grants and contributions	8,801,715	5,627,239	5,739,699	11,635,606	14,541,414	17,262,845
General Revenues:						
Property taxes	12,569,230	10,324,334	-	-	12,569,230	10,324,334
Other taxes	10,350,429	9,118,726	-	-	10,350,429	9,118,726
Grants and contributions not restricted to specific programs	70,184	22,130	-	-	70,184	22,130
Other	2,060,356	619,393	263,116	208,081	2,323,472	827,474
Total revenues	40,632,330	32,562,147	25,675,146	28,134,346	66,307,476	60,696,493
Expenses:						
General government	8,112,275	7,109,520	-	-	8,112,275	7,109,520
Public safety	13,451,483	12,438,467	-	-	13,451,483	12,438,467
Highways and streets	5,466,843	4,430,985	-	-	5,466,843	4,430,985
Sanitation	-	-	-	-	-	-
Economic development	897,118	602,633	-	-	897,118	602,633
Culture and recreation	4,619,038	3,494,941	-	-	4,619,038	3,494,941
Health and welfare	526,449	522,734	-	-	526,449	522,734
Interest on long-term debt	1,096,972	930,755	-	-	1,096,972	930,755
Utility system	-	-	11,362,995	11,434,910	11,362,995	11,434,910
Golf course operations	-	-	1,285,326	1,282,405	1,285,326	1,282,405
Solid waste operations	-	-	3,552,159	3,250,388	3,552,159	3,250,388
Total expenses	34,170,178	29,530,035	16,200,480	15,967,703	50,370,658	45,497,738
Increases in net assets before transfers	6,462,152	3,032,112	9,474,666	12,166,643	15,936,818	15,198,755
Transfers	550,000	150,000	(550,000)	(150,000)	-	-
Changes in net assets	7,012,152	3,182,112	8,924,666	12,016,643	15,936,818	15,198,755
Net assets-10/01/05	66,270,818	63,088,706	50,302,851	38,286,208	116,573,669	101,374,914
Net assets-09/30/06	\$ 73,282,970	\$ 66,270,818	\$ 59,227,517	\$ 50,302,851	\$ 132,510,487	\$ 116,573,669

Total revenues generated from both governmental and business-type activities for this year amounted to \$66,307,476 reflecting an increase of \$5,610,983 compared to last year. Approximately 65.77 percent of the increase is attributed to charges for services, which increased 19.02 percent compared to prior year. Expenses were \$50,370,656, an increase of 10.71 percent, thus increasing net assets by \$15,936,820.

**Governmental activities.** Governmental activities increased the City of Mission's net assets by \$7,012,154, thereby accounting for 44 percent of the total growth in net assets. The major contribution to the increase in governmental activities net assets is from property taxes and sales taxes. Taxes reflect a 17.88 percent increase compared to prior year.

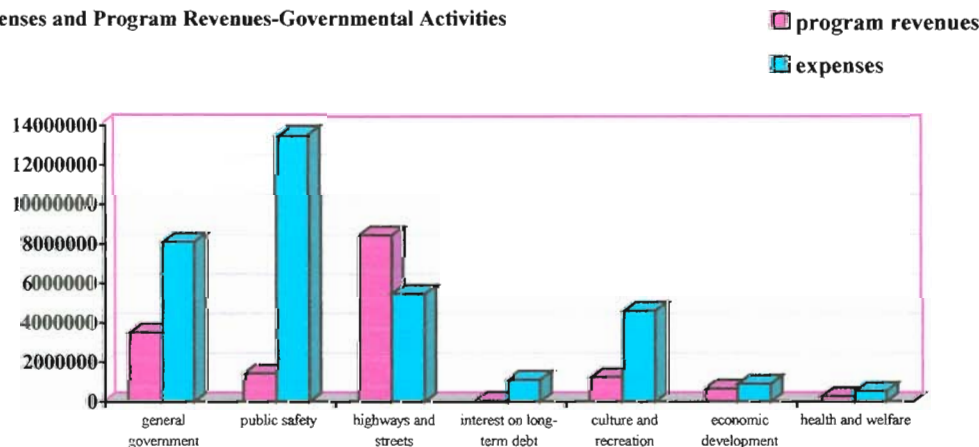
Taxes represent 56.4 percent of all governmental activities revenues. As displayed in the following graph, property taxes are the largest single source of funds comprising 30.93 percent of total revenues while sales taxes make up 19.59 percent of total revenues.

**Revenues by source-Governmental Activities**



The following graph displays the portion of expenses funded by program revenues. Overall, general revenues funded approximately 54.40 percent of total expenses for fiscal year 2006.

**Expenses and Program Revenues-Governmental Activities**



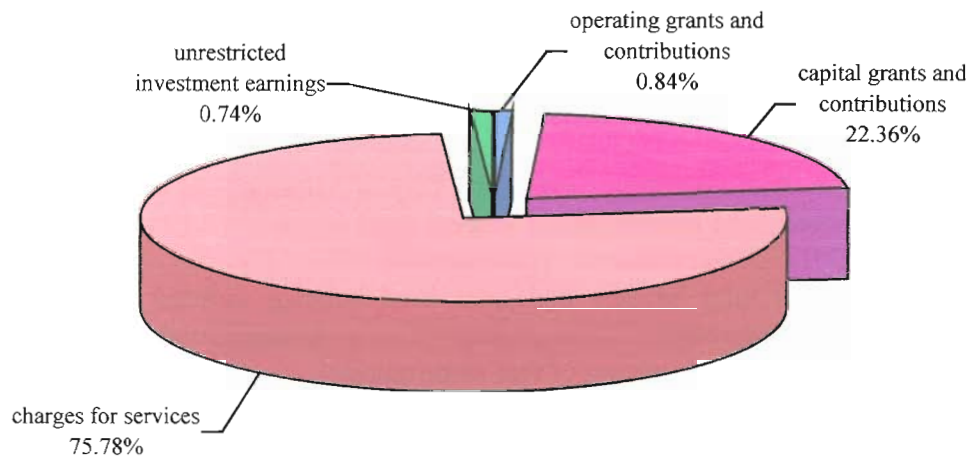
Expenses for governmental activities for the City totaled \$34,170,176 for the year ended September 30, 2006. Expenses increased by 15.71 percent compared to fiscal year 2005. The

most significant increase was in the culture and recreation activities (32.16 percent increase) compared to prior year. The number of programs increased and required additional staff. In addition, the City undertook the remodeling project of the Boy's and Girls Club building. The highways and streets activities also increase by 23.38 percent compared to prior year. The over-lay of various streets throughout the City was largely responsible for this increase.

**Business-type activities.** Business-type activities increased the City of Mission's net assets by \$8,924,664 accounting for 56 percent of the total growth in the City's net assets. The key factor for the increase in business-type activities net assets is attributed to charges for services, which reflect an increase of 37.85 percent compared to prior year. For the fiscal year 2006, Water and sewer rates were increased by approximately 15%; these rates had been constant for the past four years.

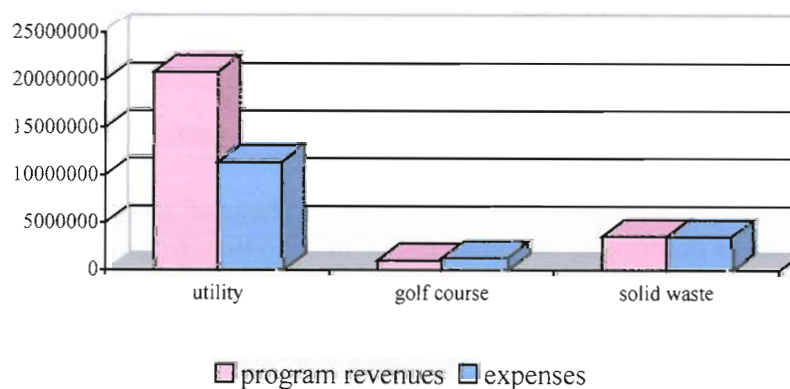
Charges for services comprise 75.78 percent of total business-type activities revenues. Capital grants and contributions account for 22.36 percent of total business-type activities revenues.

### 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 \$16,200,480 an increase of 1.46 percent compared to last year. The increase was attributed to an increase in personnel cost.

## **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 \$9,523,181, an increase of \$2,724,273 or 9.98 percent in comparison with the prior year. \$4,842,512 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 (\$316,720), or 2) for a variety of other restricted purposes (\$4,363,949).

The general fund is the chief operating fund of the City of Mission. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$4,341,125 while the total fund balance was \$4,449,001. 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 17.86 percent of total general fund expenditures, while total fund balance represents 18.3 percent of that same amount.

During the current fiscal year, the fund balance of the City of Mission's general fund increased by \$1,229,295. The key components and factors in this increase are as follows:

- Reimbursement from Mission Redevelopment Authority (MRA) component unit for various projects that improved the economic status of the City. Total reimbursement was for \$1,364,418.
- Revenues increased by \$2,567,486 compared to prior year. This amount includes the \$1,364,418 reimbursement.
- Expenditures increased by \$1,250,896 compared to prior year.
- Net other financing uses totaled \$2,800,967, an increase of 16.21 percent compared to prior year. This is comprised of transfers-out of \$2,646,676 for debt service, transfer-out of \$920,325 to special revenue funds and a transfer out of \$200,000 to the Golf Course fund, transfers-in of \$950,000 for alley and street resurfacing, and sale of general fixed assets of \$16,034.

The debt service fund has a total fund balance of \$732,719, 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 \$151,157.

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

At the end of the year, total unrestricted net assets amounted to \$6,086,206. The utility fund and the solid waste fund had unrestricted net assets of \$6,285,198 and \$304,608 respectively. The golf course fund ended the year with an unrestricted net assets deficit of \$503,600.

The utility fund unrestricted net assets increased by \$3,310,961. One factor that contributed to the increase was the release of restricted assets to unrestricted. Two bond issues (1996 and 2001 revenue bonds) were refunded during the year and the bond ordinance for these issues required that the City maintain a reserve fund. However, when the issues were refunded, the new bond ordinance permitted the reserve fund to be in the form of a surety bond or insurance policy. An insurance policy was purchased thereby releasing the restricted reserve funds of \$1,375,500. The second factor was attributed to a 15% fee rate increase in the utility fund.

The golf course fund borrowed funds from the utility fund to meet its daily operations during the year. The golf course revenues reflect an increase of \$10,021 from prior year. The Golf Course has been trying to recover from loss of revenue during the time that it had major renovations and improvements to 9 holes of the 27-hole course. The general fund contributed \$200,000 to the Golf Course during the year. The 2007 budget is reflecting a golf fee rate increase to offset the increasing expenses.

## **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget for the general fund were a net increase in appropriations of \$1,611,796 or 5.92 percent. The major differences can be briefly summarized as follows:

- General government appropriations increased by \$559,121. The executive administration department appropriations increased by \$76,827 due to turnover of personnel. Professional Services in the organization department was also increased by \$243,775 to cover cost of the GIS system and engineering fees for projects that will be funded by Texas Department of Transportation (TXDOT). TXDOT requires that the City perform the preliminary work such as surveying and testing before an inter-local agreement can be approved. Miscellaneous expenditures in the organization department reflect an increase of \$169,000 for the City's participation in various TXDOT projects. The organization department also reflects an increase in capital outlay of \$80,825, which was used to purchase land in the downtown area for city parking.
- Public safety appropriations increased by \$101,038. Four grants were received and accepted by the City and the appropriation budgets for the grants totaling \$90,593 were adopted during the fiscal year. The additional \$10,445 increase was for daily operating expenditures, which were under estimated during the budget process.

- Highways and streets appropriations increased by \$180,741. Overall, expenditures were \$173,346 more than the original budget. The high cost of electricity (\$215,500) was the major factor in the increase. Professional and technical services category (\$126,400) was the second factor of the increase. The City requires that certain tests be performed on all new subdivisions before the City accepts them; therefore, the City engaged an engineering firm to perform these tests.
- Culture and recreation appropriations increased by \$237,840. The increase is attributed to various park improvements throughout the City. Due to the drought, various parks required sprinkler systems to keep the grounds green and attractive for the citizens to enjoy.

Of the increase in budgeted expenditures, \$1,078,846 was to be funded through intergovernmental sources, and the remaining \$224,298 was to be funded from available resources.

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. MRA reimbursed the City for various projects that improved the economic status of the City. The total reimbursement was for \$1,364,418. This reimbursement increased the fund balance of the City.

#### Taxes

- Property taxes, sales taxes, and other taxes actual collections came higher than final budget by \$641,545. The property tax collection rate varies from 92% to 94% of total tax levy; however, for budget purposes the City uses 92% tax collection rate; therefore actual will normally be higher than budget. Sales tax also reflects an increase and this is the result of new businesses making Mission their home.

## 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, 2006, amounts to \$168,824,944 (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 8.57 percent (an 8.81 percent increase for governmental activities and a 8.33 percent increase for business-type activities).



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

- Infrastructure increased in the governmental activities by \$5,462,164 (net) or 17.73 percent compared to prior year. The increase is attributed to contributions from developers.
- Buildings and systems in the business-type activities increased by \$9,772,652 (net) or 30.74 percent compared to prior year. The water plant expansion, new water tower, and the downtown water treatment transfer pump project were all completed and capitalized.
- Construction in progress (CIP) for both the governmental activities (net increase of \$871,534) and business-type activities (net decrease of \$3,428,618) also reflects changes. Various projects in the business-type activities were completed and capitalized. See buildings and systems above.

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

**City of Mission  
Capital Assets  
Net of Depreciation**

	Governmental Funds		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land and water rights	\$ 30,152,862	\$ 28,275,793	\$ 4,327,102	\$ 4,175,773	\$ 34,479,964	\$ 32,451,566
Buildings and system	7,873,928	8,160,188	41,539,258	31,766,606	49,413,186	39,926,794
Improvements other than buildings	2,957,809	3,173,946	678,288	736,439	3,636,097	3,910,385
Machinery and equipment	4,566,973	5,272,979	2,228,342	2,335,459	6,795,315	7,608,438
Infrastructure	36,270,473	30,808,309	-	-	36,270,473	30,808,309
Construction in progress	4,677,019	3,805,485	33,552,890	36,981,508	38,229,909	40,786,993
Total	<u>\$ 86,499,064</u>	<u>\$ 79,496,700</u>	<u>\$ 82,325,880</u>	<u>\$ 75,995,785</u>	<u>\$ 168,824,944</u>	<u>\$ 155,492,485</u>

Additional information on the City of Mission's capital assets can be found in note 6 on pages 66-67 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 \$59,299,372, an increase of \$5,077,372 or 9.36 percent compared to prior year. The increase was largely attributable to the issuance of \$4,100,000 in certificate of obligations in the Governmental Activities and \$18,300,000 in the Business-type Activities. The \$18.3 million was to refund two revenue bonds (1996 issue and 2001 issue) for a total of \$15.3 million and the additional \$3 million were for new projects.

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

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Public property financing contractual obligations	\$ 2,135,000	\$ 3,070,000	\$ 935,000	\$ 1,180,000	\$ 3,070,000	\$ 4,250,000
Certificate of obligations	20,600,000	17,155,000	360,000	435,000	20,960,000	17,590,000
Revenue bonds	-	-	35,050,000	32,232,000	35,050,000	32,232,000
Capital Leases	-	-	119,372	-	119,372	-
Other lending sources	100,000	150,000	-	-	100,000	150,000
Total	<u>\$ 22,835,000</u>	<u>\$ 20,375,000</u>	<u>\$ 36,464,372</u>	<u>\$ 33,847,000</u>	<u>\$ 59,299,372</u>	<u>\$ 54,222,000</u>

The certificate of obligation was issued for various street projects, drainage projects, and a new park.

Moody's Investors Service rated the bonds issued in fiscal year 2006, "Aaa". 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, 2006, 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 68-74 of this report.

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

- The unemployment rate for the City of Mission is currently 5.2 percent, remaining the same to prior year. The state and national average unemployment rates are 4.5 percent and 4.6 percent respectively.
- Appraisal values used in preparing the 2006 budget were up \$202 million, or 9.41 percent from the prior year. The majority of the increase is derived from appraised improvements, which increased \$134.6 million from the prior year. Land appraisal also increased by \$100.4 million from the prior year. Although property values increased, so did exemptions. Exemptions increased by \$33 million.
- Although appraised values increased, the demand for services also increased and it was necessary to adopt the rollback tax rate for the 2007 budget. The adopted tax rate (.5566 per \$100 valuation) was lower than the prior year (.5589 per \$100 valuation).
- The 2007 budget also reflects an increase for the water and sewer rates. The rates were increased by 3%. The last rate increase was in fiscal year 2006.
- The 2007 general fund operating budget was prepared using \$3,305,701 as the estimated unreserved fund balance at September 30, 2006. The actual unreserved fund balance for the

general fund was \$4,341,125; nevertheless, a \$3,000,682 fund balance is projected at September 30, 2007.

- The City is currently analyzing its current financial situation and will implement the necessary measures to increase its fund balance.

### **Requests for Information**

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

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# *BASIC FINANCIAL STATEMENTS*

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# CITY OF MISSION, TEXAS

## STATEMENT OF NET ASSETS

SEPTEMBER 30, 2006

EXHIBIT A-1

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	MEDC	MRA
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,743,499	\$ 1,127,916	\$ 2,871,415	\$ 335,848	\$ 3,411,857
Investments	6,397,131	4,512,943	10,910,074	1,144,156	932,710
Prepaid items	6,764	6,340	13,104	-	-
Receivables, net	4,153,296	3,086,301	7,239,597	463,488	-
Internal balances	(218,320)	218,320	-	-	-
Due from component unit	1,366,572	-	1,366,572	-	-
Inventory	537	115,700	116,237	-	-
Deferred charges	521,722	680,813	1,202,535	-	602,970
Notes receivable, net	-	138,820	138,820	-	-
Long-term receivable	82,385	-	82,385	-	-
Restricted assets	1,671,046	8,126,111	9,797,157	1,170,781	-
Capital assets:					
Land, water rights, and construction in progress	34,829,882	37,879,993	72,709,875	-	1,699,516
Other capital assets, net of accumulated depreciation	51,669,183	44,445,888	96,115,071	-	-
Total Assets	<u>102,223,697</u>	<u>100,339,145</u>	<u>202,562,842</u>	<u>3,114,273</u>	<u>6,647,053</u>
<b>LIABILITIES</b>					
Accounts payable	697,069	1,183,493	1,880,562	2,521	70,774
Customer deposits	-	1,507,302	1,507,302	-	-
Accrued interest payable	335,528	84,294	419,822	42,386	34,641
Other liabilities	1,933,297	91,342	2,024,639	-	997,441
Subdividers deposits	-	1,284,542	1,284,542	-	-
Retainage payable	117,036	736,117	853,153	-	92,234
Accrued payroll	296,262	79,165	375,427	-	-
Due to primary government	-	-	-	2,155	1,364,418
Unearned revenues	733,793	61,555	795,348	-	-
Noncurrent liabilities:					
Due in more than one year	22,386,435	33,883,735	56,270,170	5,120,000	8,315,000
Due within one year	2,441,307	2,200,084	4,641,391	205,000	295,000
Total Liabilities	<u>28,940,727</u>	<u>41,111,629</u>	<u>70,052,356</u>	<u>5,372,062</u>	<u>11,169,508</u>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	67,235,280	50,914,486	118,149,766	-	147,318
Restricted For:					
Debt Service	807,542	1,716,615	2,524,157	505,513	898,069
Construction	-	275,563	275,563	-	-
Held in trust for scholarships and books	26,332	-	26,332	-	-
Other purposes	455,071	1,225	456,296	-	-
Unrestricted	4,758,745	6,319,626	11,078,371	(2,763,301)	(5,567,842)
Total Net Assets	<u>\$ 73,282,970</u>	<u>\$ 59,227,515</u>	<u>\$ 132,510,485</u>	<u>\$ (2,257,788)</u>	<u>\$ (4,522,455)</u>

The accompanying notes are an integral part of this statement.

# CITY OF MISSION, TEXAS

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	\$ 8,112,274	\$ 2,676,159	\$ 849,674	\$ 775
Public safety	13,451,482	106,521	1,214,220	105,952
Highways and streets	5,466,843	536,943	101,273	7,785,795
Health and welfare	526,449	165,112	107,607	-
Cutlture and recreation	4,619,038	148,885	184,180	909,193
Economic development	897,118	-	642,378	-
Interest and fiscal charges on long-term debt	1,096,972	-	47,464	-
Total Governmental Activities	34,170,176	3,633,620	3,146,796	8,801,715
Business-type Activities:				
Utility	11,362,995	14,852,124	214,527	5,739,699
Golf Course	1,285,326	1,036,110	-	-
Solid Waste	3,552,159	3,569,570	-	-
Total Business-type Activities	16,200,480	19,457,804	214,527	5,739,699
Total Primary Government	\$ 50,370,656	\$ 23,091,424	\$ 3,361,323	\$ 14,541,414
COMPONENT UNITS:				
Mission Economic Development Corporation	\$ 1,991,848	\$ -	\$ 28,554	\$ 33,889
Mission Redevelopment Authority	2,866,400	-	-	-
Total Component Units	\$ 4,858,248	\$ -	\$ 28,554	\$ 33,889

### General Revenues:

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

### Transfers

Total General Revenues  
Change in Net Assets  
Net Assets - Beginning  
Net Assets - Ending

The accompanying notes are an integral part of this statement.



Net (Expense) Revenue and Changes in Net Assets				
Governmental Activities	Business-type Activities	Total	Component Units	
			MEDC	MRA
\$ (4,585,666)		\$ (4,585,666)		
(12,024,790)		(12,024,790)		
2,957,167		2,957,167		
(253,730)		(253,730)		
(3,376,780)		(3,376,780)		
(254,739)		(254,739)		
(1,049,508)		(1,049,508)		
<u>(18,588,046)</u>		<u>(18,588,046)</u>		
-	\$ 9,443,354	9,443,354		
-	(249,217)	(249,217)		
-	17,411	17,411		
-	9,211,548	9,211,548		
<u>\$ (18,588,046)</u>	<u>\$ 9,211,548</u>	<u>\$ (9,376,498)</u>		
			\$ (1,929,405)	\$ -
			-	(2,866,400)
			<u>(1,929,405)</u>	<u>(2,866,400)</u>
12,569,230	-	12,569,230	-	-
7,961,019	-	7,961,019	2,653,673	-
2,028,000	-	2,028,000	-	-
309,496	-	309,496	-	-
51,914	-	51,914	-	-
1,409,272	-	1,409,272	-	796,108
70,184	-	70,184	-	-
280,538	152,995	433,533	53,968	185,615
370,545	110,121	480,666	-	-
550,000	(550,000)	-	-	-
<u>25,600,198</u>	<u>(286,884)</u>	<u>25,313,314</u>	<u>2,707,641</u>	<u>981,723</u>
7,012,152	8,924,664	15,936,816	778,236	(1,884,677)
66,270,818	50,302,851	116,573,669	(3,036,021)	(2,637,778)
<u>\$ 73,282,970</u>	<u>\$ 59,227,515</u>	<u>\$ 132,510,485</u>	<u>\$ (2,257,785)</u>	<u>\$ (4,522,455)</u>

**CITY OF MISSION, TEXAS**  
**BALANCE SHEET-GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2006**

	General Fund	Community Development Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ 602,684	\$ -
Investments	1,242,796	-
Receivables:		
Taxes, including interest and penalties	1,624,509	-
Accounts	773,009	-
Special assessments	-	-
Less: allowance for uncollectibles	(732,761)	-
Accrued interest receivable	4,440	-
Due from other governments	1,565,498	13,718
Due from other funds	313,721	-
Due from component unit	1,366,572	-
Inventory	537	-
Prepaid items	6,764	-
Restricted assets	-	-
Long-term receivable	82,385	-
<b>Total Assets</b>	<b>\$ 6,850,154</b>	<b>\$ 13,718</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 454,558	\$ 3,847
Accrued interest payable	-	-
Other liabilities	351,762	1,512
Retainage payable	-	-
Accrued payroll	278,926	2,548
Due to other funds	-	5,811
Deferred revenue	1,315,905	-
<b>Total Liabilities</b>	<b>2,401,151</b>	<b>13,718</b>
<b>FUND BALANCES:</b>		
Reserved for encumbrances	18,191	-
Reserved for long-term receivable	82,385	-
Reserved for capital projects	-	-
Reserved for debt service	-	-
Reserved for perpetual care	-	-
Reserved for scholarships and books	-	-
Reserved for inventory	537	-
Reserved for prepaid items	6,764	-
Reserved for other purposes	-	-
Unreserved	4,341,125	-
Unreserved, reported in nonmajor:		
Special revenue funds	-	-
<b>Total Fund Balances</b>	<b>4,449,002</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,850,153</b>	<b>\$ 13,718</b>

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 9,645	\$ 1,014,898	\$ 1,627,227
744,000	3,785,970	5,772,766
-	-	1,624,509
-	215,249	988,258
-	112,107	112,107
-	(38,450)	(771,211)
1,559	15,599	21,598
-	329,365	1,908,581
-	-	313,721
-	-	1,366,572
-	-	537
-	-	6,764
-	1,671,047	1,671,047
-	-	82,385
<u>\$ 755,204</u>	<u>\$ 7,105,785</u>	<u>\$ 14,724,860</u>
\$ -	\$ 25,876	\$ 484,281
22,485	-	22,485
-	1,580,024	1,933,298
-	117,036	117,036
-	14,788	296,262
-	292,809	298,620
-	733,792	2,049,697
<u>22,485</u>	<u>2,764,325</u>	<u>5,201,679</u>
-	298,529	316,720
-	-	82,385
-	3,000,995	3,000,995
732,719	-	732,719
-	59,146	59,146
-	26,332	26,332
-	-	537
-	-	6,764
-	455,071	455,071
-	-	4,341,125
-	501,387	501,387
<u>732,719</u>	<u>4,341,460</u>	<u>9,523,181</u>
<u>\$ 755,204</u>	<u>\$ 7,105,785</u>	<u>\$ 14,724,860</u>

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**CITY OF MISSION, TEXAS****EXHIBIT A-4****RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2006**

Total fund balances - governmental funds balance sheet	\$ 9,523,181
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.	86,499,065
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,315,905
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	563,884
Payables for bond principal which are not due in the current period are not reported in the funds.	(22,735,000)
Payable for bond interest which are not due in the current period are not reported in the funds.	(313,045)
Payables for notes which are not due in the current period are not reported in the funds.	(100,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(1,858,886)
Unamortized issuance cost unavailable for current-period expenditures and are deferred in the SNA.	528,152
Unamortized premium unavailable for current-period expenditures and are deferred in the SNA.	(140,286)
Net assets of governmental activities - statement of net assets	<u>\$ 73,282,970</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, 2006

	General Fund	Community Development Fund
Revenues:		
Taxes and special assessments	\$ 22,373,742	\$ -
Licenses and permits	1,176,810	-
Intergovernmental	2,249,643	920,625
Charges for services	656,902	-
Fines	1,008,935	-
Interest	202,448	-
Miscellaneous	672,015	8,048
Total Revenues	<u>28,340,495</u>	<u>928,673</u>
Expenditures:		
Current:		
General government	6,674,851	849,675
Public safety	11,808,232	-
Highways and streets	2,298,437	-
Health and welfare	443,755	78,998
Culture and recreation	3,034,958	-
Economic development	-	-
Capital projects	-	-
Debt service:		
Principal retirements	50,000	-
Interest and fiscal charges	-	-
Total Expenditures	<u>24,310,233</u>	<u>928,673</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>4,030,262</u>	<u>-</u>
Other Financing Sources (Uses):		
Issuance of debt	-	-
Sale of capital assets	16,034	-
Transfers in	950,000	-
Transfers out	(3,767,001)	-
Total Other Financing Sources (Uses)	<u>(2,800,967)</u>	<u>-</u>
Net Change in Fund Balances	1,229,295	-
Fund Balances at Beginning of Year	3,219,706	-
Fund Balances at End of Year	<u>\$ 4,449,001</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

## EXHIBIT A-5

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 755,949	\$ 23,129,691
-	-	1,176,810
-	1,354,862	4,525,130
-	99,056	755,958
-	-	1,008,935
47,464	213,040	462,952
-	270,375	950,438
<u>47,464</u>	<u>2,693,281</u>	<u>32,009,913</u>
-	18,883	7,543,409
-	931,139	12,739,371
-	197,245	2,495,682
-	28,609	551,362
-	774,565	3,809,523
-	897,118	897,118
-	3,326,308	3,326,308
1,590,000	-	1,640,000
952,983	-	952,983
<u>2,542,983</u>	<u>6,173,866</u>	<u>33,955,754</u>
<u>(2,495,519)</u>	<u>(3,480,585)</u>	<u>(1,945,841)</u>
-	4,100,000	4,100,000
-	4,080	20,114
2,646,676	920,325	4,517,001
-	(200,000)	(3,967,001)
<u>2,646,676</u>	<u>4,824,405</u>	<u>4,670,114</u>
151,157	1,343,820	2,724,273
581,562	2,997,642	6,798,910
<u>\$ 732,719</u>	<u>\$ 4,341,462</u>	<u>\$ 9,523,181</u>

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

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2006*

Net change in fund balances - total governmental funds	\$2,724,273
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA	2,834,370
The depreciation of capital assets used in governmental activities is not reported in the funds.	(4,229,621)
The gain or loss on the sale of capital assets is not reported in the funds.	(10,422)
Donation of capital assets increase net assets in the SOA but not in the funds.	8,434,601
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	236,421
Debt proceeds provided current financial resources in the funds but are not reported as revenues in the SOA.	(4,100,000)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,590,000
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.	(36,741)
(Increase) decrease in accrued interest from beginning of period to end of period	(113,779)
The net revenue (expense) of certain activities of internal service funds is reported with governmental activities.	(48,051)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds	<u>(318,898)</u>
Change in net assets of governmental activities - statement of activities	<u><u>\$7,012,153</u></u>

The accompanying notes are an integral part of this statement.



## CITY OF MISSION, TEXAS

## STATEMENT OF NET ASSETS

## PROPRIETARY FUNDS

SEPTEMBER 30, 2006

EXHIBIT A-7

	Enterprise Fund	Enterprise Fund	Enterprise Fund	Total Enterprise Funds	Nonmajor Internal Service Fund Group Health Employee Plan Fund
	Utility Fund	Golf Course Fund	Solid Wast		
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 1,030,050	\$ 4,745	\$ 93,120	\$ 1,127,915	\$ 116,271
Investments	4,502,943	10,000	-	4,512,943	624,366
Restricted assets:					
Cash and cash equivalents	2,117,434	-	-	2,117,434	-
Investments	5,970,614	-	-	5,970,614	-
Accrued interest	38,063	-	-	38,063	-
Receivables	2,539,607	8,838	739,555	3,288,000	267,692
Less: allowance for uncollectibles	(380,855)	-	(174,019)	(554,874)	-
Accrued interest	17,004	1	-	17,005	1,764
Due from other funds	357,853	-	-	357,853	-
Due from other governments	336,170	-	-	336,170	-
Inventories (at cost)	104,485	11,216	-	115,701	-
Prepaid items	6,340	-	-	6,340	-
Total Current Assets	16,639,708	34,800	658,656	17,333,164	1,010,093
Noncurrent Assets:					
Deferred charges	677,837	2,976	-	680,813	-
Note receivable	138,820	-	-	138,820	-
Capital assets:	-	-	-	-	-
Land, water rights, and construction in progress	36,076,941	1,803,052	-	37,879,993	-
Other capital assets, net of accumulated depreciation	43,198,029	1,247,859	-	44,445,888	-
Total Noncurrent Assets	80,091,627	3,053,887	-	83,145,514	-
Total Assets	\$ 96,731,335	\$ 3,088,687	\$ 658,656	\$ 100,478,678	\$ 1,010,093
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	\$ 854,419	\$ 20,540	\$ 308,534	\$ 1,183,493	\$ -
Claims payable	-	-	-	-	212,788
Accrued payroll	60,875	18,290	-	79,165	-
Compensated absences payable	181,895	46,211	-	228,106	-
Due to other funds	15,101	357,853	-	372,954	-
Unearned revenue	-	61,555	-	61,555	-
Accrued interest	82,900	1,394	-	84,294	-
Other liabilities	28,002	17,824	45,515	91,341	-
Subdividers deposits	1,284,542	-	-	1,284,542	-
Retainage payable	736,117	-	-	736,117	-
Customer deposits	1,507,302	-	-	1,507,302	-
Current portion of long-term debt	1,851,000	120,978	-	1,971,978	-
Total Current Liabilities	6,602,153	644,645	354,049	7,600,847	212,788
Other Non-Current Liabilities:					
Long term compensated absences	30,581	16,449	-	47,030	-
Capital lease payable	-	83,394	-	83,394	-
Public Property Finance Contractual Obligation payable, net of current portion	570,000	275,000	-	845,000	-
Revenue bonds, net of current portion, discount, and deferred amount on refunding	32,908,311	-	-	32,908,311	-
Total Other Non-Current Liabilities	33,508,892	374,843	-	33,883,735	-
Total Liabilities	40,111,045	1,019,488	354,049	41,484,582	212,788
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	48,341,687	2,572,799	-	50,914,486	-
Restricted for:					
Debt service	1,716,615	-	-	1,716,615	-
Capital projects	275,563	-	-	275,563	-
Other	1,225	-	-	1,225	-
Unrestricted	6,285,198	(503,598)	304,606	6,086,206	797,305
Total Net Assets	\$ 56,620,288	\$ 2,069,201	\$ 304,606	\$ 58,994,095	\$ 797,305
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds.				233,421	
Net assets of business-type activities				\$ 59,227,516	

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, 2006

	Enterprise Fund	Enterprise Fund
	Utility Fund	Golf Course Fund
Operating Revenues:		
Charges for services	\$ 14,881,123	\$ 1,038,245
Operating expenses:		
Insurance claim drafts	-	-
Premium payments	-	-
Utility administration	338,737	-
Water distribution	2,119,096	-
Water treatment	1,285,077	-
Wastewater treatment and collection	1,478,699	-
Industrial pretreatment	248,820	-
Utility collection	669,849	-
Rentals-machinery and equipment	-	-
Organizational expenses	189,030	-
Northside water treatment plant	1,455,865	-
Depreciation	2,453,801	150,369
Cost of sales	-	103,491
Golf course operation	-	1,023,888
Solid waste disposal	-	-
2003 PPFCO	1,672	-
Total Operating Expenses	10,240,646	1,277,748
Operating Income (Loss)	4,640,477	(239,503)
Nonoperating Revenues (Expenses)		
Gain (Loss) on disposal of capital assets	1,612	61,285
Interest earned	358,152	615
Other nonoperating revenue	3,213	11,815
Bond Interest expense	(1,183,356)	(16,652)
Bond fiscal charges	(9,220)	-
Other interest expense	-	(6,521)
Total Nonoperating Revenues (Expenses)	(829,599)	50,542
Income (Loss) Before Transfers and Capital Contributions	3,810,878	(188,961)
Transfers In (Out)	(750,000)	200,000
Capital Contributions	5,739,699	-
Change in Net Assets	8,800,577	11,039
Net Assets-Beginning of Year	47,819,712	2,058,162
Net Assets-End of Year	\$ 56,620,289	\$ 2,069,201

The accompanying notes are an integral part of this statement.

## EXHIBIT A-8

Enterprise Fund		Nonmajor Internal Service Fund
Solid Waste	Total Enterprise Funds	Group Health Employee Plan Funds
\$ 3,570,633	\$ 19,490,001	\$ 2,966,731
-	-	2,363,558
-	-	444,829
-	338,737	-
-	2,119,096	-
-	1,285,077	-
-	1,478,699	-
-	248,820	-
-	669,849	-
4,400	4,400	-
-	189,030	-
-	1,455,865	-
-	2,604,170	-
-	103,491	-
-	1,023,888	-
3,547,759	3,547,759	-
-	1,672	-
3,552,159	15,070,553	2,808,387
18,474	4,419,448	158,344
-	62,897	-
8,754	367,521	36,851
-	15,028	-
-	(1,200,008)	-
-	(9,220)	-
-	(6,521)	-
8,754	(770,303)	36,851
27,228	3,649,145	195,195
-	(550,000)	-
-	5,739,699	-
27,228	8,838,844	195,195
277,378		602,110
\$ 304,606		\$ 797,305

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.

	85,822
Change in net asset of business-type activities	\$ 8,924,666

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**CITY OF MISSION, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**EXHIBIT A-9**

	Enterprise Funds			Internal Service Fund
	Utility Fund	Golf Course Fund	Solid Waste Fund	Group Health
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Customers	\$ 16,682,262	\$ 1,025,314	\$ 3,519,207	\$ 21,226,783
Cash Received from Interfund Services Used	-	-	-	2,720,004
Cash Payments from Interfund Services Used	-	-	-	(2,775,636)
Cash Payments to Employees for Services	(3,109,718)	(758,029)	-	-
Cash Payments to Other Suppliers for Goods and Services	(5,004,831)	(387,773)	(3,616,179)	(9,008,783)
Net Cash Provided (Used) by Operating Activities	8,567,713	(120,488)	(96,972)	8,350,253
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Proceeds (payments from Insurance Settlement	3,213	11,815	-	15,028
Transfers From (To) Other Funds	(750,000)	200,000	-	(550,000)
Net Cash Provided (Used) by Non-Capital Financing Activities	(746,787)	211,815	-	(534,972)
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Proceeds from issuance of Long-term Debt	3,108,266	-	-	3,108,266
Principal and Interest Paid	(2,736,483)	(130,207)	-	(2,866,690)
Acquisition or Construction of Capital Assets	(4,598,645)	(15,873)	-	(4,614,518)
Proceed from Sale of Capital Assets	1,612	61,286	-	62,898
Contributed Capital	1,823,758	-	-	1,823,758
Bond issuance cost	(593,035)	-	-	(593,035)
Net Cash Provided (Used) for Capital & Related Financing Activities	(2,994,527)	(84,794)	-	(3,079,321)
<b>Cash Flows from Investing Activities:</b>				
Purchase of Investment Securities	(18,231,746)	(10,000)	-	(18,241,746)
Proceeds from Sale and Maturities of Securities	11,671,444	-	100,000	11,771,444
Interest on Investments	342,027	615	9,811	352,453
Net Cash Provided (Used) for Investing Activities	(6,218,275)	(9,385)	109,811	(6,117,849)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,391,876)	(2,852)	12,839	(1,381,889)
Cash and Cash Equivalents at Beginning of Year	4,539,360	7,598	80,281	4,627,239
Cash and Cash Equivalents at End of Year	\$ 3,147,484	\$ 4,746	\$ 93,120	\$ 3,245,350
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>				
Operating Income (Loss)	\$ 4,642,152	\$ (239,506)	\$ 18,475	\$ 4,421,121
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	2,453,801	150,369	-	2,604,170
<b>Change in Assets and Liabilities:</b>				
Decrease (Increase) in Receivables	(232,506)	(3,787)	(63,355)	(299,648)
Decrease (Increase) in Inventories	(6,413)	5,839	-	(574)
Decrease (Increase) in Prepaid Expenses	(47)	-	-	(47)
Decrease (Increase) in Due from Other Funds	150,753	100,000	-	250,753
Decrease (Increase) in Due from Other Governments	1,662,919	-	-	1,662,919
Increase (Decrease) in Accounts Payable	(511,832)	1,085	92,752	(417,995)
Increase (Decrease) in Customer Deposits	154,310	-	-	154,310
Increase (Decrease) in Accrued Wages Payable	30,663	10,531	-	41,194
Increase (Decrease) in Due to Other Funds	7,122	(150,752)	(150,000)	(293,630)
Increase (Decrease) in Other Liabilities	12,364	6,111	5,156	23,631
Increase (Decrease) in Subdividers Deposits Payable	216,415	-	-	216,415
Increase (Decrease) in Compensated Absences Payable	(11,988)	8,520	-	(3,468)
Increase (Decrease) in Deferred Revenue	-	(8,898)	-	(8,898)
Total Adjustments	3,925,561	119,018	(115,447)	3,929,132
Net Cash Provided (Used) by Operating Activities	\$ 8,567,713	\$ (120,488)	\$ (96,972)	\$ 8,350,253
<b>Non-Cash Capital Financing Activities</b>				
Contributed Capital Assets	3,147,438	-	-	-

The accompanying notes are an integral part of this statement.

**CITY OF MISSION, TEXAS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2006**

**EXHIBIT A-10**

	Private-purpose Trust Fund Speer Library - Breyfogle
<b>ASSETS</b>	
Cash and cash equivalents	\$ 15
Investments	5,940
Accrued interest receivable	141
Total Assets	<u>\$ 6,096</u>
<b>LIABILITIES</b>	
Total Liabilities	<u>-</u>
<b>NET ASSETS</b>	
Held in trust for scholarships and books	\$ 6,096
Total Net Assets	<u>\$ 6,096</u>

The accompanying notes are an integral part of this statement.

**CITY OF MISSION, TEXAS****EXHIBIT A-11****STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	Private-purpose Trust Fund Speer Library- Breyfogle
<b>Additions:</b>	
Investment Income	\$ 245
Total Additions	245
<b>Deductions:</b>	
Scholarship Awards	-
Total Deductions	-
<b>Change in Net Assets</b>	245
Net Assets-Beginning of the Year	5,851
Net Assets-End of the Year	\$ 6,096

The accompanying notes are an integral part of this statement.

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006

**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, 2006

**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, 2006 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, 2006

**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, 2006

**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, 2006

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**D. *Cash and Investments***

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

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

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

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006

**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, 2006

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

**I. *Capital Assets***

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

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

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

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

**J. *Construction Period Interest***

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

**K. *Compensated Absences***

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported only in the governmental activities column of the government-wide financial statements. 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, 2006

**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 and firefighters, discussed below, the City has recognized a liability for the vested part of employee sick leave. Per the City's Personnel Policy Manual, one-half of accumulated sick days up to a maximum of 90 days will vest once an employee either reaches 15 years of service or is eligible for official retirement as defined by the Texas Municipal Retirement System.

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

**L. *Long-Term Obligations***

In government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental/business type activities or the specific proprietary fund to which each relates, as applicable. Bond premiums and discounts, as well as issuance costs, are unearned charges and amortized over the term of the related debt.

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

**M. *Fund Equity***

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

**N. *Prepaid Items***

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

**O. *Internal Service Fund Activity***

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

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006

**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, 2006 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, 2006 (2005 levy), was \$.5589 per \$100 valuation.

Property taxes receivable at year end were \$1,624,509.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

*A. Primary Government*

*Deposits* - At September 30, 2006, the carrying value of the City's deposits with financial institutions was \$23,537,922 and the bank balance was \$24,689,695. Included in this balance are certificates of deposit of \$16,868,089 and securities of \$4,213,743. Of this bank balance, \$281,509 was covered by FDIC insurance, and the remainder was fully 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, 2006. 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.



CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS *(Continued)***

**Investments**

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

The City's policy authorizes the following investment instruments:

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

**Interest Rate Risk—**

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

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

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006

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

The following is the Interest Rate Risk using Specific Identification, as of September 30, 2006:

<u>Investment Type</u>	<u>Maturity Period</u>		
	<u>Amortized Cost</u>	<u>3 Months or Less</u>	<u>4-12 Months</u>
Freddie Discount	\$ 397,413	\$ -	\$ 397,413
Freddie Discount	485,498	-	485,498
Freddie Discount	241,690	-	241,690
Federal Nat'l Mortgage Assc.	552,332	-	552,332
Federal Nat'l Mortgage Assc.	802,452	-	802,452
Federal Nat'l Mortgage Assc.	242,388	-	242,388
Federal Nat'l Mortgage Assc.	1,491,521	-	1,491,521
Total	<u>\$ 4,213,293</u>	<u>\$ -</u>	<u>\$ 4,213,293</u>

Credit Risk—

The City's investment policy authorizes the following pools:

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

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

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

As of September 30, 2006, the following was the composite of the City's credit rating by investment:

Credit Quality Distribution of Securities  
With Credit Exposure as a Percentage of Total Investments

<u>Investment Type</u>	<u>Rating</u>	<u>Exposure</u>
Freddie Discount	AAA	8%
Freddie Discount	AAA	10%
Freddie Discount	AAA	5%
Federal Nat'l Mortgage Assc.	AAA	11%
Federal Nat'l Mortgage Assc.	AAA	16%
Federal Nat'l Mortgage Assc.	AAA	20%
Federal Nat'l Mortgage Assc.	AAA	30%

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006

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

*Concentrations of Credit Risk—*

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

As of September 30, 2006, the following was the composite of the City's investment portfolio:

Freddie Discount	AAA	8%
Freddie Discount	AAA	10%
Freddie Discount	AAA	5%
Federal Nat'l Mortgage Assc.	AAA	11%
Federal Nat'l Mortgage Assc.	AAA	16%
Federal Nat'l Mortgage Assc.	AAA	20%
Federal Nat'l Mortgage Assc.	AAA	30%

*Custodial Credit Risk—*

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

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

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

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

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006

**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	\$ 8,615
Carrying amount deposit	23,537,923
Less: Statement of Fiduciary Net Assets - investments	<u>(5,955)</u>
Cash and Investments Statement of Net Assets	<u>\$ 23,540,583</u>
 Cash and cash equivalents	 \$ 2,871,415
Investments	10,910,074
Restricted assets	9,797,157
Less: Accrued interest	<u>(38,063)</u>
Cash and Investments Statement of Net Assets	<u>\$ 23,540,583</u>

*B. Component Units*

*Deposits* - At September 30, 2006, the carrying value of the Mission Economic Development Corporation's deposits with financial institutions was \$2,644,151 and the bank balance was \$2,636,424. Included in this balance are certificates of deposit of \$2,176,022. At September 30, 2006, the carrying value of the Mission Redevelopment Authority's deposits with financial institutions was \$3,411,857 and the bank balance was \$3,491,250. 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.

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

Cash and cash equivalents	\$ 335,848
Investments	1,144,156
Restricted assets	1,170,783
Less: Accrued interest	<u>(6,636)</u>
Cash and Investments Statement of Net Assets	<u>\$ 2,644,151</u>

As of September 30, 2006, the Mission Redevelopment Authority had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More than 10
<u>DEBT SERVICE FUND -</u> (Restricted for Payment of Debt Service Fund)					
Money Market Fund	<u>\$ 932,710</u>	<u>\$ 932,710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006

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

A. Interfund receivable and payable balances at September 30, 2006 were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Non-Major Governmental Funds	\$ 292,809
General Fund	Utility Fund	15,101
General Fund	Community Development Fund	5,811
Utility Fund	Golf Course Fund	357,853
		<u>\$ 671,574</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, 2006 were as follows:

Receivable Entity	Payable Entity	Amount
Primary Government - General Fund	Component Unit - MEDC	\$ 2,155
Primary Government - General Fund	Component Unit - MRA	1,364,417
		<u>\$ 1,366,572</u>

C. Interfund Transfers:

	Transfer In:				Total
	General Fund	Golf Course Fund	Debt Service Fund	Nonmajor Governmental Funds	
Transfer Out:					
General Fund	\$ -	\$ 200,000	\$ 2,646,676	\$ 920,325	\$ 3,767,001
Nonmajor Governmental Funds	200,000	-	-	-	200,000
Utility Fund	750,000	-	-	-	750,000
Total Transfer Out	<u>\$ 950,000</u>	<u>\$ 200,000</u>	<u>\$ 2,646,676</u>	<u>\$ 920,325</u>	<u>\$ 4,717,001</u>

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

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

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2006 was as follows:

	Balance at October 1, 2005	Increases	Decreases	Balance at September 30, 2006
<b><u>Governmental Activities:</u></b>				
Capital assets, not being depreciated:				
Land	\$ 28,275,793	\$ 1,877,069	\$ -	\$ 30,152,862
Construction in progress	3,805,485	2,141,786	(1,270,252)	4,677,019
Total capital assets, not being depreciated	<u>32,081,278</u>	<u>4,018,855</u>	<u>(1,270,252)</u>	<u>34,829,881</u>
Capital assets, being depreciated:				
Buildings	10,786,707	-	-	10,786,707
Improvements other than buildings	5,253,363	105,144	-	5,358,507
Machinery and equipment	13,122,020	551,157	(146,081)	13,527,096
Infrastructure	48,012,690	7,856,989	-	55,869,679
Total capital assets, being depreciated	<u>77,174,780</u>	<u>8,513,290</u>	<u>(146,081)</u>	<u>85,541,989</u>
Less accumulated depreciation for:				
Buildings	(2,626,519)	(286,260)	-	(2,912,779)
Improvements other than buildings	(2,079,417)	(321,281)	-	(2,400,698)
Machinery and equipment	(7,849,041)	(1,227,256)	116,174	(8,960,123)
Infrastructure	(17,204,381)	(2,394,825)	-	(19,599,206)
Total accumulated depreciation	<u>(29,759,358)</u>	<u>(4,229,622)</u>	<u>116,174</u>	<u>(33,872,806)</u>
Total capital assets, being depreciated, net	<u>47,415,422</u>	<u>4,283,668</u>	<u>(29,907)</u>	<u>51,669,183</u>
Governmental Activities Capital Assets, Net	<u>\$ 79,496,700</u>	<u>\$ 8,302,523</u>	<u>\$ (1,300,159)</u>	<u>\$ 86,499,064</u>
<b><u>Business-type Activities:</u></b>				
Capital assets, not being depreciated:				
Land	\$ 3,435,773	\$ 151,329	\$ -	\$ 3,587,102
Water Rights	740,000	-	-	740,000
Construction in progress	36,981,508	4,964,581	(8,393,199)	33,552,890
Total assets, not being depreciated	<u>41,157,281</u>	<u>5,115,910</u>	<u>(8,393,199)</u>	<u>37,879,992</u>
Capital assets, being depreciated:				
Buildings and system	57,320,474	11,723,791	-	69,044,265
Improvements other than buildings	1,787,922	-	-	1,787,922
Furniture and equipment	4,708,039	490,599	(164,033)	5,034,605
Total assets, being depreciated	<u>63,816,435</u>	<u>12,214,390</u>	<u>(164,033)</u>	<u>75,866,792</u>
Less accumulated depreciation:				
Buildings and system	(25,553,868)	(1,951,139)	-	(27,505,007)
Improvements other than buildings	(1,051,483)	(58,151)	-	(1,109,634)
Furniture and equipment	(2,372,580)	(594,878)	161,195	(2,806,263)
Total accumulated depreciation	<u>(28,977,931)</u>	<u>(2,604,168)</u>	<u>161,195</u>	<u>(31,420,904)</u>
Total Capital Assets, Being Depreciated, Net	<u>34,838,504</u>	<u>9,610,222</u>	<u>(2,838)</u>	<u>44,445,888</u>
Business-type Activities Capital Assets, Net	<u>\$ 75,995,785</u>	<u>\$ 14,726,132</u>	<u>\$ (8,396,037)</u>	<u>\$ 82,325,880</u>

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006

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

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

Public safety	948,046
Highways and streets, including depreciation of general infrastructure assets	2,502,020
Culture and recreation	509,644
Total depreciation expense -governmental acitivities	<u>\$ 4,229,622</u>
<b><u>Business-type Activities:</u></b>	
Utility	\$ 2,453,800
Golf Course	150,368
Total depreciation expense - business-type acitivities	<u>\$ 2,604,168</u>

**NOTE 7 – RECEIVABLES**

Receivables at September 30, 2006 were as follows:

	Taxes	Accounts	Special Assessments	Due From Other Governments	Other	Allowance for Uncollectibles	Net Receivables
<b>Governmental</b>							
<b>Activities:</b>							
General	\$ 1,624,508	\$ 773,008	\$ -	\$ 1,565,498	\$ -	\$ (732,761)	\$ 3,230,253
Community							
Development	-	-	-	13,718	-	-	13,718
Debt Service	-	-	-	-	1,559	-	1,559
Other							
Governmental	-	215,249	112,107	329,365	20,040	(38,450)	638,311
Internal Service	-	267,692	-	-	1,764	-	269,456
Total Governmental							
Activities	<u>\$ 1,624,508</u>	<u>\$ 1,255,949</u>	<u>\$ 112,107</u>	<u>\$ 1,908,581</u>	<u>\$ 23,363</u>	<u>\$ (771,211)</u>	<u>\$ 4,153,297</u>
<b>Business-type</b>							
<b>Activities</b>							
Utility	\$ -	\$ 2,539,515	\$ -	\$ 336,170	\$ 17,097	\$ (380,855)	\$ 2,511,927
Golf Course	-	8,838	-	-	-	-	8,838
Solid Waste	-	739,555	-	-	-	(174,019)	565,536
Total Business-type							
Activities	<u>\$ -</u>	<u>\$ 3,287,909</u>	<u>\$ -</u>	<u>\$ 336,170</u>	<u>\$ 17,097</u>	<u>\$ (554,874)</u>	<u>\$ 3,086,301</u>

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

	Utility Fund	Solid Waste Fund
Gross Operating Revenues	\$ 14,920,431	\$ 3,582,562
Uncollectibles Related to Current Year	(39,310)	(11,928)
Net Operating Revenues	<u>\$ 14,881,121</u>	<u>\$ 3,570,634</u>

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006

**NOTE 8 – DISAGGREGATION OF OTHER LIABILITIES**

A. At September 30, 2006 the City had the following Other Liabilities:

Payable To	General Fund	Community Development Fund	Other Governmental Funds	Total
Due to State	\$ 155,414	\$ -	\$ -	\$ 155,414
Wages and Deductions	151,447	1,512	14,919	167,878
Due to DEA	-	-	1,565,105	1,565,105
Court Deposits/Refunds	17,439	-	-	17,439
Tax Attorney	16,541	-	-	16,541
Due to Other Entities	10,920	-	-	10,920
	<u>\$ 351,761</u>	<u>\$ 1,512</u>	<u>\$ 1,580,024</u>	<u>\$ 1,933,297</u>

B. At September 30, 2006 the Mission Redevelopment Authority had the following other liabilities:

Payable to:	
Contractors	\$ 347,245
Developers	650,196
	<u>\$ 997,441</u>

**NOTE 9 - LONG-TERM DEBT**

*Public Property Financing Contractual Obligations*

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

Public Property Financing Contractual Obligations payable at September 30, 2006 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%.	\$ 260,000
\$3,420,000, Public Property Financing Contractual Obligations, Series 1998, of which \$2,955,000 represents general long-term debt (\$280,000 represents Utility Fund debt and \$185,000 represents Golf Course Fund debt) due in annual installments ranging from \$260,000 to \$120,000 through September 30, 2013; interest at 4.65% to 6.00%.	1,040,000



CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006

**NOTE 9 - LONG-TERM DEBT (Continued)**

\$2,165,000, Public Property Financing Contractual Obligations, Series 2000, of which \$1,835,000 represents general long-term debt (\$330,000 represents Utility Fund debt) due in annual installments ranging from \$220,000 to \$4,000 through February 15, 2016; interest at 4.50% to 5.75%. 525,000

\$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% 1,245,000

Total Public Property Financing Contractual Obligations \$ 3,070,000

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

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 595,000	\$ 82,481	\$ 365,000	\$ 23,353
2008	465,000	60,225	325,000	12,838
2009	225,000	45,519	120,000	6,013
2010	240,000	35,062	125,000	2,031
2011	200,000	24,895	-	-
2012-2016	410,000	35,063	-	-
Total	<u>\$ 2,135,000</u>	<u>\$ 283,245</u>	<u>\$ 935,000</u>	<u>\$ 44,234</u>

*Certificates of Obligation*

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

Certificates of Obligation payable at September 30, 2006 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%. \$ 3,980,000

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006

**NOTE 9 - LONG-TERM DEBT (Continued)**

\$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%.	3,565,000
\$4,120,000 Combination Tax & Revenue Certificates of Obligation, Series 2003, payable in annual installments ranging from \$120,000 to \$295,000 through February 15, 2028 interest at 3.00% to 5.00%	4,120,000
\$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%	935,000
\$4,550,000 Combination Tax & Limited Pledge Revenue Certificates of Obligation, Series 2005, of which \$4,115,000 represents general long-term debt (\$435,000 represents Golf Course Fund debt) due in annual installments ranging from \$75,000 to \$325,000 through February 15, 2025; interest at 3.00% to 4.25%	4,260,000
\$4,100,000 Combination Tax & Limited Pledge Revenue Certificates of Obligation, Series 2005A, of which \$4,100,000 represents general long-term debt due in annual installments ranging from \$140,000 to \$325,000 through February 15, 2026; interest at 4.00% to 5.25%	<u>4,100,000</u>
Total Certificates of Obligations	\$ <u>20,960,000</u>

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

Year Ending September 30,	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 735,000	\$ 1,094,811	\$ 85,000	\$ 9,875
2008	900,000	907,486	90,000	7,250
2009	765,000	874,609	90,000	4,494
2010	815,000	841,883	95,000	1,544
2011	875,000	806,313	-	-
2012-2016	4,890,000	3,414,457	-	-
2017-2021	5,485,000	2,220,596	-	-
2022-2026	5,560,000	799,548	-	-
2027-2031	<u>575,000</u>	<u>29,125</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 20,600,000</u>	<u>\$ 10,988,829</u>	<u>\$ 360,000</u>	<u>\$ 23,163</u>

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006

**NOTE 9 - LONG-TERM DEBT (Continued)**

*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, 2006 are comprised of the following:

Business – type activities:

Utility Fund:

\$579,000 1995-A Waterworks and Sewer System EDAP Junior Lien Revenue Serial Bonds due in annual installments ranging from \$16,000 to \$50,000 from April 1, 1996 through 2015; interest at 5.3% to 7.0%.	\$ 350,000
\$2,032,000 1995-B Waterworks and Sewer System SRF Junior Lien Revenue Serial Bonds due in annual installments ranging from \$64,000 to \$156,000 from April 1, 1996 through 2015; interest at 4.05% to 5.35%.	1,152,000
\$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%.	603,000
\$ 18,300,000 2006 Waterworks and Sewer System Revenue Refunding Serial Bonds due in annual installments ranging from \$630,000 to \$1,185,000 from February 15, 2007 through 2027; interest at 4.25% to 5.0%.	<u>18,300,000</u>
Total Revenue Bonds Payable	<u>\$ 35,050,000</u>

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006

**NOTE 9 - LONG-TERM DEBT (Continued)**

Revenue bonds debt service requirements to maturity are as follows:

Year Ending September 30,	Business-type Activities	
	Principal	Interest
2007	\$ 1,486,000	\$ 1,615,995
2008	1,574,000	1,553,870
2009	1,634,000	1,487,075
2010	1,711,000	1,415,755
2011	1,781,000	1,339,718
2012-2016	8,654,000	5,552,826
2017-2021	7,842,000	3,570,206
2022-2026	9,443,000	1,476,446
2027-2031	925,000	20,813
Total	<u>\$ 35,050,000</u>	<u>\$ 18,032,704</u>

*Advance Refunding*

The government issued \$18,300,000 of refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in escrow revenue for the purpose of generating resources for all future debt service payments of \$875,000 of revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the business type activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$796,695. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 20 years by \$520,563 and resulted in an economic gain of \$405,728.

*Notes Payable*

The City entered into a loan agreement to purchase land to be donated to the Veterans Land Board for a cemetery. Note payables at September 30, 2006 consist of the following:

Governmental-type activities:

\$250,000 Note payable to Bentsen Palm, Ltd. dated, December 27, 2002, non-interest bearing, payable in four annual installments of \$50,000 each commencing on the anniversary date Bentsen Palm, Ltd. conveyed the property to the City.	\$ 100,000
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CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006

**NOTE 9 - LONG-TERM DEBT (Continued)**

Note payable debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2007	\$ 50,000	\$ -
2008	50,000	-
Total	<u>\$ 100,000</u>	<u>\$ -</u>

*Changes in Long-Term Liabilities*

Long-term liability activity for the year ended September 30, 2006 was follows:

	Balance at September 30, 2005	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2006	Amounts Due within One Year
<b><u>Governmental Activities:</u></b>					
Bonds Payable:					
Public Property Financing					
Contractual Obligations	\$ 3,070,000	\$ -	\$ 935,000	\$ 2,135,000	\$ 595,000
Certificates of Obligation	17,155,000	4,100,000	655,000	20,600,000	735,000
Plus Issuance Premium	-	140,286	6,430	133,856	-
Total Bonds Payable	20,225,000	4,240,286	1,596,430	22,868,856	1,330,000
Notes Payable	150,000	-	50,000	100,000	50,000
Compensated Absences	1,539,988	1,454,489	1,135,591	1,858,886	1,061,307
Governmental Activity					
Long-term Liabilities	<u>\$ 21,914,988</u>	<u>\$ 5,694,775</u>	<u>\$ 2,782,021</u>	<u>\$ 24,827,742</u>	<u>\$ 2,441,307</u>
<b><u>Business-type Activities:</u></b>					
Bonds Payable:					
Public Property Financing					
Contractual Obligations	\$ 1,180,000	\$ -	\$ 245,000	\$ 935,000	\$ 365,000
Certificate of Obligations	435,000	-	75,000	360,000	85,000
Revenue Bonds	32,232,000	18,300,000	15,482,000	35,050,000	1,486,000
Less: Loss On refunding	(5,904)	(796,695)	(5,904)	(796,695)	-
Less: Issuance discounts	(1,711)	-	(1,711)	-	-
Plus issuance premium	-	141,006	-	141,006	-
Total Bonds Payable	33,839,385	17,644,311	15,794,385	35,689,311	1,936,000
Capital Leases	-	149,879	30,507	119,372	35,980
Compensated Absences	232,131	306,836	263,831	275,136	228,104
Business-type Activity					
Long-term Liabilities	<u>\$ 34,071,516</u>	<u>\$ 18,101,026</u>	<u>\$ 16,088,723</u>	<u>\$ 36,083,819</u>	<u>\$ 2,200,084</u>

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006

**NOTE 9 - LONG-TERM DEBT (Continued)**

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

The Utility Fund capitalized \$123,136 of bond interest expense as part of various construction projects for the year-ended September 30, 2006.

**NOTE 10 - COMPONENT UNIT - LONG-TERM DEBT PAYABLE**

- A. 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, 2006 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%.		\$ 1,055,000
\$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>4,270,000</u>
Total		<u>\$ 5,325,000</u>

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

Year Ending September 30,	Principal	Interest
2007	\$ 205,000	\$ 266,959
2008	215,000	257,042
2009	225,000	246,528
2010	235,000	235,416
2011	1,375,000	982,534
2012-2016	1,780,000	572,211
2017-2021	<u>1,290,000</u>	<u>132,750</u>
Total	<u>\$ 5,325,000</u>	<u>\$ 2,693,440</u>

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006

**NOTE 10 - 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, 2006:

	Balance at September 30, 2005	Additional Obligations and Net Increases	Retirement and Net Decreases	Balance at September 30, 2006	Amounts Due within One Year
Sales Tax Revenue Bonds	<u>\$ 5,520,000</u>	<u>\$ -</u>	<u>\$ 195,000</u>	<u>\$ 5,325,000</u>	<u>\$ 205,000</u>

- B. 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, 2006 is \$1,867,242, including interest of \$226,642. Of this amount, \$1,640,600 is related to public improvement expenditures related to the expansion of Shary Road, the extension of the 12" water line to Madero, the Sharyland Service Center Project and the Park at Trinity Project. In the current fiscal year, the Developers were reimbursed \$1,867,742 from the Authority's Series 2005 bond proceeds.

At September 30, 2006 Mission Redevelopment Authority has issued bonds to pay for the costs incurred within the tax increment Reinvestment Zone (TIRZ) improvements. These bonds will be repaid from property taxes collected on property within TIRZ. Developers have also indicated they have paid on behalf of the Authority approximately \$1,751,700 for projects to be reimbursed from a future bond sale. These assets have not been recorded in the Statement of Net Assets.

Bonds payable at September 30, 2006 for the MRA are comprised of the following:

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

As of September 30, 2006, the debt service requirements on the bonds outstanding were as follows:

Year Ending September 30,	Principal	Interest	Total
2007	\$ 295,000	\$ 415,688	\$ 710,688
2008	305,000	403,888	708,888
2009	320,000	391,306	711,306
2010	330,000	377,706	707,706
2011	345,000	363,268	708,268
2012-2016	1,985,000	1,560,731	3,545,731
2017-2021	2,525,000	1,029,531	3,554,531
	<u>2,505,000</u>	<u>328,300</u>	<u>2,833,300</u>
Total	<u>\$ 8,610,000</u>	<u>\$ 4,870,418</u>	<u>\$ 13,480,418</u>

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006

**NOTE 11 – DEFERRED REVENUE**

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

	Unavailable	Unearned
Delinquent property taxes	\$ 1,315,905	\$ -
Delinquent park fees	-	588,686
Grants	-	6,475
Loans receivable - HOME	-	138,631
	<u>\$ 1,315,905</u>	<u>\$ 733,792</u>

Unearned revenues of \$61,555 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 12 – NOTES RECEIVABLE**

*A. Utility Fund Note Receivable*

The City's Utility Fund has the following note receivable at September 30, 2006 :

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. \$ 170,484

During the year ended September 30, 2006, the following changes occurred in Enterprise Fund Notes Receivable:

Utility Fund:

	Balance at 9/30/2005	Additions	Reductions	Balance Outstanding 9/30/2006	Less Current Portion	Amount Net of Current Portion
Note Receivable	<u>\$ 200,161</u>	<u>\$ -</u>	<u>\$ 29,677</u>	<u>\$ 170,484</u>	<u>\$ 31,664</u>	<u>\$ 138,820</u>

**NOTE 13 – 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, 2006 is \$82,385.



CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006

**NOTE 14 - RESTRICTED ASSETS**

*A. Primary Government*

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

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

Restricted assets included in the Utility Fund as of September 30, 2006 consist of:

	Cash and Cash Equivalents	Investments	Accrued Interest	Total
Revenue Bond Reserve Fund	\$ 618	\$ 1,074,210	\$ 20,412	\$ 1,095,240
Bond Interest and Sinking	5,545	534,000	593	540,138
PPFCO's Interest and Sinking	1,088	92,000	13	93,101
Revenue Bond Extension and Improvement Fund	181	269,800	5,582	275,563
Subdividers Deposits	67,304	1,222,312	10,026	1,299,642
Water and Sewer Plant Improvements	1,313,020	2,760,291	1,398	4,074,709
2003 PPFCO	16,381	18,000	39	34,420
Contractor Retainage	713,297	-	-	713,297
	<u>\$ 2,117,434</u>	<u>\$ 5,970,613</u>	<u>\$ 38,063</u>	<u>\$ 8,126,110</u>

Restricted assets of governmental funds as of September 30, 2006 consisted of cash and cash equivalents for contractor retainage as follows:

Police Department Special	\$ 1,562,631
Designated Purpose Fund	500
2005 CO Construction	33,144
2003 CO Construction	74,772
	<u>\$ 1,671,047</u>

*B. Component Unit*

Restricted assets held by Mission Economic Development Corporation at September 30, 2006 consist of the following:

	Cash and Cash Equivalents	Investments	Accrued Interest	Total
Reserve Fund	\$ 874	\$ 130,000	\$ 4,524	\$ 135,398
Debt Service Fund	1,269	409,592	1,640	412,501
Capital Projects	122,410	500,000	472	622,882
	<u>\$ 124,553</u>	<u>\$ 1,039,592</u>	<u>\$ 6,636</u>	<u>\$ 1,170,781</u>

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006

**NOTE 15 - PENSION PLAN**

*Plan Description*

On November 1, 1970, the City elected to participate in the state-operated Texas Municipal Retirement System Pension Plan. The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the

state-wide Texas Municipal Retirement System (TMRS), one of over 811 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.

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.

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006

**NOTE 15 - PENSION PLAN (Continued)**

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, 2005 valuation

is effective for rates beginning January, 2007).

Annual Pension Cost – The City's pension cost for the year ended September 30, 2006 and related information follow:

Contributions:	
City	10%
Plan Members	5%
Annual pension cost	1,250,840
Contribution made	1,250,840
Actuarial valuation date	12/31/05
Actuarial cost method	unit credit
Actuarial assumptions:	
Investment rate of return	7%
Projected salary increases	none
Includes inflation at	3.5%
Cost-of-living adjustments	none
Amortization method	level percent of payroll
Remaining amortization period from January 1, 2001	25 years - open period
Asset valuation method	amortized cost

Three Year Trend Information			
Fiscal Year	Annual	Percentage	Net
Funding	Pension	of APC	Pension
September 30,	Cost (APC)	Contributed	Obligation
2004	1,011,850	100%	-0-
2005	1,223,455	100%	-0-
2006	1,250,840	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, 2006 the contribution rate to provide this benefit was 0.20% out a total pension contribution rate for the City of 7.62 %.

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006

**NOTE 16 - PENSION PLAN - EMERGENCY SERVICES PERSONNEL RETIREMENT FUND**

As of January 1, 2005 the contribution rate to provide this benefit was 0.20% out of a total pension contribution rate for the City of 7.57%. 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, 2006 was \$32,039 and for the year ended September 30, 2005 was \$31,886.

*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. Kevin Deites, P.O. Box 12577, Austin, Texas 78711-2577, or by calling 1-512-936-3372 or website [www.ffpc.state.tx.us/tesrs/tesrs.html](http://www.ffpc.state.tx.us/tesrs/tesrs.html).

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, 2006, 2005, and 2004 were \$2,712, \$2,016, and \$5,236, respectively, equal to the contributions required under both S.B. 411 and H.B. 258 for each year.

**NOTE 17 - 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.

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006

**NOTE 17 - CONTINGENT LIABILITIES (Continued)**

*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 18 - CONSTRUCTION AND IMPROVEMENT COMMITMENTS**

At September 30, 2006, 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.

Project	Spent to Date	Remaining Commitment	Financing Sources
EDAP-Sewer Projects	\$ 2,632,862	\$ 198,070	Utility Revenue Bonds & Grant
N. EDAP Sewer Collection System	14,061,398	20,850	Utility Revenue Bonds & Grant
Sewer Plant	14,218,819	165,600	Revenue Bonds
Speer Library Expansion	3,524,081	901	Bond Proceeds
16" Transfer Waterline	749,200	28,578	Revenue Bonds
La Chuchilla Road Entrance	86,198	113,182	Bond Proceeds
Sanitary Sewer Improvement	54,828	3,925	Refunding Bond
Total	<u>\$ 35,327,386</u>	<u>\$ 531,106</u>	

**NOTE 19 - OPERATING LEASE COMMITMENTS**

The City leases office equipment under operating leases. Total costs for such leases were \$41,739 for the year ended September 30, 2006. The future minimum lease payments for these leases are as follows:

September 30,	
2007	\$ 45,824
2008	34,005
2009	22,067
2010	18,332
2011	1,614
Total	<u>\$ 121,842</u>

**NOTE 20 - CAPITAL LEASE COMMITMENTS**

The City has entered into a lease agreement as a lessee for financing the acquisition of golf carts and mowers for the golf course owned by the City. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2006 as stated below.

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006

**NOTE 20 – CAPITAL LEASE COMMITMENTS *(Continued)***

		<u>Golf Course</u>
Assets:		
Machinery & Equipment		\$ 149,879
Less: Accumulated Depreciation		<u>(19,735)</u>
	Total	<u>\$ 130,144</u>
	<u>September 30,</u>	
	2007	\$ 41,946
	2008	\$ 41,946
	2009	\$ 41,946
	2010	<u>4,917</u>
Total minimum lease payments		\$ 130,754
Less: amount representing interest		<u>(11,382)</u>
Present value of minimum lease payments		<u>\$ 119,372</u>

**NOTE 21 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carried commercial insurance. The City established a limited risk management program for workers' compensation and health insurance in a previous year.

Health insurance premiums are paid into the Internal Service Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. These interfund premiums are used to reduce the amount of claims expenditure reported in the General Fund. As of September 30, 2006, such interfund premiums did not exceed reimbursable expenditures or recommended reserves.

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

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006

**NOTE 21 - RISK MANAGEMENT *(Continued)***

The following is a reconciliation of the claims liability:

	Health Insurance Claims Liability For the Year Ended September 30,	
	2006	2005
Unpaid claims, beginning of fiscal year	\$ 180,037	\$ 426,422
Incurred claims (including IBNRs) and adjustments	2,363,558	1,934,385
Claim payments	<u>(2,330,807)</u>	<u>(2,180,770)</u>
Unpaid Claims, end of Fiscal Year	<u>\$ 212,788</u>	<u>\$ 180,037</u>

**NOTE 22 - COMPONENT UNIT TRANSACTIONS**

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

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

**NOTE 23 - 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, 2006 the City's Utility Fund met these coverage requirements.

CITY OF MISSION, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2006

**NOTE 24 – 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, 2006, 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 \$442,378 and \$454,717, respectively.

At September 30, 2006, the City received information that the boundaries initially established to be designated as the area where advalorem taxes would be levied would have to be revisited to determine if the correct amount of tax increment revenue was being received.

**NOTE 25 – TRANSACTIONS WITH MISSION REDEVELOPMENT AUTHORITY**

During the year Mission Redevelopment Authority (a Component Unit) transferred projects that had been completed to the City in the amount of \$432,333. The Component Unit currently has projects that are under construction and will be turned over to the City as soon as they are completed. The total amount of those projects is \$1,699,516. They consist of a Fire Station & Emergency Operations Center, Extension of Anzaldua Road, and other various projects.

**NOTE 26 – SUBSEQUENT EVENTS**

Subsequent to year end, the City issued a Water Works and Sewer System Revenue Bond 2006A Series in the amount of \$8,765,000 for improvements and expansion of the City's Water Works and Sewer System.



*REQUIRED  
SUPPLEMENTARY  
INFORMATION*

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# CITY OF MISSION, TEXAS

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT B-1

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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem taxes:				
Current ad valorem taxes	\$ 11,000,087	\$ 11,000,087	\$ 11,347,252	\$ 347,165
Delinquent ad valorem taxes	605,005	621,005	579,010	(41,995)
Interest and penalties on taxes	387,204	387,204	406,809	19,605
Less: Tax adjustments and refunds	(34,100)	(34,100)	(263)	33,837
Net ad valorem tax revenue	11,958,196	11,974,196	12,332,808	358,612
Sales tax	5,110,000	5,110,000	5,307,347	197,347
Sales tax-tax abatement	2,555,000	2,555,000	2,653,672	98,672
Franchise business tax	1,900,000	1,800,000	1,776,143	(23,857)
Telecommunication access fee	260,000	260,000	251,857	(8,143)
Mixed drink tax	33,000	33,000	51,914	18,914
Total Taxes	21,816,196	21,732,196	22,373,741	641,545
Licenses and Permits:				
Occupational licenses	45,000	45,000	55,114	10,114
Moving and building permits	500,000	500,000	601,203	101,203
Health permits	21,500	21,500	21,460	(40)
Electrical permits	160,000	160,000	179,596	19,596
Mechanical permits	75,000	75,000	96,488	21,488
Plumbing permits	150,000	150,000	175,744	25,744
Oil and gas permits	-	-	5,000	5,000
Alarm permits	43,000	43,000	24,255	(18,745)
Miscellaneous	18,000	18,000	17,949	(51)
Total Licenses and Permits	1,012,500	1,012,500	1,176,809	164,309
Intergovernmental:				
MCISD and SISD Dare Program	321,760	321,760	417,812	96,052
BJA-Bulletproof Vest Grant	-	5,000	5,000	-
Safe & Sober Grant	-	50,498	50,706	208
Reimb.-TXDOT/Shary Road	25,000	-	-	-
Reimb. - TXDOT/ROW	45,000	102,000	102,393	393
County contribution-rural fires	43,000	43,000	60,600	17,600
County restitution reimbursement	500	500	1,751	1,251
Overhead-MRA	35,000	35,000	44,855	9,855
TIRZ Reimbursement	-	1,300,000	1,364,418	64,418
FEMA reimbursement	17,517	17,517	17,517	-
LEOSE Peace Officer	9,000	9,000	8,845	(155)
State Highway Revenues	89,700	89,700	90,490	790
FBI overtime	10,000	10,000	19,713	9,713
Task Force	-	-	11,687	11,687
Peace Officers Fire Prev.	850	850	894	44
DEA Overtime Task Force	28,000	28,000	30,288	2,288
Hidalgo County-library	16,750	16,750	22,673	5,923
Total Intergovernmental	642,077	2,029,575	2,249,642	220,067

# CITY OF MISSION, TEXAS

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT B-1

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	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Charges for Services:				
Birth certificate service	1,200	1,200	1,123	(77)
Inspection fee-2%	100,000	100,000	126,037	26,037
Construction material testing fee	12,000	99,000	120,697	21,697
Fire inspection fee	12,000	12,000	16,837	4,837
Judicial fee-City	-	-	1,940	1,940
Corporation court fines tax	44,000	44,000	46,274	2,274
Library reservations fee	-	-	80	80
Lot cleaning	15,000	15,000	20,747	5,747
Lot cleaning-admin. fee	18,000	18,000	15,087	(2,913)
Lease-service center complex	24,000	24,000	24,004	4
Library copies	10,000	10,000	14,477	4,477
Rent-City buildings	7,300	7,300	8,571	1,271
Library rentals	-	-	40	40
Cemetery charges	27,000	27,000	17,051	(9,949)
Vital statistics	73,000	73,000	123,948	50,948
Vital statistics preservation fee	8,000	8,000	3	(7,997)
Burial transit permit	1,600	1,600	944	(656)
Zoning and subdivision fees	33,000	33,000	43,398	10,398
Plans and specifications	1,600	1,600	780	(820)
5% Credit Card Fee	-	-	934	934
Food manager/handler ID fee	3,500	3,500	3,260	(240)
Fire Academy fees	-	15,000	14,690	(310)
Arrest fees-M.P.D.	40,000	40,000	44,659	4,659
Police Dept. service charges	7,000	7,000	11,320	4,320
Total Charges for Services	438,200	540,200	656,901	116,701
Fines:				
Corporation court fines	700,000	700,000	771,880	71,880
Warrant execution fee	190,000	190,000	221,484	31,484
Library fines	12,000	12,000	15,571	3,571
Total Fines	902,000	902,000	1,008,935	106,935
Interest:				
Interest earned on investments	45,000	45,000	126,650	81,650
Interest earned on demand deposits	24,000	24,000	75,797	51,797
Total Interest	69,000	69,000	202,447	133,447
Miscellaneous:				
Overhead expenses-Utility Fund	750,000	-	-	-
Reimb.-TX Citrus Fiesta	37,265	37,265	37,777	512
Reimb.-R.G. Initiative Partnership	20,000	20,000	20,000	-
Library donations	-	65,549	65,684	135
Child safety fees	4,500	4,500	3,073	(1,427)
Library donations/memorial	-	12,448	12,474	26
Insurance settlement	50,000	55,372	69,135	13,763
Miscellaneous income	35,000	144,000	147,458	3,458
Coke machine & vending machines	2,000	2,000	1,980	(20)
Street lights reimbursement	2,000	2,000	852	(1,148)

# CITY OF MISSION, TEXAS

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT B-1

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	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Street signs reimbursement	5,000	5,000	-	(5,000)
Subdividers reimb.-streets	65,000	65,000	100,421	35,421
Universal service fund rebate	-	5,199	5,198	(1)
Oil lease	4,000	4,000	3,464	(536)
Reimbursement-MEDC	500,000	500,000	200,000	(300,000)
Contribution and donations	-	4,500	4,500	-
Total Miscellaneous	1,474,765	926,833	672,016	(254,817)
 Total Revenues	 26,354,738	 27,212,304	 28,340,491	 1,128,187
Expenditures:				
Current:				
General Government:				
Legislative:				
Personal services	2,600	2,600	2,175	425
Employee benefits	1,612	1,612	1,512	100
Other purchased services	15,950	14,950	11,682	3,268
Supplies	1,000	2,000	1,555	445
Miscellaneous	2,300	2,300	340	1,960
	23,462	23,462	17,264	6,198
Executive Administration:				
Personal services	240,413	300,372	299,879	493
Employee benefits	79,988	96,856	93,283	3,573
Other purchased services	8,950	9,450	8,856	594
Supplies	4,500	4,000	3,550	450
Miscellaneous	1,500	1,500	1,333	167
	335,351	412,178	406,901	5,277
Finance Department:				
Personal services	437,348	421,348	365,760	55,588
Employee benefits	127,940	127,940	115,847	12,093
Purchased property services	42,087	50,187	46,605	3,582
Other purchased services	9,250	8,000	4,792	3,208
Capital outlays	11,865	21,865	14,912	6,953
Supplies	13,450	13,639	6,063	7,576
Miscellaneous	2,150	1,300	595	705
	644,090	644,279	554,574	89,705
Municipal Court:				
Personal services	419,843	386,407	349,289	37,118
Employee benefits	135,344	135,344	123,438	11,906
Professional & technical services	15,000	22,000	23,055	(1,055)
Purchased property services	2,400	2,400	2,026	374
Other purchased services	6,864	8,300	5,720	2,580
Supplies	6,653	6,653	6,402	251
Miscellaneous	5,400	30,400	29,570	830
	591,504	591,504	539,500	52,004

# CITY OF MISSION, TEXAS

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT B-1

Page 4 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Planning:				
Personal services	497,224	513,539	507,603	5,936
Employee benefits	164,179	161,179	160,092	1,087
Purchased property services	7,200	7,200	7,171	29
Other purchased services	15,000	13,000	11,739	1,261
Supplies	15,000	16,300	15,536	764
Capital outlays	2,500	2,270	2,011	259
Miscellaneous	3,500	3,730	3,527	203
	<u>704,603</u>	<u>717,218</u>	<u>707,679</u>	<u>9,539</u>
Facilities Maintenance:				
Personal services	331,597	331,597	325,974	5,623
Employee benefits	138,812	138,812	133,033	5,779
Purchased property services	36,000	32,300	23,999	8,301
Other purchased services	2,500	3,500	2,523	977
Supplies	68,150	71,150	69,397	1,753
Miscellaneous	400	400	-	400
	<u>577,459</u>	<u>577,759</u>	<u>554,926</u>	<u>22,833</u>
Fleet Maintenance:				
Professional & technical services	635,000	635,000	661,945	(26,945)
Purchased property services	500	500	-	500
Other purchased services	500	500	-	500
Supplies	1,200	1,200	-	1,200
Miscellaneous	30,000	30,000	29,788	212
	<u>667,200</u>	<u>667,200</u>	<u>691,733</u>	<u>(24,533)</u>
Organizational Expense:				
Professional & technical services	430,450	674,225	716,029	(41,804)
Purchased property services	154,000	168,885	175,966	(7,081)
Other purchased services	105,138	118,138	121,232	(3,094)
Supplies	17,000	7,115	4,548	2,567
Capital outlays	-	80,825	80,603	222
Miscellaneous	826,500	995,500	1,025,513	(30,013)
	<u>1,533,088</u>	<u>2,044,688</u>	<u>2,123,891</u>	<u>(79,203)</u>
Purchasing:				
Personal services	106,992	106,992	93,362	13,630
Employee benefits	33,619	33,619	31,209	2,410
Purchased property services	3,100	3,100	1,904	1,196
Other purchased services	6,691	6,691	5,085	1,606
Supplies	3,200	3,200	1,596	1,604
Miscellaneous	1,200	1,200	548	652
	<u>154,802</u>	<u>154,802</u>	<u>133,704</u>	<u>21,098</u>
City Secretary:				
Personal services	183,206	183,206	176,142	7,064
Employee benefits	67,778	67,778	63,357	4,421
Professional & technical services	6,000	6,000	6,000	-
Purchased property services	250	250	-	250

# CITY OF MISSION, TEXAS

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT B-1

Page 5 of 8

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Other purchased services	11,900	14,450	13,868	582
Supplies	7,800	6,000	5,657	343
Capital outlays	750	-	-	-
Miscellaneous	1,800	1,800	1,649	151
	<u>279,484</u>	<u>279,484</u>	<u>266,673</u>	<u>12,811</u>
Risk Management:				
Personal services	82,878	82,878	83,579	(701)
Employee benefits	24,274	28,274	28,353	(79)
Professional & technical services	15,000	750	500	250
Purchased property services	1,000	6,000	3,466	2,534
Other purchased services	323,800	283,800	279,969	3,831
Supplies	19,200	19,450	8,942	10,508
Miscellaneous	850	1,850	149	1,701
	<u>467,002</u>	<u>423,002</u>	<u>404,958</u>	<u>18,044</u>
Elections:				
Other purchased services	1,500	1,500	701	799
	<u>1,500</u>	<u>1,500</u>	<u>701</u>	<u>799</u>
Civil Service:				
Personal services	72,266	72,266	72,226	40
Employee benefits	21,960	21,960	21,693	267
Professional & technical services	51,000	51,000	51,860	(860)
Other purchased services	7,159	5,159	4,504	655
Supplies	3,400	6,990	5,132	1,858
	<u>155,785</u>	<u>157,375</u>	<u>155,415</u>	<u>1,960</u>
Human Resources:				
Personal services	72,446	72,446	70,620	1,826
Employee benefits	22,591	22,591	21,505	1,086
Professional & technical services	10,000	12,600	12,225	375
Purchased property services	-	600	598	2
Other purchased services	11,000	8,615	7,768	847
Supplies	4,000	2,630	2,594	36
Capital outlays	2,000	1,270	300	970
Miscellaneous	50	1,335	1,324	11
	<u>122,087</u>	<u>122,087</u>	<u>116,934</u>	<u>5,153</u>
Total General Government	<u>6,257,417</u>	<u>6,816,538</u>	<u>6,674,853</u>	<u>141,685</u>
Public Safety:				
Police Department:				
Personal services	5,651,582	5,651,582	5,607,871	43,711
Employee benefits	1,918,759	1,878,759	1,860,629	18,130
Professional & technical services	20,000	21,820	21,744	76
Purchased property services	248,500	281,545	279,532	2,013
Other purchased services	208,200	201,380	180,106	21,274
Supplies	280,500	304,033	301,253	2,780
Capital outlays	-	62,970	62,392	578
Miscellaneous	17,500	17,500	10,768	6,732
	<u>8,345,041</u>	<u>8,419,589</u>	<u>8,324,295</u>	<u>95,294</u>

# CITY OF MISSION, TEXAS

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT B-1

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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Safe and Sober Step Grant:				
Personal services	-	41,915	41,915	-
Employee benefits	-	8,383	8,383	-
Other purchased services	-	200	200	-
	-	50,498	50,498	-
FEMA Emerg. Preparedness & Response Grant:				
Supplies	-	17,500	17,250	250
Capital outlays	-	12,595	12,199	396
	-	30,095	29,449	646
BJA Bulletproof Vest Program:				
Capital outlays	-	10,000	9,650	350
	-	10,000	9,650	350
Fire Department:				
Personal services	2,266,490	2,204,490	2,200,425	4,065
Employee benefits	703,253	680,253	669,097	11,156
Professional & technical services	1,000	1,000	950	50
Purchased property services	68,700	83,700	76,327	7,373
Other purchased services	45,750	42,750	43,396	(646)
Supplies	85,000	93,231	93,159	72
Capital outlays	7,000	10,086	9,710	376
Miscellaneous	20,500	14,250	14,006	244
	3,197,693	3,129,760	3,107,070	22,690
Fire Prevention Bureau:				
Personal services	237,952	235,652	186,411	49,241
Employee benefits	74,995	74,995	63,094	11,901
Professional & technical services	1,000	3,300	3,048	252
Purchased property services	1,000	1,000	456	544
Other purchased services	23,400	27,230	19,771	7,459
Supplies	18,400	18,330	10,541	7,789
Capital outlays	3,500	3,570	3,562	8
Miscellaneous	1,400	1,400	389	1,011
	361,647	365,477	287,272	78,205
Total Public Safety	11,904,381	12,005,419	11,808,234	197,185
Highways and Streets:				
Street Department:				
Personal services	723,656	621,386	605,382	16,004
Employee benefits	350,086	313,697	302,261	11,436
Professional & technical services	10,000	136,400	128,823	7,577
Purchased property services	756,000	971,500	1,027,597	(56,097)
Other purchased services	8,500	7,500	7,459	41
Supplies	249,200	227,980	206,098	21,882
Capital outlays	26,000	26,720	20,818	5,902
Miscellaneous	1,650	650	-	650
	2,125,092	2,305,833	2,298,438	7,395
Total Highways and Streets	2,125,092	2,305,833	2,298,438	7,395



# CITY OF MISSION, TEXAS

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT B-1

Page 7 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Health and Welfare:				
Health regulation and inspections:				
Personal services	291,703	291,703	273,549	18,154
Employee benefits	110,941	110,941	100,239	10,702
Purchased property services	8,300	8,300	820	7,480
Other purchased services	18,500	20,500	18,632	1,868
Supplies	30,375	36,481	33,153	3,328
Capital outlays	1,500	5,500	3,349	2,151
Miscellaneous	35,000	23,000	14,013	8,987
	<u>496,319</u>	<u>496,425</u>	<u>443,755</u>	<u>52,670</u>
Total Health and Welfare	<u>496,319</u>	<u>496,425</u>	<u>443,755</u>	<u>52,670</u>
Culture and Recreation:				
Mission Historical Museum:				
Personal services	71,486	71,486	70,818	668
Employee benefits	23,059	23,059	22,307	752
Professional & technical services	15,000	17,500	16,698	802
Purchased property services	24,000	24,000	10,996	13,004
Other purchased services	15,500	15,500	5,349	10,151
Supplies	6,000	7,000	4,314	2,686
Capital outlays	5,000	1,500	-	1,500
Miscellaneous	2,700	2,700	761	1,939
	<u>162,745</u>	<u>162,745</u>	<u>131,243</u>	<u>31,502</u>
Parks and Recreation Administration:				
Personal services	117,303	119,303	118,942	361
Employee benefits	40,682	40,682	40,175	507
Purchased property services	24,050	29,750	28,446	1,304
Other purchased services	5,200	5,200	1,846	3,354
Supplies	3,000	3,000	2,285	715
Capital outlays	500	500	-	500
Miscellaneous	450	450	316	134
	<u>191,185</u>	<u>198,885</u>	<u>192,010</u>	<u>6,875</u>
Parks:				
Personal services	608,444	563,444	548,948	14,496
Employee benefits	266,804	256,804	242,355	14,449
Professional & technical services	-	16,468	16,468	-
Purchased property services	198,000	264,000	242,262	21,738
Other purchased services	9,500	9,500	8,745	755
Supplies	98,500	98,500	90,532	7,968
Capital outlays	10,000	71,976	67,688	4,288
Miscellaneous	49,000	70,000	59,651	10,349
	<u>1,240,248</u>	<u>1,350,692</u>	<u>1,276,649</u>	<u>74,043</u>
Recreation:				
Personal services	185,149	221,649	208,459	13,190
Employee benefits	51,238	51,238	54,846	(3,608)
Other purchased services	8,046	8,046	2,120	5,926
Supplies	4,000	4,000	3,003	997
Capital outlays	2,500	2,500	-	2,500
Miscellaneous	6,000	6,000	5,887	113
	<u>256,933</u>	<u>293,433</u>	<u>274,315</u>	<u>19,118</u>

# CITY OF MISSION, TEXAS

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT B-1

Page 8 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Library:				
Personal services	697,739	672,739	631,529	41,210
Employee benefits	226,577	226,577	207,543	19,034
Professional & technical services	11,859	5,659	2,055	3,604
Purchased property services	86,000	109,000	89,344	19,656
Other purchased services	35,000	48,500	48,184	316
Supplies	39,000	61,775	61,565	210
Capital outlays	30,000	76,473	73,497	2,976
Miscellaneous	41,050	49,698	47,020	2,678
	<u>1,167,225</u>	<u>1,250,421</u>	<u>1,160,737</u>	<u>89,684</u>
Total Culture and Recreation	<u>3,018,336</u>	<u>3,256,176</u>	<u>3,034,954</u>	<u>221,222</u>
Debt Service:				
Principal retirement	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total Debt Service	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total Expenditures	<u>23,851,545</u>	<u>24,930,391</u>	<u>24,310,234</u>	<u>620,157</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,503,193</u>	<u>2,281,913</u>	<u>4,030,257</u>	<u>1,748,344</u>
Other Financing Sources (Uses):				
Sale of capital assets	35,000	35,000	16,034	(18,966)
Transfers in	200,000	950,000	950,000	-
Transfers out	(3,505,743)	(3,913,034)	(3,767,001)	146,033
Total Other Financing Sources (Uses)	<u>(3,270,743)</u>	<u>(2,928,034)</u>	<u>(2,800,967)</u>	<u>127,067</u>
Net Change in Fund Balance	(767,550)	(646,121)	1,229,290	1,875,411
Fund Balance at Beginning of Year	3,219,706	3,219,706	3,219,706	-
Fund Balance at End of Year	<u>\$ 2,452,156</u>	<u>\$ 2,573,585</u>	<u>\$ 4,448,996</u>	<u>\$ 1,875,411</u>

**CITY OF MISSION, TEXAS**  
**COMMUNITY DEVELOPMENT FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**EXHIBIT B-2**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental:				
Community Development Block Grant	\$ 940,384	\$ 1,111,595	\$ 928,673	\$ 182,922
Total Intergovernmental	940,384	1,111,595	928,673	182,922
Total Revenues	940,384	1,111,595	928,673	182,922
Expenditures:				
Current:				
General Government:				
General administration	185,384	202,908	185,553	17,355
Housing rehabilitation	675,000	828,687	664,122	164,565
Total General Government	860,384	1,031,595	849,675	181,920
Health and Welfare:				
Other social services	80,000	80,000	78,998	1,002
Total Health and Welfare	80,000	80,000	78,998	1,002
Total Expenditures	940,384	1,111,595	928,673	182,922
Excess (Deficiency) of				
Revenues Over Expenditures	-	-	-	-
Fund Balance at Beginning of Year	-	-	-	-
Fund Balance at End of Year	\$ -	\$ -	\$ -	\$ -

TEXAS MUNICIPAL RETIREMENT SYSTEM  
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued (AAL) Liability (b)	Percent Funded (a/b)	Unfunded AAL (UAAL) (b-a)	Annual Covered Payroll ( c )	UAAL as a Percentage Covered Payroll ((b-a)/c)
2004	15,708,153	19,247,716	81.60%	3,539,563	12,609,897	28.10%
2005	17,615,414	21,472,179	82.00%	3,856,765	14,280,305	27.00%
2006	19,035,044	23,448,855	81.00%	4,413,811	15,054,405	29.32%

CITY OF MISSION, TEXAS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
September 30, 2006

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

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

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

General Fund	\$ 1,611,796
Special Revenue Funds	2,239,411
*Capital Project Funds	6,452,765

\* 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, 2006

At September 30, 2006, Community Development, Recreation Fund, and Police Federal Sharing, all Special Revenue Funds had outstanding encumbrances of \$103,819, \$225, and \$976, respectively. Capital Projects Funds 2005 CO Construction, and 2005A Certificates of Obligation had outstanding encumbrances of \$9,390 and \$289,139, respectively.

During the year ended September 30, 2006, expenditures in the following General Fund departments exceeded appropriations by \$103,736

Department	General Fund Excess of Expenditure Over Appropriations
Fleet Maintenance	\$ 24,533
Organization	79,203
	<u>\$ 103,736</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)	\$ 28,340,491
Adjustments:	
No adjustments necessary	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds (Exhibit A-5)	<u>\$ 28,340,491</u>

CITY OF MISSION, TEXAS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
September 30, 2006

**Budget to GAAP Reconciliation (Continued)**

<u>Expenditures:</u>	<u>General Fund</u>
Actual expenditures (budgetary basis) from the budgetary comparison schedule (Exhibit B-1)	\$ 24,310,234
Adjustments:	
No adjustments necessary	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds (Exhibit A-5)	<u>\$ 24,310,234</u>

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*OTHER  
SUPPLEMENTARY  
INFORMATION*

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# **NON-MAJOR GOVERNMENTAL FUNDS**

## **SPECIAL REVENUE FUNDS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **SPECIAL REVENUE FUNDS (Cont'd)**

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

### **CAPITAL PROJECT FUNDS**

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

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

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

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

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

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

**CITY OF MISSION, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2006**

**EXHIBIT C-1**

	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	\$ 390,096	\$ 622,427	\$ 2,375	\$ 1,014,898
Investments	1,050,370	2,678,350	57,250	3,785,970
Receivables:				
Accounts	215,249	-	-	215,249
Special assessments	112,107	-	-	112,107
Less: allowance for uncollectibles	(38,450)	-	-	(38,450)
Accrued interest receivable	2,150	13,389	60	15,599
Due from other governments	329,365	-	-	329,365
Restricted assets	1,563,131	107,916	-	1,671,047
Total Assets	<u>\$ 3,624,018</u>	<u>\$ 3,422,082</u>	<u>\$ 59,685</u>	<u>\$ 7,105,785</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 21,789	\$ 3,548	\$ 539	\$ 25,876
Other liabilities	1,577,549	2,474	-	1,580,023
Retainage payable	500	116,536	-	117,036
Accrued payroll	14,789	-	-	14,789
Due to other funds	292,809	-	-	292,809
Deferred revenue	733,792	-	-	733,792
Total Liabilities	<u>2,641,228</u>	<u>122,558</u>	<u>539</u>	<u>2,764,325</u>
<b>FUND BALANCES</b>				
Reserved for encumbrances	-	298,529	-	298,529
Reserved for capital projects	-	3,000,995	-	3,000,995
Reserved for perpetual care	-	-	59,146	59,146
Reserved for scholarships and books	26,332	-	-	26,332
Reserved for other purposes	455,071	-	-	455,071
Unreserved, reported in nonmajor:				
Special revenue funds	501,387	-	-	501,387
Total Fund Balances	<u>982,790</u>	<u>3,299,524</u>	<u>59,146</u>	<u>4,341,460</u>
Total Liabilities and Fund Balances	<u>\$ 3,624,018</u>	<u>\$ 3,422,082</u>	<u>\$ 59,685</u>	<u>\$ 7,105,785</u>

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# CITY OF MISSION, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-2

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Cemetery Fund	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Taxes and special assessments	\$ 755,949	\$ -	\$ -	\$ 755,949
Intergovernmental	1,354,862	-	-	1,354,862
Charges for services	99,057	-	-	99,057
Interest	39,874	170,718	2,448	213,039
Miscellaneous	130,089	140,286	-	270,375
Total Revenues	<u>2,379,830</u>	<u>311,004</u>	<u>2,448</u>	<u>2,693,281</u>
Expenditures:				
Current:				
General government	18,883	-	-	18,883
Public safety	931,140	-	-	931,140
Highways and streets	197,245	-	-	197,245
Culture and recreation	774,565	-	-	774,565
Health and welfare	28,608	-	-	28,608
Economic development	897,118	-	-	897,118
Capital projects	-	3,326,308	-	3,326,308
Total Expenditures	<u>2,847,559</u>	<u>3,326,308</u>	<u>-</u>	<u>6,173,867</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(467,729)</u>	<u>(3,015,304)</u>	<u>2,448</u>	<u>(3,480,586)</u>
Other Financing Sources (Uses):				
Issuance of debt	-	4,100,000	-	4,100,000
Sale of capital assets	4,080	-	-	4,080
Transfers in	920,325	-	-	920,325
Transfers out	(200,000)	-	-	(200,000)
Total Other Financing Sources (Uses)	<u>724,405</u>	<u>4,100,000</u>	<u>-</u>	<u>4,824,405</u>
Net Change in Fund Balances	256,675	1,084,696	2,448	1,343,819
Fund Balances at Beginning of Year	726,115	2,214,827	56,698	2,997,640
Fund Balances at End of Year	<u>\$ 982,790</u>	<u>\$ 3,299,523</u>	<u>\$ 59,146</u>	<u>\$ 4,341,460</u>

**CITY OF MISSION, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**SEPTEMBER 30, 2006**

	Aquatics Fund	Parks and Recreation Fund	Police Department Special Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 32,189	\$ 11,311
Investments	-	75,000	50,000
Receivables:			
Accounts	-	965	-
Special assessments	-	-	-
Less: allowance for uncollectibles	-	-	-
Accrued interest receivable	-	10	108
Due from other governments	140,313	-	-
Restricted assets	-	-	1,562,631
Total Assets	<u>\$ 140,313</u>	<u>\$ 108,164</u>	<u>\$ 1,624,050</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 9,810	\$ 3,619	\$ -
Other liabilities	1,095	-	1,570,440
Retainage payable	-	-	-
Accrued payroll	3,135	-	-
Due to other funds	116,273	-	-
Deferred revenue	-	-	-
Total Liabilities	<u>130,313</u>	<u>3,619</u>	<u>1,570,440</u>
<b>FUND BALANCES</b>			
Reserved for scholarships and books	-	-	-
Reserved for other purposes	-	-	53,610
Unreserved, reported in nonmajor:			
Special revenue funds	10,000	104,545	-
Total Fund Balances	<u>10,000</u>	<u>104,545</u>	<u>53,610</u>
Total Liabilities and Fund Balances	<u>\$ 140,313</u>	<u>\$ 108,164</u>	<u>\$ 1,624,050</u>



Police Federal Sharing Fund	Municipal Court Technology Fund	Designated Purpose Fund	Drainage Assessment Fund	Mission Jr. Golf Trust
\$ 45,007	\$ 30,124	\$ -	\$ 125,152	\$ 1,976
175,000	79,841	-	-	-
-	-	-	1,866	-
-	-	-	112,107	-
-	-	-	(38,450)	-
224	498	-	-	-
-	-	189,052	-	-
-	-	500	-	-
<u>\$ 220,231</u>	<u>\$ 110,463</u>	<u>\$ 189,552</u>	<u>\$ 200,675</u>	<u>\$ 1,976</u>
\$ 8,360	\$ -	\$ -	\$ -	\$ -
3,182	-	2,832	-	-
-	-	500	-	-
6,459	-	5,195	-	-
-	-	174,550	-	-
-	-	6,475	-	-
<u>18,001</u>	<u>-</u>	<u>189,552</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
202,230	110,463	-	-	1,976
-	-	-	200,675	-
<u>202,230</u>	<u>110,463</u>	<u>-</u>	<u>200,675</u>	<u>1,976</u>
<u>\$ 220,231</u>	<u>\$ 110,463</u>	<u>\$ 189,552</u>	<u>\$ 200,675</u>	<u>\$ 1,976</u>

**CITY OF MISSION, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**SEPTEMBER 30, 2006**

	Records Preservation Fund	Speer Memorial Library	Hotel/Motel Tax Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,162	\$ 42	\$ 694
Investments	-	26,100	100,000
Receivables:			
Accounts	-	-	73,787
Special assessments	-	-	-
Less: allowance for uncollectibles	-	-	-
Accrued interest receivable	-	190	213
Due from other governments	-	-	-
Restricted assets	-	-	-
Total Assets	<u>\$ 7,162</u>	<u>\$ 26,332</u>	<u>\$ 174,694</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Other liabilities	-	-	-
Retainage payable	-	-	-
Accrued payroll	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Reserved for scholarships and books	-	26,332	-
Reserved for other purposes	-	-	-
Unreserved, reported in nonmajor:			
Special revenue funds	<u>7,162</u>	<u>-</u>	<u>174,694</u>
Total Fund Balances	<u>7,162</u>	<u>26,332</u>	<u>174,694</u>
Total Liabilities and Fund Balances	<u>\$ 7,162</u>	<u>\$ 26,332</u>	<u>\$ 174,694</u>

**EXHIBIT C-3**

Page 2 of 2

				Total Nonmajor Special Revenue Funds (See Exhibit C-1)
Municipal Court Building Security Fund	Park Dedication Fund	HOME Fund	Tax Increment Reinvestment Zone Fund	
\$ 16,820	\$ 115,308	\$ -	\$ 4,310	\$ 390,095
69,905	474,524	-	-	1,050,370
-	-	138,631	-	215,249
-	-	-	-	112,107
-	-	-	-	(38,450)
67	840	-	-	2,150
-	-	-	-	329,365
-	-	-	-	1,563,131
<u>\$ 86,792</u>	<u>\$ 590,672</u>	<u>\$ 138,631</u>	<u>\$ 4,310</u>	<u>\$ 3,624,017</u>
\$ -	\$ -	\$ -	\$ -	\$ 21,789
-	-	-	-	1,577,549
-	-	-	-	500
-	-	-	-	14,789
-	1,986	-	-	292,809
-	588,686	138,631	-	733,792
<u>-</u>	<u>590,672</u>	<u>138,631</u>	<u>-</u>	<u>2,641,228</u>
-	-	-	-	26,332
86,792	-	-	-	455,071
-	-	-	4,310	501,386
<u>86,792</u>	<u>-</u>	<u>-</u>	<u>4,310</u>	<u>982,789</u>
<u>\$ 86,792</u>	<u>\$ 590,672</u>	<u>\$ 138,631</u>	<u>\$ 4,310</u>	<u>\$ 3,624,017</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, 2006

	Aquatics Fund	Parks and Recreation Fund	Police Department Special Fund
Revenues:			
Taxes and special assessments	\$ -	\$ -	\$ -
Intergovernmental	140,313	-	14,676
Charges for services	33,475	-	-
Interest	-	2,251	2,156
Miscellaneous	-	89,616	-
Total Revenues	<u>173,788</u>	<u>91,867</u>	<u>16,832</u>
Expenditures:			
Current:			
General government	-	-	-
Public safety	-	-	-
Highways and streets	-	-	-
Culture and recreation	314,101	95,953	-
Health and welfare	-	-	-
Economic development	-	-	-
Total Expenditures	<u>314,101</u>	<u>95,953</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(140,313)</u>	<u>(4,086)</u>	<u>16,832</u>
Other Financing Sources (Uses):			
Sale of capital assets	-	-	4,080
Transfers in	140,313	65,700	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>140,313</u>	<u>65,700</u>	<u>4,080</u>
Net Change in Fund Balances	-	61,614	20,912
Fund Balances at Beginning of Year	10,000	42,931	32,698
Fund Balances at End of Year	<u>\$ 10,000</u>	<u>\$ 104,545</u>	<u>\$ 53,610</u>

Police Federal Sharing Fund	Municipal Court Technology Fund	Designated Purpose Fund	Drainage Assessment Fund	Mission Jr. Golf Trust
\$ -	\$ -	\$ -	\$ 446,453	\$ -
262,999	-	494,496	-	-
-	33,674	-	-	-
10,130	4,801	-	9,879	357
-	-	2,310	9,727	28,435
<u>273,129</u>	<u>38,475</u>	<u>496,806</u>	<u>466,059</u>	<u>28,792</u>
-	18,044	-	-	-
251,954	-	679,186	-	-
-	-	-	197,245	-
-	-	48,607	-	29,731
-	-	28,608	-	-
-	-	-	-	-
<u>251,954</u>	<u>18,044</u>	<u>756,401</u>	<u>197,245</u>	<u>29,731</u>
<u>21,175</u>	<u>20,431</u>	<u>(259,595)</u>	<u>268,814</u>	<u>(939)</u>
-	-	-	-	-
-	-	259,595	-	-
-	-	-	(200,000)	-
-	-	<u>259,595</u>	<u>(200,000)</u>	-
21,175	20,431	-	68,814	(939)
181,055	90,032	-	131,861	2,915
<u>\$ 202,230</u>	<u>\$ 110,463</u>	<u>\$ -</u>	<u>\$ 200,675</u>	<u>\$ 1,976</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, 2006

	Records Preservation Fund	Speer Memorial Library	Hotel/Motel Tax Fund
Revenues:			
Taxes and special assessments	\$ -	\$ -	\$ 309,496
Intergovernmental	-	-	-
Charges for services	7,976	-	-
Interest	25	1,193	5,385
Miscellaneous	-	-	-
Total Revenues	<u>8,001</u>	<u>1,193</u>	<u>314,881</u>
Expenditures:			
Current:			
General government	839	-	-
Public safety	-	-	-
Highways and streets	-	-	-
Culture and recreation	-	9,998	276,175
Health and welfare	-	-	-
Economic development	-	-	-
Total Expenditures	<u>839</u>	<u>9,998</u>	<u>276,175</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>7,162</u>	<u>(8,805)</u>	<u>38,706</u>
Other Financing Sources (Uses):			
Sale of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	7,162	(8,805)	38,706
Fund Balances at Beginning of Year	-	35,137	135,988
Fund Balances at End of Year	<u>\$ 7,162</u>	<u>\$ 26,332</u>	<u>\$ 174,694</u>

Municipal Court Building Security Fund	Park Dedication Fund	Tax Increment Reinvestment Zone Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ -	\$ -	\$ -	\$ 755,949
-	-	442,378	1,354,862
23,931	-	-	99,056
3,513	-	183	39,873
-	-	-	130,088
<u>27,444</u>	<u>-</u>	<u>442,561</u>	<u>2,379,828</u>
-	-	-	18,883
-	-	-	931,140
-	-	-	197,245
-	-	-	774,565
-	-	-	28,608
-	-	897,118	897,118
<u>-</u>	<u>-</u>	<u>897,118</u>	<u>2,847,559</u>
<u>27,444</u>	<u>-</u>	<u>(454,557)</u>	<u>(467,731)</u>
-	-	-	4,080
-	-	454,717	920,325
-	-	-	(200,000)
<u>-</u>	<u>-</u>	<u>454,717</u>	<u>724,405</u>
27,444	-	160	256,674
59,348	-	4,150	726,115
<u>\$ 86,792</u>	<u>\$ -</u>	<u>\$ 4,310</u>	<u>\$ 982,789</u>

# CITY OF MISSION, TEXAS

EXHIBIT C-5

## AQUATICS FUND

### SPECIAL REVENUE FUND

#### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental:			
MCISD contribution	\$ 142,366	\$ 140,313	\$ (2,053)
Total Intergovernmental	<u>142,366</u>	<u>140,313</u>	<u>(2,053)</u>
Charges for Service:			
Aquatics	41,000	33,475	(7,525)
Total Charges for Services	<u>41,000</u>	<u>33,475</u>	<u>(7,525)</u>
Total Revenues	<u>183,366</u>	<u>173,788</u>	<u>(9,578)</u>
Expenditures:			
Current:			
Culture and Recreation:			
Personal services	163,291	215,416	(52,125)
Employee benefits	32,273	36,822	(4,549)
Purchased property services	56,000	28,706	27,294
Other purchased services	15,968	6,146	9,822
Supplies	48,000	26,311	21,689
Capital outlays	10,000	700	9,300
Miscellaneous	200	-	200
	<u>325,732</u>	<u>314,101</u>	<u>11,631</u>
Total Culture and Recreation	<u>325,732</u>	<u>314,101</u>	<u>11,631</u>
Total Expenditures	<u>325,732</u>	<u>314,101</u>	<u>11,631</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(142,366)</u>	<u>(140,313)</u>	<u>2,053</u>
Other Financing Sources (Uses):			
Transfers in	142,366	140,313	(2,053)
Total Other Financing Sources (Uses)	<u>142,366</u>	<u>140,313</u>	<u>(2,053)</u>
Net Change in Fund Balance	-	-	-
Fund Balance at Beginning of Year	10,000	10,000	-
Fund Balance at End of Year	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ -</u>



**CITY OF MISSION, TEXAS****PARKS AND RECREATION FUND****SPECIAL REVENUE FUND****BUDGETARY COMPARISON SCHEDULE****FOR THE YEAR ENDED SEPTEMBER 30, 2006****EXHIBIT C-6**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest:			
Interest earned on demand deposits	\$ -	\$ 2,251	\$ 2,251
Total Interest	-	2,251	2,251
Miscellaneous:			
Fees and charges	43,000	72,863	29,863
Fundraising	13,000	16,753	3,753
Total Miscellaneous	56,000	89,616	33,616
Total Revenues	56,000	91,867	35,867
Expenditures:			
Current:			
Culture and Recreation:			
Professional & technical services	50,000	47,726	2,274
Other purchased services	25,000	21,399	3,601
Supplies	37,500	25,278	12,222
Capital outlays	-	-	-
Miscellaneous	9,200	1,550	7,650
	121,700	95,953	25,747
Total Culture and Recreation	121,700	95,953	25,747
Total Expenditures	121,700	95,953	25,747
Excess (Deficiency) of Revenues Over (Under) Expenditures	(65,700)	(4,086)	61,614
Other Financing Sources (Uses):			
Transfers in	65,700	65,700	-
Total Other Financing Sources (Uses)	65,700	61,614	-
Net Change in Fund Balance	-	61,614	61,614
Fund Balance at Beginning of Year	42,931	42,931	-
Fund Balance at End of Year	\$ 42,931	\$ 104,545	\$ 61,614

**CITY OF MISSION, TEXAS**  
**POLICE DEPARTMENT SPECIAL FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**EXHIBIT C-7**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
State Seizures:			
State seizures	\$ -	\$ 14,676	\$ 14,676
Total State Seizures	-	14,676	14,676
Interest:			
Interest earned on investments	500	1,200	700
Interest earned on demand deposits	200	956	756
Total Interest	700	2,156	1,456
Total Revenues	700	16,832	16,132
Expenditures:			
Current:			
Public Safety:			
State Seizures:			
Other purchased services	4,000	-	4,000
Supplies	6,345	-	6,345
Capital outlays	15,000	-	15,000
Miscellaneous	3,000	-	3,000
Total Public Safety	28,345	-	28,345
Total Expenditures	28,345	-	28,345
Excess (Deficiency) of Revenues Over (Under) Expenditures	(27,645)	16,832	44,477
Other Financing Sources (Uses):			
Sale of capital assets	-	4,080	4,080
Total Other Financing Sources (Uses)	-	4,080	4,080
Net Change in Fund Balance	(27,645)	20,912	48,557
Fund Balance at Beginning of Year	32,698	32,698	-
Fund Balance at End of Year	\$ 5,053	\$ 53,610	\$ 48,557

**CITY OF MISSION, TEXAS***POLICE FEDERAL SHARING FUND**SPECIAL REVENUE FUND**BUDGETARY COMPARISON SCHEDULE**FOR THE YEAR ENDED SEPTEMBER 30, 2006***EXHIBIT C-8**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental:			
Equitable Sharing	\$ 165,074	\$ 262,999	\$ 97,925
Total Intergovernmental	165,074	262,999	97,925
Interest:			
Interest earned on investments	3,500	5,297	1,797
Interest earned on demand deposits	500	4,833	4,333
Total Interest	4,000	10,130	6,130
Total Revenues	169,074	273,129	104,055
Expenditures:			
Current:			
Public Safety:			
Personal services	122,574	148,312	(25,738)
Employee benefits	31,609	27,007	4,602
Professional & technical services	200	157	43
Purchased property services	8,000	9,537	(1,537)
Other purchased services	11,000	14,093	(3,093)
Supplies	29,025	9,417	19,608
Capital outlays	133,336	41,645	91,691
Miscellaneous	6,000	1,786	4,214
	341,744	251,954	89,790
Total Public Safety	341,744	251,954	89,790
Total Expenditures	341,744	251,954	89,790
Excess (Deficiency) of Revenues Over (Under) Expenditures	(172,670)	21,175	193,845
Fund Balance at Beginning of Year	181,055	181,055	-
Fund Balance at End of Year	\$ 8,385	\$ 202,230	\$ 193,845

**CITY OF MISSION, TEXAS**  
**MUNICIPAL COURT TECHNOLOGY FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**EXHIBIT C-9**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for Services:			
Court technology fees	\$ 31,000	\$ 33,674	\$ 2,674
Total Charges for Services	<u>31,000</u>	<u>33,674</u>	<u>2,674</u>
Interest:			
Interest earned on investments	1,400	3,482	2,082
Interest earned on demand deposits	400	1,319	919
Total Interest	<u>1,800</u>	<u>4,801</u>	<u>3,001</u>
Total Revenues	<u>32,800</u>	<u>38,475</u>	<u>5,675</u>
Expenditures:			
Current:			
General Government:			
Purchased property services	10,000	3,770	6,230
Capital outlays	10,000	14,274	(4,274)
Miscellaneous	3,000	-	3,000
	<u>23,000</u>	<u>18,044</u>	<u>4,956</u>
Total General Government	<u>23,000</u>	<u>18,044</u>	<u>4,956</u>
Total Expenditures	<u>23,000</u>	<u>18,044</u>	<u>4,956</u>
Excess (Deficiency) of Revenues Over Expenditures	9,800	20,431	10,631
Fund Balance at Beginning of Year	90,032	90,032	-
Fund Balance at End of Year	<u>\$ 99,832</u>	<u>\$ 110,463</u>	<u>\$ 10,631</u>

# CITY OF MISSION, TEXAS

DESIGNATED PURPOSE FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-10

Page 1 of 2

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Intergovernmental:			
COPS Grant	\$ 315,639	\$ 241,369	\$ (74,270)
Texas Parks & Wildlife Grant	517,500	17,500	(500,000)
Tabacco Compliance Grant	5,000	-	(5,000)
Lone Star Library Grant	12,863	12,863	-
State HSP Grant-48768	96,322	63,751	(32,571)
State HS LETPP Grant-48768	2,024	-	(2,024)
State SHSP 48768	76,383	67,234	(9,149)
State LETPP 48768	71,580	55,291	(16,289)
LRGVDC Contract	30,000	28,609	(1,391)
Tx. Dept Transportation-Step Grant	7,980	7,879	(101)
Total Intergovernmental	1,135,291	494,496	(640,795)
Miscellaneous:			
Wal-mart Child ID Program	2,034	1,774	(260)
Wal-mart Safe Neighborhood Heroes	1,750	536	(1,214)
Total Miscellaneous	3,784	2,310	(1,474)
Total Revenues	1,139,075	496,806	(642,269)
Expenditures:			
Current:			
Public Safety:			
Tabacco Compliance Grant:			
Personal services	3,500	-	3,500
Employee benefits	600	-	600
Other purchased services	900	-	900
	5,000	-	5,000
LETPP Grant:			
Capital outlay	71,580	55,291	16,289
	71,580	55,291	16,289
Wal-mart Child ID Program:			
Supplies	1,000	974	26
Capital outlays	1,034	800	234
	2,034	1,774	260
Wal-mart Safe Neighborhood Program:			
Other purchased services	1,250	214	1,036
Advertising	500	322	178
	1,750	536	1,214
COPS Grant:			
Personal services	491,800	359,360	132,440
Employee benefits	130,885	123,360	7,525
	622,685	482,720	139,965
SHSP Grant:			
Capital outlays	76,383	67,234	9,149
	76,383	67,234	9,149

**CITY OF MISSION, TEXAS**

DESIGNATED PURPOSE FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2006

**EXHIBIT C-10**

Page 2 of 2

	Budget	Actual	Variance Positive (Negative)
State Homeland Security Program:			
Capital outlays	96,322	63,752	32,570
	96,322	63,752	32,570
TX. Dept. Transportation-Step Grant:			
Personal services	6,650	6,551	99
Employee benefits	1,330	1,328	2
	7,980	7,879	101
SHS LETPP Grant:			
Capital outlays	2,024	-	2,024
	2,024	-	2,024
Total Public Safety	885,758	679,186	206,572
Health and Welfare:			
LRGVDC Contract:			
Other purchased services	2,155	2,154	1
Supplies	6,026	5,485	541
Capital outlays	20,619	19,769	850
Miscellaneous	1,200	1,200	-
	30,000	28,608	1,392
Total Health and Welfare	30,000	28,608	1,392
Culture and Recreation:			
Texas Parks and Wildlife-Bentsen Palm Park:			
Capital outlays	500,000	-	500,000
	500,000	-	500,000
TP&W Armory Grant:			
Capital outlays	35,745	35,744	1
	35,745	35,744	1
Loan Star Libraries Grant:			
Capital outlays	12,863	12,863	-
	12,863	12,863	-
Total Culture and Recreation	548,608	48,607	500,001
Total Expenditures	1,464,366	756,401	707,965
Excess (Deficiency) of Revenues Over (Under) Expenditures	(325,291)	(259,595)	65,696
Other Financing Sources (Uses):			
Transfers in	325,291	259,595	(65,696)
Total Other Financing Sources (Uses)	325,291	259,595	(65,696)
Net Change in Fund Balance	-	-	-
Fund Balance at Beginning of Year	-	-	-
Fund Balance at End of Year	\$ -	\$ -	\$ -

**CITY OF MISSION, TEXAS**  
**DRAINAGE ASSESSMENT FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**EXHIBIT C-11**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Special Assessments:			
Drainage assessments	\$ 435,000	\$ 446,453	\$ 11,453
Total Assessments	435,000	446,453	11,453
Interest:			
Interest earned on investments	-	1,773	1,773
Interest earned on demand deposits	800	8,106	7,306
Total Interest	800	9,879	9,079
Miscellaneous:			
Drainage reimb.-subdividers	20,000	7,862	(12,138)
Miscellaneous income	-	1,865	1,865
Total Miscellaneous	20,000	9,727	(10,273)
Total Revenues	455,800	466,059	10,259
Expenditures:			
Current:			
Highways and Streets:			
Purchased property services	9,000	-	9,000
Other purchased services	-	1,333	(1,333)
Capital outlays	245,000	195,912	49,088
Supplies	500	-	500
Miscellaneous	600	-	600
	255,100	197,245	57,855
Total Highways and Streets	255,100	197,245	57,855
Total Expenditures	255,100	197,245	57,855
Excess (Deficiency) of Revenues Over Expenditures	200,700	268,814	68,114
Other Financing Sources (Uses):			
Transfers out	(200,000)	(200,000)	-
Total Other Financing Sources (Uses)	(200,000)	(200,000)	-
Net Change in Fund Balance	700	68,814	68,114
Fund Balance at Beginning of Year	131,861	131,861	-
Fund Balance at End of Year	\$ 132,561	\$ 200,675	\$ 68,114

**CITY OF MISSION, TEXAS****EXHIBIT C-12***MISSION JR. GOLF TRUST**SPECIAL REVENUE FUND**BUDGETARY COMPARISON SCHEDULE**FOR THE YEAR ENDED SEPTEMBER 30, 2006*

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest:			
Interest earned on demand deposits	\$ -	\$ 357	\$ 357
Total Interest	-	357	357
Miscellaneous:			
Contribution and donations	20,000	28,435	8,435
Total Miscellaneous	20,000	28,435	8,435
Total Revenues	20,000	28,792	8,792
Expenditures:			
Current:			
Culture and Recreation:			
Other purchased services	17,000	29,731	(12,731)
Supplies	3,000	-	3,000
	20,000	29,731	(9,731)
Total Culture and Recreation	20,000	29,731	(9,731)
Total Expenditures	20,000	29,731	(9,731)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(939)	(939)
Fund Balance at Beginning of Year	2,915	2,915	-
Fund Balance at End of Year	\$ 2,915	\$ 1,976	\$ (939)



**CITY OF MISSION, TEXAS****RECORDS PRESERVATION FUND****SPECIAL REVENUE FUND****BUDGETARY COMPARISON SCHEDULE****FOR THE YEAR ENDED SEPTEMBER 30, 2006****EXHIBIT C-13**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for Service:			
Vital statistics preservation fee	\$ 8,000	\$ 7,976	\$ (24)
Total Charges for Service	8,000	7,976	(24)
Interest:			
Interest earned on demand deposits	-	25	25
Total Interest	-	25	25
Total Revenues	8,000	8,001	1
Expenditures:			
Current:			
Record Preservation:			
Supplies	5,500	839	4,661
Capital outlays	2,500	-	2,500
Total Record Preservation	8,000	839	7,161
Total Expenditures	8,000	839	7,161
Excess (Deficiency) of Revenues Over Expenditures	-	7,162	7,162
Fund Balance at Beginning of Year	-	-	-
Fund Balance at End of Year	\$ -	\$ 7,162	\$ 7,162

**CITY OF MISSION, TEXAS****EXHIBIT C-14***SPEER MEMORIAL LIBRARY**SPECIAL REVENUE FUND**BUDGETARY COMPARISON SCHEDULE**FOR THE YEAR ENDED SEPTEMBER 30, 2006*

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Interest:			
Interest earned on investments	\$ 400	\$ 883	\$ 483
Interest earned on demand deposits	-	310	310
Total Interest	<u>400</u>	<u>1,193</u>	<u>793</u>
Total Revenues	<u>400</u>	<u>1,193</u>	<u>793</u>
Expenditures:			
Current:			
Culture and Recreation:			
Miscellaneous	10,000	9,998	2
	<u>10,000</u>	<u>9,998</u>	<u>2</u>
Total Culture and Recreation	<u>10,000</u>	<u>9,998</u>	<u>2</u>
Total Expenditures	<u>10,000</u>	<u>9,998</u>	<u>2</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,600)	(8,805)	795
Fund Balance at Beginning of Year	35,137	35,137	-
Fund Balance at End of Year	<u>\$ 25,537</u>	<u>\$ 26,332</u>	<u>\$ 795</u>

# CITY OF MISSION, TEXAS

EXHIBIT C-15

HOTEL/MOTEL TAX FUND

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes:			
Hotel occupancy tax	\$ 275,000	\$ 310,171	\$ 35,171
Penalties and interest-hotel occupancy tax	300	-	(300)
Tax refunds	-	(675)	(675)
Total Taxes	<u>275,300</u>	<u>309,496</u>	<u>34,196</u>
Interest:			
Interest earned on demand deposits	1,000	5,065	4,065
Interest earned on investments	-	320	320
Total Interest	<u>1,000</u>	<u>5,385</u>	<u>4,385</u>
Total Revenues	<u>276,300</u>	<u>314,881</u>	<u>38,581</u>
Expenditures:			
Current:			
Culture and Recreation:			
Tourist Promotion & Adverstising:			
Miscellaneous	275,000	275,150	(150)
Other purchased services	-	1,025	(1,025)
Total Culture and Recreation	<u>275,000</u>	<u>276,175</u>	<u>(1,175)</u>
Total Expenditures	<u>275,000</u>	<u>276,175</u>	<u>(1,175)</u>
Excess (Deficiency) of Revenues Over Expenditures	1,300	38,706	37,406
Fund Balance at Beginning of Year	135,988	135,988	-
Fund Balance at End of Year	<u>\$ 137,288</u>	<u>\$ 174,694</u>	<u>\$ 37,406</u>

**CITY OF MISSION, TEXAS**  
**MUNICIPAL COURT BLDG SECURITY FD**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**EXHIBIT C-16**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for Services:			
Municipal court security fees	\$ 21,000	\$ 23,931	\$ 2,931
Total Charges for Services	<u>21,000</u>	<u>23,931</u>	<u>2,931</u>
Interest:			
Interest earned on investments	700	2,175	1,475
Interest earned on demand deposits	<u>250</u>	<u>1,338</u>	<u>1,088</u>
Total Interest	<u>950</u>	<u>3,513</u>	<u>2,563</u>
Total Revenues	<u>21,950</u>	<u>27,444</u>	<u>5,494</u>
Expenditures:			
Current:			
Purchased property services	2,000	-	2,000
Capital outlays	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total Expenditures	<u>12,000</u>	<u>-</u>	<u>12,000</u>
Excess (Deficiency) of Revenues over Expenditures	9,950	27,444	17,494
Fund Balance at Beginning of Year	59,348	59,348	-
Fund Balance at End of Year	<u>\$ 69,298</u>	<u>\$ 86,792</u>	<u>\$ 17,494</u>

**CITY OF MISSION, TEXAS****EXHIBIT C-17***PARK DEDICATION FUND**SPECIAL REVENUE FUND**BUDGETARY COMPARISON SCHEDULE**FOR THE YEAR ENDED SEPTEMBER 30, 2006*

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for Services:			
Park dedication fee	\$ 356,596	\$ -	\$ (356,596)
Total Charges for Services	356,596	-	(356,596)
Total Revenues	356,596	-	(356,596)
Expenditures:			
Current:			
Culture and Recreation:			
Zone 1-Northwest:			
Capital outlays	80,996	-	80,996
	80,996	-	80,996
Zone 2-Northeast:			
Capital outlays	186,600	-	186,600
	186,600	-	186,600
Zone 3-Southwest:			
Capital outlays	89,000	-	89,000
	89,000	-	89,000
Total Culture and Recreation	356,596	-	356,596
Total Expenditures	356,596	-	356,596
Excess (Deficiency) of Revenues Over Expenditures	-	-	-
Fund Balance at Beginning of Year	-	-	-
Fund Balance at End of Year	\$ -	\$ -	\$ -

**CITY OF MISSION, TEXAS**  
**TAX INCREMENT REINVESTMENT ZONE FUND**  
**SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**EXHIBIT C-18**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Intergovernmental:			
Contribution-Hidalgo County	\$ 442,379	\$ 442,378	\$ (1)
Total Intergovernmental:	<u>442,379</u>	<u>442,378</u>	<u>(1)</u>
Interest:			
Interest earned on demand deposits	-	183	183
Total Interest	<u>-</u>	<u>183</u>	<u>183</u>
Total Revenues	<u>442,379</u>	<u>442,561</u>	<u>182</u>
Expenditures:			
Current:			
Economic Development	<u>975,379</u>	<u>897,118</u>	<u>78,261</u>
Total Expenditures	<u>975,379</u>	<u>897,118</u>	<u>78,261</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(533,000)</u>	<u>(454,557)</u>	<u>78,443</u>
Other Financing Sources (Uses):			
Transfers in	533,000	454,717	(78,283)
Total Other Financing Sources (Uses)	<u>533,000</u>	<u>454,717</u>	<u>(78,283)</u>
Net Change in Fund Balance	-	160	160
Fund Balance at Beginning of Year	4,150	4,150	-
Fund Balance at End of Year	<u>\$ 4,150</u>	<u>\$ 4,310</u>	<u>\$ 160</u>

**CITY OF MISSION, TEXAS****DEBT SERVICE FUND****BUDGETARY COMPARISON SCHEDULE****FOR THE YEAR ENDED SEPTEMBER 30, 2006****EXHIBIT C-19**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest:			
Interest earned on investments	\$ 20,000	\$ 30,702	\$ 10,702
Interest earned on demand deposits	5,000	16,762	11,762
Total Interest	25,000	47,464	22,464
Total Revenues	25,000	47,464	22,464
Expenditures:			
Current:			
Debt Service:			
Principal retirement	1,590,000	1,590,000	-
Interest and fiscal agent charges	974,677	952,983	21,694
Total Debt Service	2,564,677	2,542,983	21,694
Total Expenditures	2,564,677	2,542,983	21,694
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,539,677)	(2,495,519)	44,158
Other Financing Sources (Uses):			
Transfers in	2,646,677	2,646,676	(1)
Total Other Financing Sources (Uses)	107,000	151,157	(1)
Net Change in Fund Balance	107,000	151,157	44,157
Fund Balance at Beginning of Year	581,562	581,562	-
Fund Balance at End of Year	\$ 688,562	\$ 732,719	\$ 44,157

**CITY OF MISSION, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**SEPTEMBER 30, 2006**

	1998-A Certificates of Obligation	2003 Public Prop. Fin. Contractual Obligation	2003 Certificates of Obligation
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,663	\$ 15,012	\$ 8,195
Investments	-	-	-
Accrued interest receivable	-	-	-
Restricted assets	-	-	33,144
Total Assets	<u>\$ 2,663</u>	<u>\$ 15,012</u>	<u>\$ 41,339</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Other liabilities	2,474	-	-
Retainage payable	-	-	33,144
Total Liabilities	<u>2,474</u>	<u>-</u>	<u>33,144</u>
<b>FUND BALANCES</b>			
Reserved for encumbrances	-	-	-
Reserved for capital projects	189	15,012	8,195
Total Fund Balances	<u>189</u>	<u>15,012</u>	<u>8,195</u>
Total Liabilities and Fund Balances	<u>\$ 2,663</u>	<u>\$ 15,012</u>	<u>\$ 41,339</u>



2004 Certificates of Obligation	2005 Certificates of Obligation	2005-A Certificate of Obligation	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ 4,944	\$ 18,712	\$ 572,901	\$ 622,427
-	-	2,678,350	2,678,350
-	-	13,389	13,389
-	74,772	-	107,916
<u>\$ 4,944</u>	<u>\$ 93,484</u>	<u>\$ 3,264,640</u>	<u>\$ 3,422,082</u>
\$ -	\$ -	\$ 3,548	\$ 3,548
-	-	-	2,474
-	74,772	8,620	116,536
<u>-</u>	<u>74,772</u>	<u>12,168</u>	<u>122,558</u>
-	9,390	289,139	298,529
4,944	9,322	2,963,333	3,000,995
<u>4,944</u>	<u>18,712</u>	<u>3,252,472</u>	<u>3,299,524</u>
<u>\$ 4,944</u>	<u>\$ 93,484</u>	<u>\$ 3,264,640</u>	<u>\$ 3,422,082</u>

# CITY OF MISSION, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	1998-A Certificates of Obligation	2003 Public Prop. Fin. Contractual Obligation	2003 Certificates of Obligation
Revenues:			
Interest	\$ 112	\$ 775	\$ 1,310
Miscellaneous	-	-	-
Total Revenues	<u>112</u>	<u>775</u>	<u>1,310</u>
Expenditures:			
Capital projects	-	5,396	85,527
Total Expenditures	<u>-</u>	<u>5,396</u>	<u>85,527</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>112</u>	<u>(4,621)</u>	<u>(84,217)</u>
Other Financing Sources (Uses):			
Issuance of debt	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	112	(4,621)	(84,217)
Fund Balances at Beginning of Year	77	19,632	92,412
Fund Balance at End of Year	<u>\$ 189</u>	<u>\$ 15,011</u>	<u>\$ 8,195</u>

EXHIBIT C-21

2004 Certificates of Obligation	2005 Certificates of Obligation	2005-A Certificates of Obligations	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ 4,266	\$ 22,210	\$ 142,045	\$ 170,718
-	-	140,286	140,286
<u>4,266</u>	<u>22,210</u>	<u>282,331</u>	<u>311,004</u>
293,359	1,812,167	1,129,859	3,326,308
<u>293,359</u>	<u>1,812,167</u>	<u>1,129,859</u>	<u>3,326,308</u>
(289,093)	(1,789,957)	(847,528)	(3,015,304)
-	-	4,100,000	4,100,000
<u>-</u>	<u>-</u>	<u>4,100,000</u>	<u>4,100,000</u>
(289,093)	(1,789,957)	3,252,472	1,084,696
294,037	1,808,669	-	2,214,827
<u>\$ 4,944</u>	<u>\$ 18,712</u>	<u>\$ 3,252,472</u>	<u>\$ 3,299,523</u>

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# **PROPRIETARY FUNDS**

## **ENTERPRISE FUNDS**

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

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

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

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

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# CITY OF MISSION, TEXAS

## UTILITY FUND

## ENTERPRISE FUND

## BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-22

Page 1 of 4

	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
Operating Revenues:			
Water sales, net of adjustment	\$ 8,120,000	\$ 9,475,951	\$ 1,355,951
Connection fee	300,000	357,045	57,045
Reconnect fee	65,000	88,640	23,640
Wastewater system capital recovery fee	260,000	235,442	(24,558)
Sewage service	3,949,000	4,355,582	406,582
Wastewater assessment	155,000	170,950	15,950
Service charge	70,000	71,935	1,935
Industrial sewer surcharge	110,000	96,581	(13,419)
Waterline and sewer line	55,000	8,764	(46,236)
TIRZ reimbursement	185,000	-	(185,000)
Miscellaneous income	16,000	20,233	4,233
Operating Revenues	13,285,000	14,881,123	1,596,123
Nonoperating Revenues:			
Interest earned	332,137	358,152	26,015
Gain (loss) on disposal of capital assets	-	1,612	1,612
Insurance settlement	-	3,213	3,213
Nonoperating Revenues	332,137	362,977	30,840
Total Revenues	13,617,137	15,244,100	1,626,963
Operating Expenses:			
Utility Administration:			
Personal services	221,415	211,710	9,705
Employee benefits	72,452	68,731	3,721
Professional & technical services	5,000	972	4,028
Purchased property services	31,500	21,706	9,794
Other purchased services	24,400	21,685	2,715
Supplies	14,200	11,688	2,512
Miscellaneous	2,800	2,245	555
	371,767	338,737	33,030
Water Distribution:			
Personal services	816,798	835,904	(19,106)
Employee benefits	361,251	359,925	1,326
Professional & technical services	18,500	11,482	7,018
Purchased property services	308,290	301,609	6,681
Other purchased services	32,000	24,594	7,406
Supplies	611,600	580,302	31,298
Capital outlays	1,090,485	907,509	182,976
Miscellaneous	12,200	5,280	6,920
	3,251,124	3,026,605	224,519
Water Treatment:			
Personal services	326,341	332,326	(5,985)
Employee benefits	131,137	130,541	596
Professional & technical services	12,448	11,757	691
Purchased property services	275,500	295,519	(20,019)
Other purchased services	12,500	10,283	2,217

# CITY OF MISSION, TEXAS

## UTILITY FUND

## ENTERPRISE FUND

## BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-22

Page 2 of 4

	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
Supplies	627,593	503,766	123,827
Capital outlays	4,000	2,974	1,026
Miscellaneous	1,000	885	115
	<u>1,390,519</u>	<u>1,288,051</u>	<u>102,468</u>
Waste Water Treatment and Collection:			
Personal services	333,273	330,382	2,891
Employee benefits	129,841	124,777	5,064
Professional & technical services	20,000	12,909	7,091
Purchased property services	831,800	743,634	88,166
Other purchased services	6,650	5,578	1,072
Supplies	243,994	155,753	88,241
Capital outlays	362,067	344,869	17,198
Miscellaneous	207,306	105,666	101,640
	<u>2,134,931</u>	<u>1,823,568</u>	<u>311,363</u>
Industrial Pretreatment:			
Personal services	33,128	33,051	77
Employee benefits	12,701	12,046	655
Professional & technical services	5,000	-	5,000
Purchased property services	240,500	129,690	110,810
Other purchased services	2,000	860	1,140
Supplies	63,150	24,184	38,966
Capital outlays	6,000	20,656	(14,656)
Miscellaneous	75,150	48,989	26,161
	<u>437,629</u>	<u>269,476</u>	<u>168,153</u>
Utility Billing and Collection:			
Personal services	389,991	364,787	25,204
Employee benefits	173,131	154,680	18,451
Purchased property services	9,500	9,001	499
Other purchased services	76,500	70,611	5,889
Supplies	68,600	68,023	577
Capital outlays	26,000	-	26,000
Miscellaneous	3,200	2,748	452
	<u>746,922</u>	<u>669,850</u>	<u>77,072</u>
Organizational Expense:			
Professional & technical services	118,000	51,547	66,453
Other purchased services	115,500	102,333	13,167
Miscellaneous	35,150	35,150	-
	<u>268,650</u>	<u>189,030</u>	<u>79,620</u>
Northside Water Treatment Plant:			
Personal services	125,547	124,918	629
Employee benefits	60,107	56,980	3,127
Professional & technical services	12,060	9,949	2,111
Purchased property services	421,900	390,028	31,872
Other purchased services	5,000	2,707	2,293
Supplies	791,900	807,868	(15,968)



# CITY OF MISSION, TEXAS

## UTILITY FUND

## ENTERPRISE FUND

## BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-22

Page 3 of 4

	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
Capital outlays	12,000	10,718	1,282
Miscellaneous	71,000	63,415	7,585
	<u>1,499,514</u>	<u>1,466,583</u>	<u>32,931</u>
2001 Bonds-Water Projects:			
Professional & technical services	58,385	29,308	29,077
Capital outlays	252,595	32,632	219,963
Miscellaneous	144,429	-	144,429
	<u>455,409</u>	<u>61,940</u>	<u>393,469</u>
2001 Bonds-Sewer Projects:			
Professional & technical services	10,140	-	10,140
Capital outlays	187,156	151,329	35,827
Miscellaneous	13,355	-	13,355
	<u>210,651</u>	<u>151,329</u>	<u>59,322</u>
TWDB-2004-A & 2004-B Bonds:			
Professional & technical services	55,302	55,610	(308)
Capital outlays	19,217	357,575	(338,358)
Capital outlays-2004-B	-	1,312	(1,312)
Miscellaneous	320,589	24,750	295,839
	<u>395,108</u>	<u>439,247</u>	<u>(44,139)</u>
TWDB-CWTAP Grant:			
Professional & technical services	173,864	125,210	48,654
Purchased property services	2,094,878	54,828	2,040,050
Capital outlays	2,744,861	2,925,320	(180,459)
Miscellaneous	322,754	-	322,754
	<u>5,336,357</u>	<u>3,105,358</u>	<u>2,230,999</u>
2003 PPFCO Procurement:			
Supplies	-	1,672	(1,672)
Capital outlays	11,070	23,790	(12,720)
	<u>11,070</u>	<u>25,462</u>	<u>(14,392)</u>
Total Operating Expenses	<u>16,509,651</u>	<u>12,855,236</u>	<u>3,654,415</u>
Nonoperating Expenses:			
Bond interest expense	1,653,179	1,183,356	469,823
Bond fiscal charges	9,000	9,220	(220)
Bond principal	1,442,000	1,442,000	-
Nonoperating Expenses	<u>3,104,179</u>	<u>2,634,576</u>	<u>469,603</u>
Transfers:			
Transfers In (Out)	<u>(750,000)</u>	<u>(750,000)</u>	<u>-</u>
Capital Contributions	5,336,357	5,739,699	403,342

**CITY OF MISSION, TEXAS***UTILITY FUND**ENTERPRISE FUND**BUDGETARY COMPARISON SCHEDULE**FOR THE YEAR ENDED SEPTEMBER 30, 2006***EXHIBIT C-22**

Page 4 of 4

	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
Operating and Nonoperating Expenses, and Capital Contributions (Budgetary Basis)	15,027,473	10,500,113	4,527,360
Net Change in Net Assets (Budgetary Basis)	<u>\$ (1,410,336)</u>	4,743,987	<u>\$ 6,154,323</u>
Adjustments:			
Current year depreciation of capital assets, not budgeted		(2,453,801)	
Bond principal capitalized per GAAP basis		1,442,000	
budget basis, capitalized per GAAP basis		5,068,391	
		<u>4,056,590</u>	
Net Change in Net Assets (GAAP Basis)		<u>\$ 8,800,577</u>	

# CITY OF MISSION, TEXAS

GOLF COURSE FUND

ENTERPRISE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-23

Page 1 of 2

	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
Operating Revenues:			
Pro shop sales	\$ 75,000	\$ 78,297	\$ 3,297
Cart and club rental	158,000	161,059	3,059
Pull carts and club rentals	5,000	3,330	(1,670)
Food and beverage sales	90,000	96,603	6,603
Daily green fees	400,000	349,909	(50,091)
Summer rates-green fees	25,000	25,458	458
Trail fees	55,000	53,946	(1,054)
Juniors' fees	25,000	27,445	2,445
Prepaid members	220,000	203,591	(16,409)
Driving range	46,000	36,472	(9,528)
Miscellaneous income	2,500	2,135	(365)
Operating Revenues	1,101,500	1,038,245	(63,255)
Nonoperating Revenues:			
Interest earned	100	615	515
Gain (loss) on disposal of capital assets	60,000	61,285	1,285
Insurance settlement	1,500	11,815	10,315
Nonoperating Revenues	61,600	73,715	12,115
Total Revenues	1,163,100	1,111,960	(51,140)
Operating Expenses:			
Cost of sales-pro shop	52,000	57,858	(5,858)
Cost of sales-restaurant	50,000	45,633	4,367
Total Cost of Sales	102,000	103,491	(1,491)
Golf Course Operation:			
Club House:			
Personal services	241,793	247,784	(5,991)
Employee benefits	91,204	89,142	2,062
Professional & technical services	3,000	3,000	-
Purchased property services	42,500	40,645	1,855
Other purchased services	4,600	1,900	2,700
Supplies	18,660	11,357	7,303
Capital outlays	43,226	15,873	27,353
Miscellaneous	6,500	6,782	(282)
	451,483	416,483	35,000
Grounds:			
Personal services	263,351	272,672	(9,321)
Employee benefits	110,602	109,256	1,346
Purchased property services	50,000	48,777	1,223
Other purchased services	600	-	600
Supplies	117,399	110,010	7,389
Capital outlays	24,000	-	24,000
Miscellaneous	300	300	-
	566,252	541,015	25,237

# CITY OF MISSION, TEXAS

GOLF COURSE FUND

ENTERPRISE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT C-23

Page 2 of 2

	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
Restaurant:			
Personal services	54,320	49,411	4,909
Employee benefits	17,161	14,925	2,236
Supplies	-	98	(98)
Miscellaneous	620	619	1
	<u>72,101</u>	<u>65,053</u>	<u>7,048</u>
Organizational Expense:			
Other purchased services	4,500	4,430	70
Debt service	1,000	-	1,000
Miscellaneous	13,200	12,780	420
	<u>18,700</u>	<u>17,210</u>	<u>1,490</u>
Total Golf Course Operation	<u>1,210,536</u>	<u>1,143,252</u>	<u>67,284</u>
Depreciation	-	150,369	(150,369)
Total Operating Expenses	<u>1,210,536</u>	<u>1,293,621</u>	<u>(83,085)</u>
Nonoperating Expenses:			
Bond interest expense	19,497	16,652	2,845
Capital lease interest expense	-	6,521	(6,521)
Bond and capital lease principal	75,000	105,507	(30,507)
Nonoperating Expenses	<u>94,497</u>	<u>128,680</u>	<u>(34,183)</u>
Transfers:			
Transfers in (out)	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Operating and Nonoperating Expenses, Basis)	<u>1,105,033</u>	<u>1,222,301</u>	<u>(117,268)</u>
Net Change in Net Assets (Budgetary Basis)	<u>\$ 58,067</u>	<u>(110,341)</u>	<u>\$ (168,408)</u>
Adjustments:			
Bond and Capital Lease principal		105,507	
Amount budgeted as expense per budget basis, capitalized per GAAP basis		<u>15,873</u>	
		<u>121,380</u>	
Net Change in Net Assets (GAAP Basis)		<u>\$ 11,039</u>	

**CITY OF MISSION, TEXAS****EXHIBIT C-24****SOLID WASTE****ENTERPRISE FUND****BUDGETARY COMPARISON SCHEDULE****FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	Budget	Actual	Variance Positive (Negative)
Operating Revenues:			
Garbage fees	\$ 2,980,000	\$ 3,163,573	\$ 183,573
Brush fees	380,000	395,287	15,287
Roll-off fees	29,000	10,709	(18,291)
Miscellaneous income	1,000	1,064	64
Operating Revenues	<u>3,390,000</u>	<u>3,570,633</u>	<u>180,633</u>
Nonoperating Revenues:			
Interest earned	<u>8,000</u>	<u>8,754</u>	<u>754</u>
Nonoperating Revenues	<u>8,000</u>	<u>8,754</u>	<u>754</u>
Total Revenues	<u>3,398,000</u>	<u>3,579,387</u>	<u>181,387</u>
Operating Expenses:			
Solid waste disposal	3,347,422	3,547,759	(200,337)
Miscellaneous	60,000	-	60,000
Rental-machinery & equipment	5,000	4,400	600
Supplies	2,000	-	2,000
Total Operating Expenses	<u>3,414,422</u>	<u>3,552,159</u>	<u>(137,737)</u>
Operating and Nonoperating Expenses (Budgetary Basis)	<u>3,414,422</u>	<u>3,552,159</u>	<u>(137,737)</u>
Net Change in Net Assets (GAAP Basis)	<u>\$ (16,422)</u>	<u>\$ 27,228</u>	<u>\$ 43,650</u>

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*CAPITAL ASSETS  
USED IN THE  
OPERATION OF  
GOVERNMENTAL  
FUNDS*

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CITY OF MISSION, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 COMPARATIVE SCHEDULE BY SOURCE  
 As of September 30, 2006 and 2005

	2006	2005
Governmental Funds Capital Assets:		
Land	\$ 30,152,862	\$ 28,275,792
Buildings and structures	10,786,707	10,786,707
Improvements other than buildings	5,358,507	5,253,363
Furniture and equipment	13,527,096	13,122,020
Construction in progress	4,677,019	3,805,485
Infrastructure	55,869,679	48,012,690
	<u>\$ 120,371,870</u>	<u>\$ 109,256,057</u>
Total Governmental Funds Capital Assets	<u>\$ 120,371,870</u>	<u>\$ 109,256,057</u>
Investment in Governmental Funds Capital Assets by Source:		
General fund revenues	\$ 79,614,337	\$ 79,330,031
Grants	665,880	665,880
Bond funds	15,988,478	14,617,672
Enterprise funds	1,264	1,264
Special funds	5,222,050	4,168,360
Donations	2,467,279	709,572
Developers	16,412,582	9,763,278
	<u>\$ 120,371,870</u>	<u>\$ 109,256,057</u>
Total Governmental Funds Capital Assets	<u>\$ 120,371,870</u>	<u>\$ 109,256,057</u>

CITY OF MISSION, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE OF CHANGES IN FUNCTION AND ACTIVITY  
 For the fiscal year ended September 30, 2006

Function and Activity:	Governmental Funds Capital Assets September 30, 2005	Additions	Deductions	Governmental Funds Capital Assets September 30, 2006
General Government	\$ 6,343,818	\$ 1,101,229	\$ 115,208	\$ 7,329,839
Public Safety	14,226,893	370,796	102,234	14,495,455
Highways and Streets	74,615,460	9,355,659	4,995	83,966,124
Health and Welfare	151,462	3,668	50,928	104,202
Cultural and Recreational	<u>13,918,425</u>	<u>590,140</u>	<u>32,315</u>	<u>14,476,250</u>
Total Governmental Funds Capital Assets	<u>\$ 109,256,058</u>	<u>\$ 11,421,492</u>	<u>\$ 305,680</u>	<u>\$ 120,371,870</u>

CITY OF MISSION, TEXAS  
 CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY FUNCTION AND ACTIVITY  
 September 30, 2006

Function and Activity	Land	Buildings and Structures	Improvements Other Than Buildings	Furniture and Equipment	Infrastructure	Construction In Progress	Total
General Government	\$ 2,507,761	\$ 2,954,146	\$ 397,734	\$ 1,433,268	\$ 36,930	\$ -	\$ 7,329,839
Public Safety	564,497	4,970,497	153,577	8,805,258	1,625	-	14,495,454
Highways and Streets	25,559,107	-	356,146	1,432,653	55,599,137	1,019,081	83,966,124
Health and Welfare	-	-	-	104,202	-	-	104,202
Cultural and Recreational	1,521,497	2,862,064	4,451,050	1,751,715	231,987	3,657,938	14,476,251
Total Governmental Funds Capital Assets	<u>\$ 30,152,862</u>	<u>\$ 10,786,707</u>	<u>\$ 5,358,507</u>	<u>\$ 13,527,096</u>	<u>\$ 55,869,679</u>	<u>\$ 4,677,019</u>	<u>\$ 120,371,870</u>

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# *SUPPLEMENTAL SCHEDULES*

CITY OF MISSION, TEXAS  
UTILITY FUND  
SCHEDULE OF REVENUE BOND COVERAGE  
Year Ended September 30, 2006

Operating Revenues	\$ 14,881,121	
Interest Earned by funds Created by the Bond Indenture	<u>193,195</u>	
Gross Revenues Per Bond Ordinance		<u>\$ 15,074,316</u>
Operating Expenses	10,240,644	
Less: Depreciation Expense	<u>(2,453,801)</u>	
Operating Expenses Per Bond Ordinance		<u>7,786,843</u>
Net Revenue Per Bond Ordinance		<u><u>\$ 7,287,473</u></u>
Average Annual Debt Service Requirements		<u><u>\$ 2,591,289</u></u>
Succeeding Fiscal Year Debt Service Requirement		<u><u>\$ 2,686,663</u></u>
Required Coverage Ratio		<u>125%</u>
Calculated Coverage Ratio		
A) Based upon Average Annual Debt Service Requirements		<u>281%</u>
B) Based upon Succeeding Fiscal Year Debt Service Requirements		<u>271%</u>

CITY OF MISSION, TEXAS  
UTILITY FUND  
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS-  
RESTRICTED ACCOUNTS  
REVENUE BOND COVERAGE SCHEDULE  
REQUIRED BY REVENUE BOND ORDINANCE  
Year Ended September 30, 2006

	Revenue Bond Series 1993, 1995, 2004, and 2006				
	Interest and Sinking Cash	Waterworks and Sewer Construction Cash	Reserve Cash	Extension and Improvement Cash	Total
Cash and Investments September 30, 2005	\$ 664,057	\$ 1,492,651	\$ 2,005,028	\$ 262,848	\$ 4,424,584
Cash Receipts:					
Transfer from operating cash	2,878,000	-	367,187	-	3,245,187
Bond Proceeds	79,276	3,000,000	-	-	3,079,276
Refund on issuance cost	-	28,990	-	-	28,990
Interest received	52,362	54,843	78,858	7,132	193,195
Total Cash Receipts	3,009,638	3,083,833	446,045	7,132	6,546,648
Total Cash And Investments Available	3,673,695	4,576,484	2,451,073	269,980	10,971,232
Cash Disbursements:					
Principal payments	1,197,000	-	-	-	1,197,000
Interest and fiscal charges	1,261,498	-	-	-	1,261,498
Transfer to operating cash	675,653	226,124	1,376,245	-	2,278,022
Construction costs	-	510,488	-	-	510,488
Total Cash Disbursements	3,134,151	736,612	1,376,245	-	5,247,008
Cash and Investments, September 30, 2006	\$ 539,544	\$ 3,839,872	\$ 1,074,828	\$ 269,980	\$ 5,724,224
Total Cash and Investments Restricted at September 30, 2006 is Composed of the Following:					
Cash and cash equivalents	\$ 5,544	\$ 1,312,580	\$ 618	\$ 180	\$ 1,318,922
Investments	534,000	2,527,292	1,074,210	269,800	4,405,302
Total	\$ 539,544	\$ 3,839,872	\$ 1,074,828	\$ 269,980	\$ 5,724,224

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# STATISTICAL SECTION

This part of the City of Mission's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<b><u>Contents</u></b>	<b><u>Page</u></b>
Financial Trends	159
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed overtime.	
Revenue Capacity	166
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
Debt Capacity	170
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	175
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	177
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

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**City of Mission**  
**Net Assets by Component**  
**Last Ten Fiscal Years**

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003 <sup>(1)</sup>	2004	2005	2006
<b>Governmental Activities</b>										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,154,674	\$ 59,147,606	\$ 56,117,203	\$ 67,235,280
Restricted	-	-	-	-	-	-	651,534	800,978	802,534	1,288,945
Unrestricted	-	-	-	-	-	-	3,886,176	3,140,122	9,351,081	4,758,744
Total governmental activities net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,692,384</u>	<u>\$ 63,088,706</u>	<u>\$ 66,270,818</u>	<u>\$ 73,282,969</u>
<b>Business-Type Activities</b>										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,787,985	\$ 30,774,825	\$ 43,815,647	\$ 50,914,486
Restricted	-	-	-	-	-	-	4,035,643	3,827,894	3,634,865	1,993,403
Unrestricted	-	-	-	-	-	-	4,660,990	3,683,488	2,852,339	6,319,627
Total business-type activities net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,484,618</u>	<u>\$ 38,286,207</u>	<u>\$ 50,302,851</u>	<u>\$ 59,227,516</u>
<b>Primary Government</b>										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,942,659	\$ 89,922,431	\$ 99,932,850	\$ 118,149,766
Restricted	-	-	-	-	-	-	4,687,177	4,628,872	4,437,399	3,282,348
Unrestricted	-	-	-	-	-	-	8,547,166	6,823,610	12,203,420	11,078,371
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,177,002</u>	<u>\$ 101,374,913</u>	<u>\$ 116,573,669</u>	<u>\$ 132,510,485</u>

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

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

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003 (1)	2004	2005	2006
<b>Expenses</b>										
Governmental Activities										
General Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,043,021	\$ 6,905,631	\$ 7,109,520	\$ 8,112,283
Public Safety	-	-	-	-	-	-	9,831,094	10,633,900	12,438,467	13,451,482
Highways and streets	-	-	-	-	-	-	1,980,187	3,968,401	4,430,985	5,466,843
Sanitation	-	-	-	-	-	-	97,899	-	-	-
Health and welfare	-	-	-	-	-	-	105,738	511,520	522,734	526,449
Economic development	-	-	-	-	-	-	217,581	315,013	602,633	897,118
Culture and recreation	-	-	-	-	-	-	3,593,377	3,200,156	3,494,941	4,619,038
Interest on long-term debt	-	-	-	-	-	-	744,599	837,851	930,755	1,096,972
Total governmental activities expenses	-	-	-	-	-	-	23,613,496	26,372,472	29,530,035	34,170,185
Business-type Activities										
Utility system	-	-	-	-	-	-	9,602,954	11,056,182	11,434,910	11,362,995
Golf course operations	-	-	-	-	-	-	1,381,360	1,276,211	1,282,405	1,285,326
Solid waste operations	-	-	-	-	-	-	2,752,986	2,868,909	3,250,388	3,552,159
Total business-type activities expenses	-	-	-	-	-	-	13,737,300	15,201,302	15,967,703	16,200,480
Total primary government expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,350,796	\$ 41,573,774	\$ 45,497,738	\$ 50,370,665
<b>Program Revenues</b>										
Governmental Activities										
Charges for services										
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 931,665	\$ 1,093,022	\$ 1,217,942	\$ 2,676,159
Public Safety	-	-	-	-	-	-	756,900	976,726	1,048,893	106,521
Highways and streets	-	-	-	-	-	-	517,402	601,073	607,249	536,943
Sanitation	-	-	-	-	-	-	83,112	-	-	-
Health and welfare	-	-	-	-	-	-	68,837	213,159	174,673	165,112
Culture and recreation	-	-	-	-	-	-	503,797	439,014	272,120	148,885
Other activities	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-	-	2,364,963	3,872,830	3,529,449	3,146,796
Capital grants and contributions	-	-	-	-	-	-	3,886,256	5,650,496	5,627,239	8,801,715
Total governmental activities program revenues	-	-	-	-	-	-	9,112,932	12,846,320	12,477,565	15,582,131
Business-type activities										
Charges for services										
Utility system	-	-	-	-	-	-	9,649,391	9,905,636	11,798,496	14,852,124
Golf course operation	-	-	-	-	-	-	1,229,252	1,020,308	1,028,222	1,036,110
Solid waste operation	-	-	-	-	-	-	2,804,414	3,017,843	3,253,240	3,569,570
Operating grants and contributions	-	-	-	-	-	-	221,327	236,991	210,701	214,527
Capital grants and contributions	-	-	-	-	-	-	2,859,407	5,327,926	11,635,606	5,739,699
Total business-type activities program revenues	-	-	-	-	-	-	16,763,791	19,508,704	27,926,265	25,412,030
Total primary government program revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,876,723	\$ 32,355,024	\$ 40,403,830	\$ 40,994,161

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003 (1)	2004	2005	2006
Net (expense)/revenue										
Governmental activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (14,500,564)	\$ (13,526,152)	\$ (17,052,470)	\$ (18,588,054)
Business-type activities	-	-	-	-	-	-	3,026,491	4,307,402	11,958,562	9,211,550
Total primary government net expense	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,474,073)</u>	<u>\$ (9,218,750)</u>	<u>\$ (5,093,908)</u>	<u>\$ (9,376,504)</u>
<b>General Revenue and Other Changes in Net Assets</b>										
Governmental activities										
Taxes										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,034,814	\$ 9,087,576	\$ 10,324,334	\$ 12,569,230
Sales taxes	-	-	-	-	-	-	5,655,619	6,006,568	6,787,566	7,961,019
Franchise taxes	-	-	-	-	-	-	1,560,472	1,692,582	2,013,665	2,028,000
Hotel/motel taxes	-	-	-	-	-	-	222,384	249,137	283,886	309,496
Alcoholic beverage taxes	-	-	-	-	-	-	25,639	27,189	33,608	51,914
Shared revenue-tax increment zone	-	-	-	-	-	-	-	-	-	1,409,272
Unrestricted grants and contributions	-	-	-	-	-	-	4,121	8,993	22,130	70,184
Investment earnings	-	-	-	-	-	-	133,093	103,604	124,325	280,538
Miscellaneous	-	-	-	-	-	-	180,973	95,027	495,068	370,546
Transfers	-	-	-	-	-	-	118,359	1,564,172	150,000	550,000
Total governmental activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,935,474</u>	<u>18,834,848</u>	<u>20,234,582</u>	<u>25,600,199</u>
Business-type activities										
Investment earnings	-	-	-	-	-	-	155,387	157,423	108,774	152,995
Miscellaneous	-	-	-	-	-	-	21,319	14,435	99,307	110,121
Transfers	-	-	-	-	-	-	(118,359)	(1,564,172)	(150,000)	(550,000)
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,347</u>	<u>(1,392,314)</u>	<u>58,081</u>	<u>(286,884)</u>
Total primary government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,993,821</u>	<u>\$ 17,442,534</u>	<u>\$ 20,292,663</u>	<u>\$ 25,313,315</u>
Change in Net Assets										
Governmental activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,434,910	\$ 5,308,696	\$ 3,182,112	\$ 7,012,145
Business-type activities	-	-	-	-	-	-	3,084,838	2,915,088	12,016,643	8,924,666
Total primary government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,519,748</u>	<u>\$ 8,223,784</u>	<u>\$ 15,198,755</u>	<u>\$ 15,936,811</u>

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

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

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Franchise Tax</b>	<b>Hotel Occupancy Tax</b>	<b>Alcoholic Beverage Tax</b>	<b>Other Tax</b>	<b>Total</b>
1997	\$ 4,417,847	\$ 3,303,211	\$ 1,122,053	\$ 12,304	\$ 11,739	\$ 12,243	\$ 8,879,397
1998	5,062,784	3,773,227	1,085,185	12,509	12,465	13,799	9,959,969
1999	5,584,238	4,287,638	1,317,840	44,591	21,184	19,607	11,275,098
2000	6,231,041	4,424,065	1,408,278	100,672	24,319	21,987	12,210,362
2001	6,904,086	4,826,440	1,790,343	137,525	22,965	22,718	13,704,077
2002	7,664,308	5,309,647	1,584,095	163,033	22,808	25,701	14,769,592
2003	8,215,430	5,706,252	1,560,472	222,383	25,639	26,297	15,756,473
2004	9,087,576	6,390,956	1,692,582	249,137	27,189	39,455	17,486,895
2005	10,331,387	6,787,566	2,013,665	283,886	33,608	44,007	19,494,119
2006	12,332,808	7,961,019	2,028,000	309,496	51,914	46,274	22,729,511

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

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	\$ -	\$ 74,885	\$ 291,614	\$1,143,729	\$ 951,720	\$ 662,909	\$ 318,453	\$ 298,568	\$ 232,659	\$ 107,877
Unreserved	2,722,117	3,589,698	5,804,924	6,098,829	6,333,540	5,145,120	3,028,383	2,617,788	2,987,048	4,341,125
Total general Fund	<u>\$2,722,117</u>	<u>\$ 3,664,583</u>	<u>\$6,096,538</u>	<u>\$7,242,558</u>	<u>\$7,285,260</u>	<u>\$5,808,029<sup>1</sup></u>	<u>\$ 3,346,836<sup>1</sup></u>	<u>\$2,916,356<sup>1</sup></u>	<u>\$3,219,707</u>	<u>\$4,449,002</u>
All other governmental funds										
Reserved	\$ 195,821	\$ 6,567,556 <sup>2</sup>	\$3,542,173	\$6,935,851 <sup>2</sup>	\$4,013,641 <sup>2</sup>	\$1,512,169	\$ 5,058,264 <sup>2</sup>	\$3,087,189 <sup>2</sup>	\$3,254,271	\$4,572,792
Unreserved, reported in										
Special revenue funds	481,659	674,213	1,017,621	991,107	1,221,001	850,878	322,100	178,636	324,931	501,387
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Permanent funds	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 677,480</u>	<u>\$ 7,241,769</u>	<u>\$4,559,794</u>	<u>\$7,926,958</u>	<u>\$5,234,642</u>	<u>\$2,363,047</u>	<u>\$ 5,380,364</u>	<u>\$3,265,825</u>	<u>\$3,579,202</u>	<u>\$5,074,179</u>

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

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

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

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Revenues</b>										
Taxes	\$8,879,397	\$9,959,969	\$11,275,098	\$12,210,362	\$13,704,077	\$14,769,592	\$15,756,473	\$17,486,895	\$19,494,119	\$22,729,511
Licenses and permits	282,471	328,625	346,717	459,477	503,857	656,295	662,923	867,612	999,942	1,176,810
Intergovernmental	2,186,615	2,151,519	2,799,629	3,556,341	3,804,126	3,216,051	3,503,489	3,180,900	4,855,473	4,525,130
Charges for services	256,331	275,787	228,225	277,274	315,094	338,052	410,861	447,486	472,477	739,542
Fines	186,561	217,981	424,714	496,603	556,007	551,659	723,591	908,040	946,280	1,008,935
Investment earnings	158,331	257,570	609,230	604,012	735,003	296,821	208,349	197,213	224,856	462,951
Special assessments	270,522	281,608	300,410	317,651	336,817	358,786	382,484	437,495	426,252	400,179
Miscellaneous	746,633	732,573	909,655	703,982	793,641	1,840,859	1,423,424	2,305,501	1,860,804	966,855
<b>Total Revenues</b>	<b>12,966,861</b>	<b>14,205,632</b>	<b>16,893,678</b>	<b>18,625,702</b>	<b>20,748,622</b>	<b>22,028,115</b>	<b>23,071,594</b>	<b>25,831,142</b>	<b>29,280,203</b>	<b>32,009,913</b>
<b>Expenditures</b>										
General government	4,969,054	3,643,670	3,999,613	5,347,724	5,091,576	7,646,116	7,285,978	7,535,033	7,658,126	7,543,408
Public safety	4,055,975	5,174,291	5,502,603	5,883,722	6,722,653	7,420,386	8,900,690	10,160,519	12,804,066	12,739,371
Highways and streets	1,709,923	1,568,923	2,479,122	2,329,702	2,931,909	3,763,183	3,198,793	4,354,478	4,031,056	2,495,682
Sanitation	20,854	136,386	83,875	8,468	145,918	127,451	98,726	-	-	-
Health and Welfare	167,046	143,729	146,001	131,763	104,000	85,802	105,738	465,285	497,496	551,362
Economic and physical development	-	-	-	-	-	-	217,581	315,013	602,633	897,118
Culture and recreation	1,430,286	1,447,535	1,986,545	2,313,753	2,659,752	2,963,292	3,817,905	3,407,854	3,357,198	3,809,523
Capital outlay	-	1,528,018	3,886,304	2,553,778	4,215,483	2,848,892	2,364,827	3,198,994	1,851,950	3,326,307
Debt service										
Principal	889,117	903,917	925,000	1,105,000	960,000	1,045,000	1,085,000	1,065,000	1,340,000	1,640,000
Interest	149,553	119,687	502,401	491,335	703,338	688,471	697,608	797,036	795,997	944,053
Other charges	998	1,230	1,420	1,448	1,976	2,515	2,512	6,565	8,280	8,930
<b>Total expenditures</b>	<b>13,392,806</b>	<b>14,667,386</b>	<b>19,512,884</b>	<b>20,166,693</b>	<b>23,536,605</b>	<b>26,591,108</b>	<b>27,775,358</b>	<b>31,305,777</b>	<b>32,946,802</b>	<b>33,955,754</b>
<b>Excess of revenues</b>										
over (under) expenditures	(425,945)	(461,754)	(2,619,206)	(1,540,991)	(2,787,983)	(4,562,993)	(4,703,764)	(5,474,635)	(3,666,599)	(1,945,841)



	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Other financing sources (uses)</b>										
Transfers in	1,215,402	1,532,759	2,031,186	2,041,083	2,118,640	2,307,824	2,625,956	4,006,959	3,174,927	4,517,001
Transfers out	(1,202,777)	(1,359,821)	(1,681,186)	(1,885,667)	(2,018,640)	(2,153,570)	(2,507,597)	(2,442,787)	(3,024,927)	(3,967,001)
Refunding bond issued	-	-	-	-	-	-	-	-	-	-
Bonds issued	-	7,775,000	1,650,000	5,835,000	-	-	5,140,000	1,285,000	4,115,000	4,100,000
Long-term debt proceeds	-	-	140,000	-	-	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-	-	-	-	-	-
Discount on bonds issued	-	-	-	-	-	-	-	-	-	-
Payments to refunded bond escrow age	-	-	-	-	-	-	-	-	-	-
Capital leases	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	20,571	229,186	63,759	38,370	59,912	1,529	80,448	18,323	20,114
Total other financing sources (uses)	12,625	7,968,509	2,369,186	6,054,175	138,370	214,166	5,259,888	2,929,620	4,283,323	4,670,114
Net change in fund balances	(413,320)	7,506,755	(250,020)	4,513,184	(2,649,613)	(4,348,827)	556,124	(2,545,015)	616,724	2,724,273
Debt service as a percentage of noncapital expenditures	7.76%	7.80%	9.14%	9.07%	8.62%	7.31%	7.03%	6.65%	6.90%	8.47%

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

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Hotel Occupancy Tax	Alcoholic Beverage Tax	Other Tax	Total
1997	4,417,847	3,303,211	1,122,053	12,304	11,739	12,243	8,879,397
1998	5,062,784	3,773,227	1,085,185	12,509	12,465	13,799	9,959,969
1999	5,584,238	4,287,638	1,317,840	44,591	21,184	19,607	11,275,098
2000	6,231,041	4,424,065	1,408,278	100,672	24,319	21,987	12,210,362
2001	6,904,086	4,826,440	1,790,343	137,525	22,965	22,718	13,704,077
2002	7,664,308	5,309,647	1,584,095	163,033	22,808	25,701	14,769,592
2003	8,215,430	5,706,252	1,560,472	222,383	25,639	26,297	15,756,473
2004	9,087,576	6,390,956	1,692,582	249,137	27,189	39,455	17,486,895
2005	10,331,387	6,787,566	2,013,665	283,886	33,608	44,007	19,494,119
2006	12,332,808	7,961,019	2,028,000	309,496	51,914	46,274	22,729,511

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

Fiscal Year Ended September 30,	Real Property		Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate (2)	Estimated Actual Taxable Value (1)	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Minerals	Other					
1997	274,048,161	495,880,800	24,774,340	68,728,005	160,331,165	703,100,141	0.6100	863,431,306	0.81%
1998	290,976,508	602,025,290	30,712,650	83,964,376	197,592,963	810,085,861	0.6000	1,007,678,824	0.80%
1999	308,817,969	662,140,085	26,134,040	85,071,277	207,846,013	874,317,358	0.6200	1,082,163,371	0.81%
2000	414,768,046	663,022,344	25,207,880	110,317,583	224,569,975	988,745,878	0.6200	1,213,315,853	0.81%
2001	451,465,563	784,175,526	28,208,180	109,663,626	267,478,291	1,106,034,604	0.6200	1,373,512,895	0.81%
2002	489,937,634	827,275,941	36,690,590	123,103,407	260,593,116	1,216,414,456	0.6200	1,477,007,572	0.82%
2003	572,280,747	933,981,279	50,835,170	142,787,477	304,326,707	1,395,557,966	0.5500	1,699,884,673	0.82%
2004	665,902,711	1,024,129,078	53,470,880	152,507,379	303,814,908	1,592,195,140	0.5500	1,896,010,048	0.84%
2005	805,549,768	1,141,385,750	55,270,075	190,179,318	347,471,060	1,844,913,851	0.5398	2,192,384,911	0.84%
2006	915,768,153	1,321,705,696	67,538,266	198,703,883	364,403,708	2,139,312,290	0.5589	2,503,715,998	0.85%

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

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

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

Fiscal Year	City of Mission			Overlapping Rates					Total Direct & Overlapping Rates
	Operating Tax Rate	Debt Service Tax Rate	Total City Tax Rate	Hidalgo County Tax Rate	School District			South Texas Community College Tax Rate	
					Mission CISD School District Tax Rate	Sharyland School District Tax Rate	La Joya School District Tax Rate		
1997	0.4687	0.1413	0.6100	0.4460	1.4600	1.4100	1.5560	0.1000	5.58
1998	0.4779	0.1221	0.6000	0.4654	1.4500	1.4100	1.4663	0.0949	5.49
1999	0.4660	0.1540	0.6200	0.4747	1.5000	1.4600	1.5560	0.0918	5.70
2000	0.4743	0.1457	0.6200	0.4467	1.5000	1.4600	1.5560	0.0920	5.67
2001	0.4759	0.1441	0.6200	0.4467	1.5300	1.5400	1.4558	0.0922	5.68
2002	0.4773	0.1427	0.6200	0.5007	1.5300	1.5400	1.5280	0.0897	5.81
2003	0.4247	0.1253	0.5500	0.5195	1.5841	1.5400	1.5699	0.1776	5.94
2004	0.4358	0.1142	0.5500	0.5900	1.5841	1.5550	1.5699	0.1738	6.02
2005	0.4222	0.1176	0.5398	0.5900	1.5691	1.5650	1.6420	0.1647	6.07
2006	0.4344	0.1245	0.5589	0.5900	1.5632	1.5650	1.6420	0.1589	6.08

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

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

**City of Mission**  
**Principal Property Tax Payers**  
**September 30, 2006**

Taxpayer	2006			1997		
	Taxable Value	Rank	Percentage of Total Taxable Value	Taxable Value	Rank	Percentage of Total Taxable Value
A.E.P. Texas Central Co.	\$ 17,471,040	1	0.81%	\$ -	-	0.00%
Bert Ogden Chevrolet - Mission	16,164,395	2	0.75	4,815,164	7	0.55
Halliburton Energy Service	16,043,000	3	0.75	7,045,450	4	0.81
Rio Grande Snack Co.	11,762,084	4	0.55	-	-	-
Southwestern Bell Company	11,128,890	5	0.52	11,406,180	2	1.31
Spikes Motor Company, Inc.	10,665,975	6	0.50	-	-	-
Hunt Valley Industrial I LP	10,148,937	7	0.47	-	-	-
H.E. Butt Grocery Company	9,749,261	8	0.45	4,589,114	8	0.52
Cinemark USA, Inc.	8,472,334	9	0.39	-	-	-
Wal-Mart, Stores East Inc. #452	8,341,459	10	0.39	14,984,454	1	1.71
Central Power & Light	-	-	-	5,057,870	5	0.81
K-Mart	-	-	-	7,598,655	3	0.87
Albertson's Inc.	-	-	-	5,242,973	6	0.60
H. E. Butt Grocery	-	-	-	4,589,114	8	0.52
Texas Citrus Exchange	-	-	-	3,528,160	9	0.40
Mission TAI, Inc.	-	-	-	3,607,192	10	0.41
Total	<u>\$ 119,947,375</u>		<u>5.58%</u>	<u>\$ 72,464,326</u>		<u>7.76%</u>

Source: Hidalgo County Tax Assessor.

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

<b>Fiscal Year Ended September 30</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collection within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collection to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
1997	4,288,913	3,995,332	93.2%	219,870	4,215,202	98.3%
1998	4,924,646	4,600,665	93.4%	306,094	4,906,759	99.6%
1999	5,487,261	5,049,886	92.0%	334,171	5,384,057	98.1%
2000	6,130,892	5,715,957	93.2%	318,704	6,034,661	98.4%
2001	6,857,582	6,319,212	92.1%	347,421	6,666,633	97.2%
2002	7,542,074	6,939,238	92.0%	467,766	7,407,004	98.2%
2003	7,675,727	7,206,507	93.9%	561,514	7,768,021	101.2%
2004	8,757,156	8,227,346	93.9%	478,341	8,705,687	99.4%
2005	9,959,032	9,342,725	93.8%	617,066	9,959,791	100.0%
2006	12,015,190	11,347,253	94.4%	579,009	11,926,262	99.3%

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

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Capital Leases	Revenue Bonds	General Obligation Bonds	Capital Leases			
1997	2,850,000	-	-	15,843,000	355,000	-	19,048,000	3.91%	472
1998	9,735,000	-	-	15,097,000	685,000	-	25,517,000	4.96%	621
1999	10,600,000	-	-	14,317,000	465,000	-	25,382,000	4.53%	583
2000	15,330,000	-	-	13,472,000	665,000	-	29,467,000	4.78%	649
2001	14,370,000	-	-	12,583,000	475,000	-	27,428,000	3.97%	571
2002	13,325,000	-	-	20,678,000	320,000	-	34,323,000	4.59%	679
2003	17,380,000	-	-	19,429,000	1,530,000	-	38,339,000	4.95%	752
2004	17,400,000	-	-	33,363,000	1,470,000	-	52,233,000	6.53%	951
2005	20,225,000	-	-	32,232,000	1,615,000	-	54,072,000	6.54%	974
2006	22,735,000	-	-	35,050,000	1,295,000	119,372	59,199,372	6.94%	1,052

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

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

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Debt Payable From Business-type Revenues</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property <sup>(1)</sup></b>	<b>Per Capita <sup>(2)</sup></b>
1997	3,205,000	196,131	355,000	2,653,869	0.38%	65.75
1998	10,420,000	256,282	685,000	9,478,718	1.17%	230.71
1999	11,065,000	279,722	465,000	10,320,278	1.18%	237.25
2000	15,995,000	343,243	665,000	14,986,757	1.52%	330.05
2001	14,845,000	367,550	475,000	14,002,450	1.27%	291.72
2002	13,645,000	384,335	320,000	12,940,665	1.06%	256.17
2003	18,910,000	503,430	1,530,000	16,876,570	1.21%	330.91
2004	18,870,000	556,088	1,470,000	16,843,912	1.06%	306.62
2005	21,840,000	581,562	1,615,000	19,643,438	1.06%	353.80
2006	24,030,000	732,719	1,295,000	22,002,281	1.03%	391.14

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

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

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

**City of Mission**  
**Direct and Overlapping Governmental Activities Debt**  
**As of September 30, 2006**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Hidalgo County	\$ 161,735,000	12.15%	\$ 19,650,803
Hidalgo County Drainage District #1	-	10.91%	-
Hidalgo County Road District #1	-	58.17%	-
La Joya Independent School District	252,516,962 <sup>(1)</sup>	4.38%	11,060,243
Mission Consolidated Independent School District	115,720,000 <sup>(2)</sup>	75.85%	87,773,620
Sharyland Independent School District	74,164,992 <sup>(3)</sup>	53.54%	39,707,937
South Texas Community College District	97,059,996	9.74%	9,453,644
Subtotal Overlapping Debt			<u>\$167,646,246</u>
City of Mission	\$ 23,700,000	100.00%	\$ 23,700,000
Total Direct and Overlapping Debt			<u><u>\$191,346,246</u></u>

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

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

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



**City of Mission**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt Limit	\$ 35,155,007	\$ 40,504,293	\$ 43,715,868	\$ 49,437,294	\$ 55,301,730	\$ 60,820,723	\$ 69,777,898	\$ 79,609,757	\$ 92,245,693	\$ 106,965,615
Total net debt applicable to limit	2,653,869	9,478,718	10,320,278	14,986,757	14,002,450	12,940,665	16,876,570	16,843,912	19,643,438	22,002,281
Legal debt margin	<u>\$ 32,501,138</u>	<u>\$ 31,025,575</u>	<u>\$ 33,395,590</u>	<u>\$ 34,450,537</u>	<u>\$ 41,299,280</u>	<u>\$ 47,880,058</u>	<u>\$ 52,901,328</u>	<u>\$ 62,765,845</u>	<u>\$ 72,602,255</u>	<u>\$ 84,963,334</u>
Total net debt applicable to the limit as a percentage of debt limit	7.55%	23.40%	23.61%	30.31%	25.32%	21.28%	24.19%	21.16%	21.29%	20.57%

Legal Debt Margin Calculation for Fiscal Year

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

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

**City of Mission**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**

Fiscal Year	Revenue Bonds					Coverage <sup>(4)</sup>
	Charges and Other <sup>(1)</sup>	Less: Operating Expenses <sup>(2)</sup>	Net Available Revenue	Debt Service <sup>(3)</sup>		
				Principal	Interest	
1997	6,262,593	3,702,839	2,559,754	746,000	795,485	1.66%
1998	6,784,623	3,643,856	3,140,767	780,000	760,891	2.04%
1999	6,704,271	3,846,329	2,857,942	845,000	722,527	1.82%
2000	8,248,204	4,172,593	4,075,611	889,000	630,379	2.68%
2001	8,637,135	4,916,189	3,720,946	970,000	633,602	2.32%
2002	9,958,967	5,702,737	4,256,230	1,249,000	1,035,683	1.86%
2003	9,832,105	5,702,737	4,129,368	1,314,000	974,627	1.80%
2004	10,182,330	8,298,124	1,884,206	1,131,000	1,682,697	0.67%
2005	12,130,545	8,098,284	4,032,261	1,197,000	1,620,913	1.43%
2006	15,074,316	7,786,843	7,287,473	1,486,000	1,615,995	2.35%

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

(2) Total operating expenses exclusive of depreciation.

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

(4) Per first lien revenue bond covenants, the required coverage is 1.20

Note: The City does not have special assessment bonds.

**City of Mission**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population <sup>(1)</sup></b>	<b>MSA<sup>(2)</sup> Personal Income</b>	<b>MSA<sup>(2)</sup> Capita Personal Income</b>	<b>Median Age <sup>(1)</sup></b>	<b>Percentage High School Graduates <sup>(3)</sup></b>	<b>School Enrollment <sup>(3)</sup></b>	<b>Unemployment Rate <sup>(4)</sup></b>
1997	40,364	486,628,384	12,056	29.90	86.1	11,834	14.80%
1998	41,085	514,753,965	12,529	30.10	74.3	12,077	15.10%
1999	43,500	559,845,000	12,870	30.30	75.6	12,269	11.20%
2000	45,408	616,459,008	13,576	30.40	77.9	12,481	10.80%
2001	48,000	690,384,000	14,383	30.50	81.2	13,131	10.50%
2002	50,515	747,116,850	14,790	30.50	84.4	13,600	10.70%
2003	51,000	774,384,000	15,184	31.00	88.0	14,038	11.20%
2004	54,934	799,938,672	14,562	31.00	81.7	14,156	9.00%
2005	55,522	826,336,648	14,883	30.50	84.8	14,869	5.20%
2006	56,252	853,605,758	15,175	31.70	93.1	15,341	5.20%

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

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

(3) Source: Mission Consolidated School District

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

# **City of Mission Principal Employers**

<b>Employer</b>	<b>2006<sup>(1)</sup></b>			<b>1997<sup>(2)</sup></b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Mission CISD	2,140	1	4.11%	-		0.00%
Sharyland ISD	1,045	2	2.01%	-		0.00%
Mission Hospital	910	3	1.75%	-		0.00%
T-Mobile	893	4	1.71%	-		0.00%
City of Mission	521	5	1.00%	284		1.00%
Wal-Mart Super Center	410	6	0.79%	-		0.00%
H.E.B. Grocery	334	7	0.64%	-		0.00%
Vanity Fair	315	8	0.60%	-		0.00%
Target	240	9	0.46%	-		0.00%
Frito-Lay Inc.	220	10	0.42%	-		0.00%
<b>Total</b>	<b>7,028</b>		<b>13.49%</b>	<b>284</b>		<b>1.00%</b>

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

(2) Source: Information not available.

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

Function	Full-time Equivalent Employees as of September 30									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General government	56	53	56	76	58	66	72	74	78	74
Public Safety										
Police										
Officers	73	80	80	86	99	99	100	113	114	116
Civilians	11	13	14	28	28	33	37	41	40	42
Fire										
Firefighters and Officers <sup>(1)</sup>	21	22	31	31	31	32	35	36	51	63
Civilians	1	1	5	5	6	6	6	3	3	2
Highways and Streets										
Engineering <sup>(2)</sup>	-	-	-	-	2	2	2	-	-	0
Streets	14	14	17	18	22	26	26	27	27	26
Health and Welfare										
Health <sup>(3)</sup>	-	-	-	-	-	-	-	9	10	7
Culture and recreation										
Aquatics	3	3	3	3	3	3	3	3	3	1
Museum	-	-	-	-	-	3	3	3	3	2
Parks and Recreation	23	23	28	26	24	27	29	32	34	34
Library	14	14	20	16	18	19	19	25	32	23
Golf Course	23	31	34	34	37	34	31	31	27	20
Sanitation										
Water distribution	33	34	31	40	54	62	65	79	77	77
Wastewater	10	10	10	10	11	11	11	13	13	13
Community Development	3	3	4	4	4	4	4	4	3	3
Total	285	301	333	377	397	427	443	493	515	503

Source: City of Mission Finance Department-Budget Office.

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

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

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

**City of Mission**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police										
Physical arrests	-	-	-	2,892	3,166	2,303	2,977	3,779	3,892	3,943
Parking Violation	-	-	-	300	243	163	88	118	59	44
Traffic Violations	-	-	-	7,000	6,358	9,240	10,005	14,850	15,118	12,042
Fire										
Number of calls answered <sub>(1)</sub>	n/a	n/a	1,573	1,730	1,628	1,914	1,934	2,118	1,938	1,977
Inspections	401	843	1,521	1,625	1,406	1,616	830	1,191	884	790
Highways and Streets										
Streets resurfacing (miles)	19	20	24	24	31	33	41	39	29	20
Potholes repaired	9,360	9,800	10,440	11,709	12,530	12,980	13,046	18,288	15,379	13,006
Sanitation										
Refuse collected (tons/day) <sub>(2)</sub>	137	139	139	140	140	140	143	145	150	159
Recyclables collected (tons/day)	0.70	0.75	0.60	-	-	0.02	0.03	0.03	0.07	0.03
Culture and recreation										
Golf Course										
Rounds <sub>(3)</sub>	-	-	-	-	-	-	-	57,040	54,588	53,464
Recreation										
Programs	10	10	10	10	15	15	15	17	17	34
Parks Maintained	18	18	18	18	18	18	22	22	22	24
Water										
New connections (year)	1,000	1,100	1,200	1,200	1,250	1,300	1,320	1,321	1,122	1,237
Water mains breaks (year)	80	90	90	100	120	140	142	151	486	563
Average daily consumption (millions of gallons)	7.16	7.06	7.13	7.40	7.39	8.22	8.06	8.31	10.56	12.56
Wastewater										
Average daily sewage treatment	3.47	3.62	3.78	3.99	4.13	4.52	4.65	4.35	4.60	6.00

Sources: Various City departments.

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

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

(2) Information for 2006 estimated.

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

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

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public Safety										
Police Protection										
Stations	1	1	1	1	1	1	1	1	1	2
Patrol Units	41	48	53	57	53	60	74	71	80	85
Fire Protection										
Fire Stations	3	3	3	3	3	3	3	4	4	4
Highways and Streets										
Streets (miles)	-	-	-	275	280	280	289	298	306	535
Number of Streetlights	-	-	-	4,300	4,305	4,395	4,483	4,583	4,673	4,767
Culture and recreation										
Parks acreage	215	215	215	215	215	215	226	226	226	310
Parks	18	18	11	18	18	18	22	22	22	24
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis Courts	2	2	2	2	2	2	2	2	2	2
Community Centers	2	2	2	2	2	2	2	2	2	2
Water										
Water Plants	1	1	1	1	1	2	2	2	2	2
Water mains (miles)	-	-	-	125	130	139	152	270	270	410
Fire hydrants	-	-	-	1,850	1,850	1,870	1,890	1,990	3,000	2,254
Number of Service connections	-	-	-	16,000	16,000	18,905	19,245	19,931	20,763	21,995
Number of Gallons Sold (in millions)	1,893.90	2,173.10	2,113.70	2,463.60	2,501.50	2,736.02	2,614.00	2,647.40	3,387.70	4,172.14
Daily Average Consumption (gallons) <sup>(1)</sup>	-	-	-	6.20	6.20	8.20	8.00	8.20	10.60	12.56
Sewer										
Number of Treatment plants	1	1	1	1	1	1	1	1	1	1
Sanitary sewers (miles)	-	-	-	112	128	133	140	200	200	315
Number of Service connections	-	-	-	12,000	16,000	12,085	15,812	16,682	17,683	18,606
Storm sewers (miles)	-	-	-	75	75	75	75	75	75	110
Daily average treatment in gallons <sup>(1)</sup>	-	-	-	3.10	3.10	3.40	4.40	4.20	4.60	6.00
Maximum daily treatment capacity <sup>(1)</sup>	-	-	-	4.60	4.60	4.60	4.90	4.99	5.16	7.00

Source: City departments.

(1) Amount is in millions.

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

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*FEDERAL AWARDS  
SECTION*

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mission, Texas, as of and for the year ended September 30, 2006, and have issued our report dated February 3, 2007. We did not audit the financial statements of the Mission Redevelopment Authority, which represent 68.10 percent and 26.16 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 opinions 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  
February 3, 2007

**INDEPENDENT AUDITORS' 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, 2006. 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, 2006.

## 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  
February 3, 2007

CITY OF MISSION, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2006

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**Section I - Summary of Auditor's Results**

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*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? reported \_\_\_\_\_ yes      X   none

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? reported \_\_\_\_\_ yes      X   none

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_\_\_ yes      X   no

Identification of major programs:

CFDA Number(s)

66.000  
16.710

Name of Federal Program or Cluster

EDAP/CWTAP Grants  
Community Oriented Policing Services

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, 2006

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**Section II – Financial Statement Findings**

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None.

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

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



CITY OF MISSION, TEXAS  
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS  
For the Year Ended September 30, 2006

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

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

CITY OF MISSION, TEXAS  
CORRECTIVE ACTION PLAN  
For the Year Ended September 30, 2006

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

CITY OF MISSION, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended September 30, 2006

(01)		(02)	(03)	(04)
Project Number	Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures, Indirect Costs and Refunds	Amount in (03) Relating to Pass Through to Subrecipients
	<u>Federal Emergency Management Agency</u>			
	Passed Through Texas Department of Public Safety - Division of Emergency Management:			
2006-EM-E6-0026	Emergency Management Assistance	97.042	\$17,517	-
	Total Pass Through Programs		17,517	-
	Total Federal Emergency Management Agency		17,517	-
	<u>U.S. Department of Homeland Security</u>			
	Passed Through Texas Governor's Division Of Emergency Management:			
	Homeland Security Grant Program:			
2004-HGSP-48768	State Homeland Security Program	97.073	63,752	-
2005-HSGP-48768	State Homeland Security Program	97.073	67,234	-
2005-HGSP-48768	Law Enforcement Terrorism Prevention Program	97.074	55,290	-
	Total Pass Through Programs		186,276	-
	Total U.S. Department of Homeland Security		186,276	-
	<u>U.S. Department of Justice</u>			
	Direct Programs:			
	Equitable Sharing Program	16.000	251,955	-
	Bullet Proof Vest Program	16.607	5,000	-
2003UMWX0114-TX10810	Office of Community Oriented Policing Services	16.710	241,360	-
	Total Direct Programs		498,315	-
	Total U.S. Department of Justice		498,315	-
	<u>U.S. Department of Housing and and Urban Development</u>			
	Direct Programs:			
B-04-MC-48-0511	Community Development Block Grant	14.218	163,164	-
B-05-MC-48-0511	Community Development Block Grant	14.218	757,461	59,003
	Program Income Applied		8,047	-
	Total Direct Programs		928,672	59,003
	Total U.S. Department of Housing and Urban Development		928,672	59,003

CITY OF MISSION, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended September 30, 2006

(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>2,159,928</u>	-
	Total Pass Through Programs		<u>2,159,928</u>	-
	Total Environmental Protection Agency		<u>2,159,928</u>	-
	<u>National Highway Traffic Safety Administration</u>			
	Passed Through Texas Department of Transportation:			
586XXF6042	Safe and Sober Program	20.600	50,498	-
586XXF6181	Click It or Ticket Incentive Program	20.600	<u>7,879</u>	-
	Total Pass Through Programs		<u>58,377</u>	-
	Total National Highway Traffic Safety Administration		<u>58,377</u>	-
	TOTAL FEDERAL AWARDS EXPENDED		<u>\$ 3,849,085</u>	<u>\$ 59,003</u>

CITY OF MISSION, TEXAS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended September 30, 2006

**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.

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