



Comprehensive Annual Financial Report for the fiscal year ending 2007



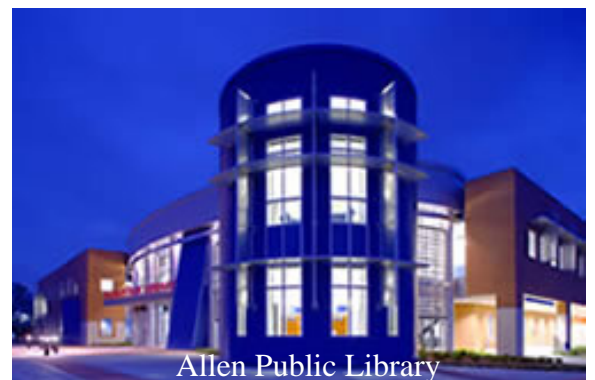
Allen City Hall



Central Fire Station



The Edge @ Allen Station Park



Allen Public Library

CITY OF ALLEN, TEXAS

COMPREHENSIVE ANNUAL

FINANCIAL REPORT



**FISCAL YEAR ENDED
SEPTEMBER 30, 2007**

**AS PREPARED BY THE
FINANCE DEPARTMENT**

**CITY OF ALLEN, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007
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INTRODUCTORY SECTION



March 25, 2008

Honorable Mayor and City Council,
City Manager,
Citizens of Allen:

The Comprehensive Annual Financial Report (CAFR) of the City of Allen, Texas (the City), for the fiscal year ended September 30, 2007, is submitted herewith.

Management assumes full responsibility for the completeness and reliability of information contained in this report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control 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.

Weaver and Tidwell, L.L.P. have issued an unqualified ("clean") opinion on the City of Allen's financial statements for the year ended September 30, 2007. The independent auditors' report is located in the beginning of the financial section of the CAFR.

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

PROFILE OF THE GOVERNMENT

The City of Allen, incorporated in 1953, is located in central Collin County, Texas, 25 miles north of downtown Dallas, on U.S. Highway 75 and currently occupies a land area of 26.31 square miles. The City's population was 78,804 at the end of the fiscal year and has grown to over 81,168 in January 2008.

The City Council is comprised of the Mayor and six Council members, who enact local laws, determine policies and adopt the annual budget. The City Council appoints the City Manager, who has full responsibility for carrying out Council policies and administering City operations. City service departments provide a full range of services including police and fire protection, sanitation/solid waste service, water and sewer services, construction and maintenance of streets, recreational activities and cultural events.

The financial reporting entity (the government) includes all funds of the primary government (i.e., the City of Allen as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are legally separate entities and not part of the primary government's operations. The Allen Economic Development Corporation (AEDC) and Allen Community Development Corporation (ACDC) are included in the financial statements as discretely presented component units.

The annual budget serves as the foundation for Allen's financial planning and control. Annual budgets are legally adopted for the General Fund and Debt Service Fund. Each year the City Manager is required to submit to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayers' comments. Prior to

October 1, the budget is legally enacted by the City Council through passage of an ordinance, setting the limit for expenditures during the fiscal year. Expenditure appropriations in the adopted budget are by department and may be amended during the year. The City Manager is authorized to adjust budgeted amounts; however, such revisions may not result in total expenditures exceeding budgeted expenditures without approval of the City Council.

As part of each year's budget development process, departments are required to update revenue and expenditure estimates for the current fiscal year. The re-estimated current year budget is submitted to the City Council along with the proposed budget for the next fiscal year. The revised budget is then used as a working budget for the last half of the current fiscal year.

During the course of the year on-line reporting has been developed using an automated management accounting system to allow individual departments to review and compare actual versus budgeted amounts. The Finance department also reviews operating revenues and expenditures, recommending adjustments as needed. On a quarterly basis, the Finance department submits financial reports to the City Council.

Formal budgetary integration is not employed for Special Revenue Funds, Proprietary Funds or Capital Project Funds. However, the City does adopt an annual budget for those funds for managerial control.

LOCAL ECONOMY

Bordered by McKinney to the north and Plano to the south, Allen is directly in the path of growth. The population of approximately 78,804 is anticipated to reach 97,900 by the year 2011. The quality of the Allen community attracts well-educated residents with a high level of spending power and disposable income making Allen a prime location for restaurants, shopping centers and other retail venues.

Allen is a community that offers exceptional housing, award-winning schools and a pro-business attitude and enthusiastic accommodation of industry. In addition to maintaining Allen's quality of life, the Planning and Development department along with the Allen Economic Development Corporation (AEDC) actively work to balance new residential growth with quality commercial developments. A major development currently underway is a new multi-purpose event center with 6,200 fixed seats and 26 luxury suites; a project that has been a part of the City's strategic vision for many years. The Allen Event Center will host a Central Hockey League team with two sheets of ice along with 100 entertainment events annually. The Event Center will be located in the Village of Allen commercial development at U.S. 75 and Stacy Road. This 181-acre development will feature the event center, two parking garages, 1.5 million square feet of retail, restaurants, office and hotel space. Also, this spring, Phase One of Watters Creek at Montgomery Farms will open at Bethany and U.S. 75 with first-in-class retail, 250,000 square feet of office and 250 luxury residential units above the retail to define Allen's first "live, shop and play" development.

The vision of the City is to create the highest quality of life in Allen. These developments achieve that goal as well as create regional attractions that bring people from surrounding communities and additional tax dollars to Allen. The following categories represent key factors that impact Allen's economic and financial success:

Property Values - Assessed property values increased \$558 million (10.8%) from the preceding year with \$293 million in new property and a \$265 million increase in the value of existing property. During the last five years assessed property value has increased 58% and property taxes account for 50.09% of the General Fund revenue. With a well-educated populace and average household income of \$108,680, Allen enjoys an exceptionally high property tax collection rate. Increases in assessed property value along with continued economic growth have allowed the City Council to lower the property tax rate for the fourteenth consecutive year while improving quality services to its citizens.

Retail Sales – The General Fund's second largest revenue source is sales tax generated from a variety of businesses operating in the City of Allen. Sales tax receipts resulted in revenue of \$9.76 million in fiscal year 2006-07, a 5.69% increase over the prior year. With recent new development such as Montgomery Farm, the Villages at Allen and the large number of retailers and restaurants settling in Allen, future revenues are expected to grow as Allen becomes a destination for shopping and entertainment.

Long-Term Financial Planning – The City's annual budget process involves incorporating the goals and strategies identified by the City Council's three-year Strategic Plan to provide for the community's highest priority needs. The goal statements developed by the City Council are:

- Enhance neighborhood livability and safety.
- Cultivate alliances and partnerships with agencies and governmental units that affect Allen.
- Improve regional mobility through transportation initiatives.
- Signify, enhance and communicate Allen's identity to the region and the nation.
- Systematically invest in public infrastructure.
- Maintain operational excellence in City government services.
- Provide public support for new economic investment in Allen that broadens the employment base, provides desired goods and services for residents and contributes to the community character and identity.

Individual departments develop their goals and objectives in terms of these all-encompassing organizational goals.

Strategic Financial Plan – An appropriate financial plan for the City of Allen requires many elements all working in concert with one another. Current expectations are for continued sales tax revenue growth and additional demands for "essential" City services such as police, fire, water, sewer, drainage and street improvement. The Finance Department's management role will be to maintain and enhance financial plan elements and ensure the continued financial stability for the City of Allen.

Financial Resource Planning – Strategic planning begins with determining the City's fiscal capacity based upon long-term financial forecasts of recurring available revenues. Financial forecasts coupled with financial trend analysis techniques and careful reserve analysis will preserve the fiscal well being of Allen. Strategic planning is a critical element not only to meet long-term financial stability goals but also to determine City Council objectives that will require special financial planning to achieve success.

Capital Improvement Program Planning – The City of Allen's Capital Improvement Program is a multi-year financial plan for the acquisition, expansion, or rehabilitation of infrastructure, capital assets, or productive capacity of City services. The City's operating and capital projects budgets are closely linked.

Revenues for the capital budget come primarily from bond sales, supplemented by development fees and some current revenues. The Capital Improvement Program unlike the operating budget is a seven-year plan that is reviewed and projects are reprioritized on an ongoing basis. Although not formally adopted as part of the annual budget, project budgets are used as a guide for project, debt and other related budget planning. As such, future years are subject to change; in addition, debt issuance for many future projects is subject to voter approval.

Throughout the year projects are monitored and reprioritized as needed. The City utilizes the project accounting and budgeting components of the financial software to assist with the

monitoring aspect of the process. Monthly reports are provided to Council to keep them informed of the status of projects.

In May 2007, Allen voters approved a \$77,895,000 bond election proposed by the 2007-2013 Capital Improvement Program steering committee and approved by the City Council. Voters approved \$14,500,000 for maintenance and operations service center facilities, \$1,700,000 for renovating existing municipal public buildings, \$27,200,000 for street improvements, \$17,250,000 for park and recreation facilities, \$1,390,000 for public art projects and \$15,855,000 for public safety facilities.

Debt Management – All debt issuances are for the purposes of financing capital infrastructure or long-lived costly assets. Each debt issuance is evaluated against multiple policies addressing: debt service as a percent of operating expenditures, tax and revenue bases for the repayment of debt, the overall debt burden on the community, statutory limitations and market factors affecting tax-exempt interest costs. Sizing of the City's capital improvement program based on debt capacity in conjunction with conservatively estimated pay-as-you-go revenues help stabilize per capita debt and lower annual debt service costs to the City over the long-term.

Cash Management Policies and Practices – The City of Allen's investment policy is to invest all City funds at the highest available interest rate, assuring that all monies are fully secured with emphasis on safety of principal, liquidity, yield, diversification, and public trust. State statutes authorize the City to invest in U.S. Government obligations, state investment pools, commercial paper, obligations of Texas and its agencies and fully collateralized repurchase agreements. The City utilizes a pooled cash concept in order to invest greater amounts of cash at one time and therefore receives more favorable interest rates.

Insurance and Risk Management - The City has a comprehensive risk management program, including property, liability, safety, workers' compensation, health, dental and wellness. The safety incentive program promotes employee safety on the job and focuses on risk control techniques designed to minimize accident-related losses. In addition to the safety program's preventive measure, claims are closely monitored in order to minimize the City's liability exposure. Administration of these functions requires participation from the Risk Manager, outside legal counsel and consultants. To reduce health claim costs, the City promotes a wellness program to improve employee awareness of exercise, nutrition, and lifestyle choices.

Procurement Planning- Under the Finance Department, the Purchasing division is responsible for the procurement of items required to operate and maintain the City. This division assists all departments in planning and maintaining the City's financial health, by establishing a uniform procedure for obtaining goods and services in an effective and timely manner in accordance with generally accepted purchasing procedures and legally mandated procurement standards. The City has contracted with DemandStar.com for the maintenance of an automated vendor list which categorizes each vendor by commodity codes for the specific goods or services offered by the vendor. Also, the City's Business Diversity Program encourages the participation of small, minority and women-owned businesses in the City of Allen procurement process.

FISCAL YEAR 2007 HIGHLIGHTS

The City of Allen's fiscal year 2006-2007 reflects the efforts of the governing body and City staff to address the need to provide services and facilities to support our vibrant and growing community while maintaining a strong financial position. A five-year Information Technology Strategic Plan was implemented to begin enhancing the City's technology infrastructure, operational efficiency and responsiveness to citizens. Staffing levels were increased by 15.4 full time equivalent positions, with 7 of the positions created in the Police Department. All of these positions emphasize the City's commitment to maintain a high level of service to our citizens while conservatively growing the size of the organization.

Record rainfall in the North Texas area through spring and summer decreased water sales revenue by 27.6% from the previous year when extreme drought conditions existed. Community efforts between the City, school district, homeowner's associations, civic groups and individuals are on-going to promote water conservation education. A new water and sewer rate structure was implemented and key pieces of equipment were purchased to make the delivery of services faster, more efficient and improved our abilities to detect leaks in the water system and inflows into the sewer system.

During the fiscal year the combined efforts of City Manager, Peter Vargas, the Allen Economic Development Corporation, the Community Development Corporation, City Council members and City staff worked diligently to finalize the agreements for the Village of Allen and to obtain the Allen Events Center. This project that has been a part of the City's strategic vision for many years and establishes Allen as a destination center for retail and entertainment.

AWARDS AND ACKNOWLEDGEMENTS

Awards -- The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Allen for its CAFR for the fiscal year ended September 30, 2006. This was the ninth consecutive year that the government has achieved 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 CAFR 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.

Acknowledgements -- Many people are responsible for the preparation of this report, and for the maintenance of records upon which it is based. Appreciation is expressed to representatives of Weaver and Tidwell L.L.P. for their invaluable assistance in producing the final document and to Dana Murray, Accounting Manager, and Tru Nguyen, Senior Accountant, who were instrumental in the completion of this report.

We would also like to thank the City Manager's office and the members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Kevin Hammeke
Finance Director

Joanne Stoehr
Assistant Finance Director



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Allen
Texas

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

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



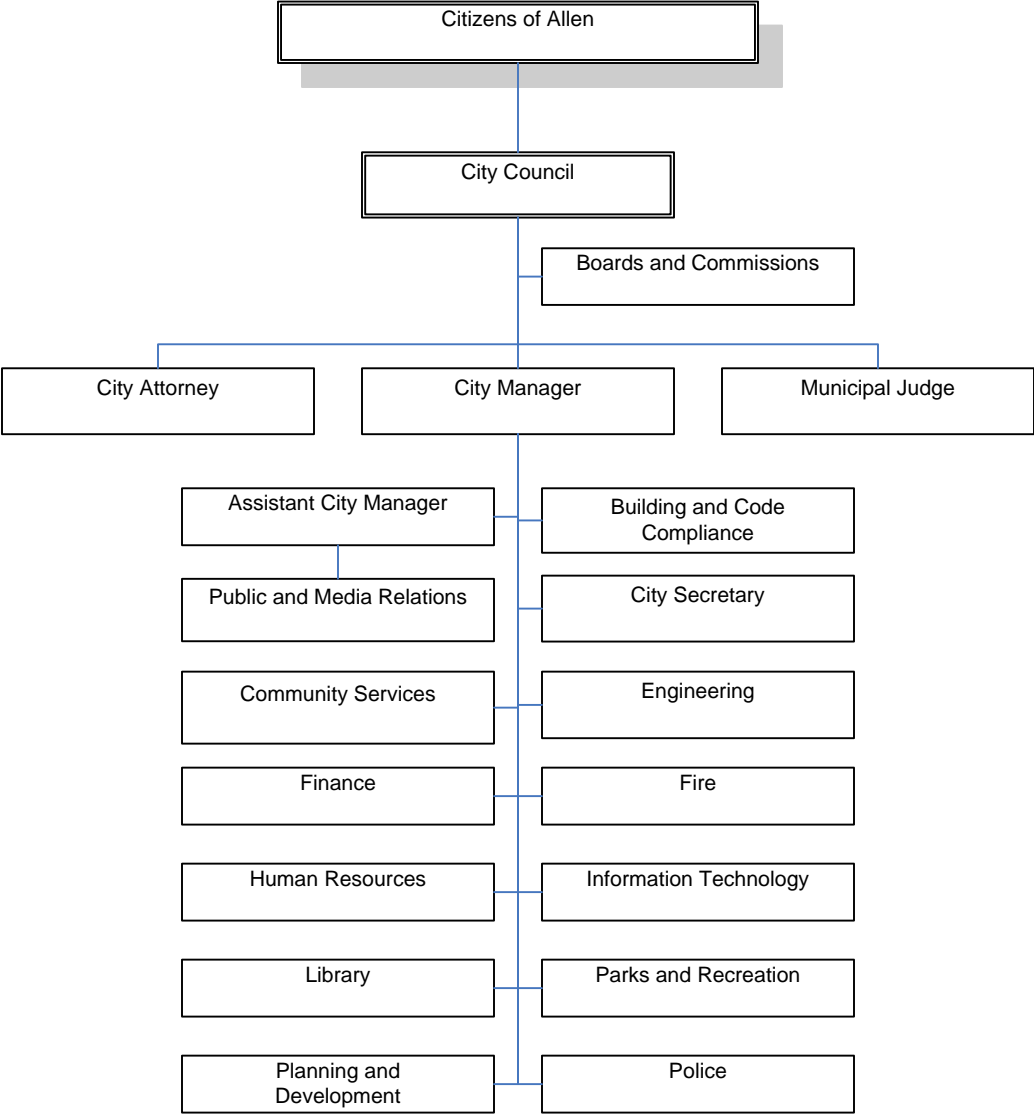
Charles S. Cox

President

Jeffrey R. Emer

Executive Director

CITY OF ALLEN ORGANIZATIONAL CHART



CITY OF ALLEN, TEXAS

CITY OFFICIALS



Council Members

Mayor	Stephen Terrell
Mayor Pro Tem	Debbie Stout
Place 2 Council Member	Ross Obermeyer
Place 3 Council Member	Mark Pacheco
Place 4 Council Member	Robin L. Sedlacek
Place 5 Council Member	Gary L. Caplinger
Place 6 Council Member	Jeff McGregor

Management Staff

City Manager	Peter H. Vargas
Finance Director	Kevin Hammeke
Assistant Finance Director	Joanne Stoehr
Accounting Manager	Dana Murray

FINANCIAL SECTION



**WEAVER
AND
TIDWELL**

L.L.P.

CERTIFIED PUBLIC
ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of
the City Council
CITY OF ALLEN, 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 Allen (the "City") as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the basic financial statements referred to above present fairly, in all material respects, the 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 Allen at September 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2008, on our consideration of the City's internal control over financial reporting and 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 the 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 accompanying management's discussion and analysis and budgetary comparison information on pages 3 through 18 and 66 and 67, respectively, are not a required part of the basic financial statements but are supplementary information required by the GASB. We 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.

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AN INDEPENDENT MEMBER OF
BAKER TILLY
INTERNATIONAL

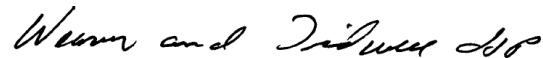
OFFICES IN

DALLAS

FORT WORTH

HOUSTON

Our audit was made for the purpose of forming opinions on the basic financial statements taken as a whole. The introductory section, combining and individual major and non-major fund financial statements and schedules, the discretely presented component units financial statements and schedules, schedules of capital assets used in the operation of governmental funds, and statistical tables listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. The combining and individual major and non-major fund financial statements and schedules, discretely presented component units financial statements and schedules, and schedules of capital assets used in the operation of governmental funds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on such data.



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 14, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF ALLEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2007 (UNAUDITED)

As management of the City of Allen, Texas, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2007.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities (net assets) at September 30, 2007 by \$473,922,725. Of this amount, \$55,508,599 (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 \$24,023,298. The increase is primarily a result of an increase in developer contributions due to growth in residential and commercial development and an increase in the assessed property values.
- The City's governmental funds reported combined ending fund balances of \$43,346,852 at September 30, 2007, an increase of \$12,688,827 from the prior fiscal year.
- At the end of the fiscal year, the unreserved fund balance for the General Fund was \$13,373,243 or 31% of total General Fund expenditures.
- On a government-wide basis, the City's total liabilities increased by \$2,381,640. The key factors for this increase is a result of the issuance of \$11,145,000 in General Obligation Bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Assets presents information on all of the City'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 is improving or deteriorating. To assess the overall health of the City, other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when 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 compensated absences).

Both the Statement of Net Assets and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

CITY OF ALLEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2007 (UNAUDITED)

In the government-wide financial statements, pages 19 through 21, the City is divided into three kinds of activities:

- **Governmental activities** - Most of the City's basic services are reported here, including the police, fire, library, community development, parks and recreation, municipal court, and general administration. Property and sales taxes, charges for services, franchise fees, and state and federal grants finance most of these activities.
- **Business-type activities** - The City's water, sewer, solid waste, drainage, and golf course operations are reported here. These are functions intended to recover all or a significant portion of their costs through user fees and charges.
- **Component units** - The City includes two separate legal entities in this report: the Allen Economic Development Corporation (AEDC) and the Allen Community Development Corporation (ACDC). Although legally separate, these component units are important because the City is financially accountable for them.

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

Governmental Funds - These funds are used to account for the majority of the City's activities, which are essentially the same functions as governmental activities in the government-wide 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 resources available for future spending at fiscal year end. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. When compared with similar information in the broader government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliation is provided that details the relationships or differences between governmental activities and governmental funds; reconciliation follows the fund financial statements.

The City maintains several 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 balance for the General Fund, Debt Service Fund, Facilities Agreement Fund, General Capital Projects Fund and General Obligation Bond Fund, all of which are considered to be major funds. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 22 through 27 of this report.

Proprietary Funds - The City maintains two different types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City

CITY OF ALLEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2007 (UNAUDITED)

uses enterprise funds to account for its water and sewer operations, solid waste collection, disposal services, drainage operations, and golf course operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for vehicle, machinery, and equipment replacements and costs associated with workers compensation, liability and property insurance, and employee medical and dental insurance programs. These services have been included within governmental activities in the government-wide financial statements as they predominantly benefit governmental rather than business-type functions.

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 operations, solid waste collection, and disposal services since they are considered to be major funds of the City. The Drainage Fund and the Golf Course Fund are the only remaining enterprise funds, so they are being presented as major funds even though they do not meet the criteria of a major fund established in Governmental Accounting Standards Board Statement No. 34. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 28 through 32 of this report.

Notes to the Financial Statements - Additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements is provided in the notes to the financial statements found on pages 35 through 65 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information highlighting budgetary information for the General Fund found on pages 66 through 67 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented following the required supplementary information. Comparative schedules of capital assets used in the operation of governmental funds are found on pages 110 through 113.

CITY OF ALLEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS
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(UNAUDITED)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time net assets may serve as a useful indicator of the financial position of a government. The assets of the City of Allen exceed the liabilities by \$473,922,725 as of September 30, 2007. By far the largest portion of the City's net assets (\$416,975,549 or 88%) reflects its investment in capital assets (i.e. land, buildings, infrastructure, vehicles, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1

Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 59,308,638	46,856,199	\$ 26,826,739	30,036,807	\$ 86,135,377	76,893,006
Capital assets	<u>409,218,816</u>	<u>398,386,120</u>	<u>99,895,689</u>	<u>93,567,555</u>	<u>509,114,505</u>	<u>491,953,675</u>
Total Assets	<u>468,527,454</u>	<u>445,242,319</u>	<u>126,722,428</u>	<u>123,604,362</u>	<u>595,249,882</u>	<u>568,846,681</u>
Long-term liabilities	91,983,878	86,841,263	16,839,720	18,474,698	108,823,598	105,315,961
Other liabilities	<u>8,550,309</u>	<u>9,436,399</u>	<u>3,953,250</u>	<u>4,194,894</u>	<u>12,503,559</u>	<u>13,631,293</u>
Total Liabilities	<u>100,534,187</u>	<u>96,277,662</u>	<u>20,792,970</u>	<u>22,669,592</u>	<u>121,327,157</u>	<u>118,947,254</u>
Net Assets:						
Invested in capital assets, net of related debt	333,490,275	319,817,360	83,485,274	78,492,220	416,975,549	398,309,580
Restricted	1,099,998	1,155,334	336,842	946,656	1,436,840	2,101,990
Unrestricted	<u>33,402,994</u>	<u>27,991,963</u>	<u>22,107,342</u>	<u>21,495,894</u>	<u>55,510,336</u>	<u>49,487,857</u>
Total Net Assets	\$ <u>367,993,267</u>	<u>348,964,657</u>	\$ <u>105,929,458</u>	<u>100,934,770</u>	\$ <u>473,922,725</u>	<u>449,899,427</u>

An additional portion of the City's net assets, \$1,436,840, represents resources that are subject to external restrictions on how they may be used; the remaining balance of \$55,510,336 may be used to meet the government's ongoing obligations to citizens and creditors.

Analysis of the City's Operations - As of September 30, 2007, the City had an overall increase in net assets of \$24,023,298 for the government as a whole which, represents \$19,028,610 for governmental activities and \$4,994,688 for business-type activities. The increase is due to continuous population and housing growth which stimulates local business and economic development. Assessed property values have also increased 58% over the past five years. A summary of the City's operations for the year ended September 30, 2007 is provided in Table 2.

CITY OF ALLEN, TEXAS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(UNAUDITED)**

Table 2

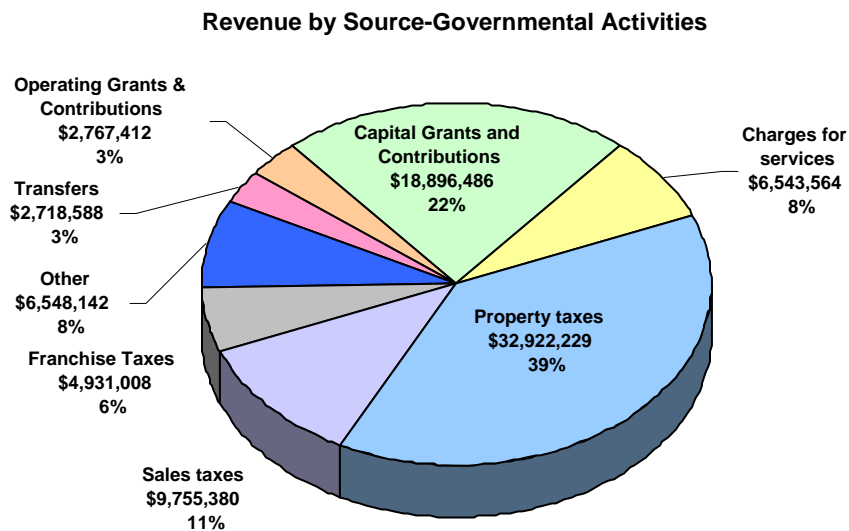
	Changes in Net Assets					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 6,543,564	6,472,421	26,307,817	29,664,948	32,851,381	36,137,369
Operating grants and contributions	2,767,412	2,868,438			2,767,412	2,868,438
Capital grants and contributions	18,896,486	25,504,879	6,029,069	8,257,558	24,925,555	33,762,437
General Revenues:						
Property taxes	32,922,229	29,667,668			32,922,229	29,667,668
Sales tax	9,755,380	9,230,206			9,755,380	9,230,206
Franchise taxes	4,931,008	5,562,256			4,931,008	5,562,256
Hotel motel taxes	673,383	411,489			673,383	411,489
Other taxes	1,893,830	1,631,725			1,893,830	1,631,725
Interest earnings	3,011,145	2,401,571	1,269,510	995,507	4,280,655	3,397,078
Gain on sale of capital asset	77,938	327,268			77,938	327,268
Miscellaneous	891,846	794,086			891,846	794,086
Total Revenues	82,364,221	84,872,007	33,606,396	38,918,013	115,970,617	123,790,020
Expenses:						
General government	11,171,912	9,262,795			11,171,912	9,262,795
Public safety	20,718,946	19,006,622			20,718,946	19,006,622
Public works	13,178,850	13,058,440			13,178,850	13,058,440
Culture and recreation	14,912,287	14,053,062			14,912,287	14,053,062
Community development Grants Administration	2,031,522	2,029,569			2,031,522	2,029,569
Interest on long-term debt	4,040,682	4,236,614			4,040,682	4,236,614
Water and sewer			19,463,383	17,851,504	19,463,383	17,851,504
Environmental waste services			3,921,060	3,523,094	3,921,060	3,523,094
Drainage			705,503	647,755	705,503	647,755
Golf course			1,803,174	1,994,480	1,803,174	1,994,480
Total Expenses	66,054,199	61,647,102	25,893,120	24,016,833	91,947,319	85,663,935
Increase in net assets before transfers	16,310,022	23,224,905	7,713,276	14,901,180	24,023,298	38,126,085
Transfers	2,718,588	1,663,788	(2,718,588)	(1,663,788)		
Increase in net assets	19,028,610	24,888,693	4,994,688	13,237,392	24,023,298	38,126,085
Net assets, beginning of year	348,964,657	324,075,964	100,934,770	87,697,378	449,899,427	411,773,342
Net assets, end of year	\$ 367,993,267	348,964,657	105,929,458	100,934,770	473,922,725	449,899,427

CITY OF ALLEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental activities

Revenues – The following chart visually illustrates the City's revenue by sources for governmental activities.



Revenues for the City's governmental activities decreased by \$2,507,786 or 3%. While some activities ended the fiscal year with an increase, capital grants and contributions significantly decreased by \$6,608,393. Major components of revenue decreases/increases are explained as follows:

- Capital grants and contributions decreased from the prior year as a result of new commercial and residential growth slowing and street construction being completed.
- While the City was able to lower the property tax rate from \$0.559 to \$0.558 per \$100 valuation, the property tax base and assessed property value increased on the average single family home by 6.4%.
- Investment earnings increased due to the increase in the interest rates on investments.
- Sales taxes increased due to additional retail businesses, more residents, and the rise in the economy.
- In FY06, the City received an additional payment from TXU Electric due to the privilege period changing from annual to quarterly. As a result, the franchise taxes decreased in FY07 when compared to the previous year.
- Hotel taxes increased as a result of the first full year of operation of Holiday Inn and Hampton Inn.

CITY OF ALLEN, TEXAS

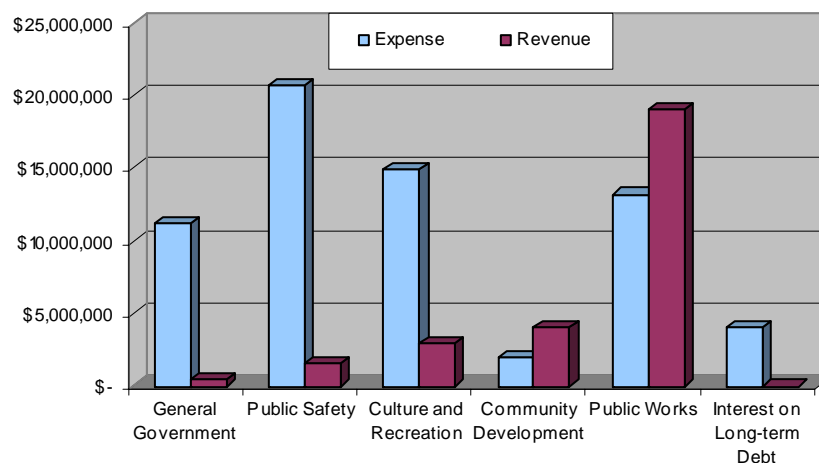
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2007 (UNAUDITED)

Expenditures for governmental activities increased by \$4,407,097 or 7.1%. Increases were due to increased personnel and maintenance costs for new facilities, and an increase in service demands caused by population growth. Major components of increases are explained as follows:

- Staffing levels increased by 14.90 full time equivalent positions needed as a direct result of operation and maintenance needs of new facilities and a growing population. Merit increases averaged 4% and Public Safety certification pay was implemented.
- The first year of the five-year IT Master Plan resulted in the hiring of a network systems supervisor, construction of a new server room, purchasing network managing software and installing a new data storage system.
- As a result of the addition of new staff, as well as increased medical claims, the cost the City contributes for health insurance premiums increased by 20.9%.
- Street construction consisted of the widening of Exchange Parkway from Watters to West Branch and SH5 from Exchange to Stacy. In addition, St. Mary's Drive phase 3 street improvements were completed.
- Culture and recreation increased due to increased costs to maintain public facilities and parklands.
- The General Fund and Park and Recreation Fund transferred a total of \$570,652 to the Golf Course Fund due to revenue shortfalls and to cover operating expenses.

The following chart illustrates the relationship between expenses and program revenues for governmental type activities.

Expenses and Program Revenues-Governmental Activities

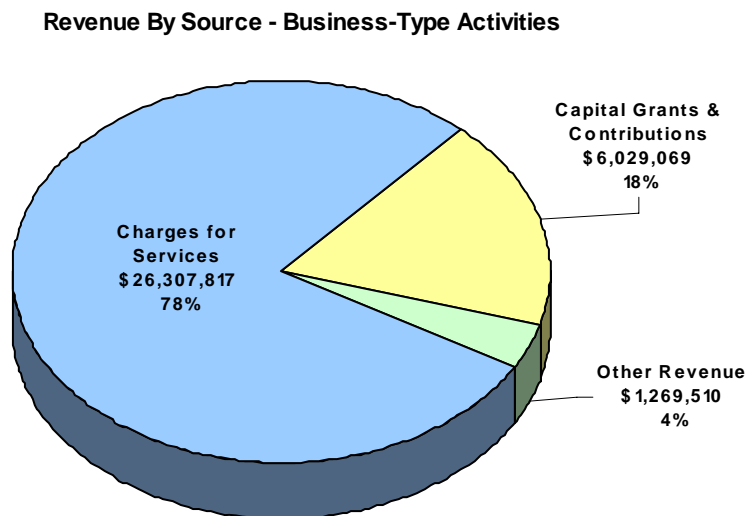


CITY OF ALLEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
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Business-type activities –

Revenues – The following chart visually illustrates the City's revenue by sources for business-type activities.



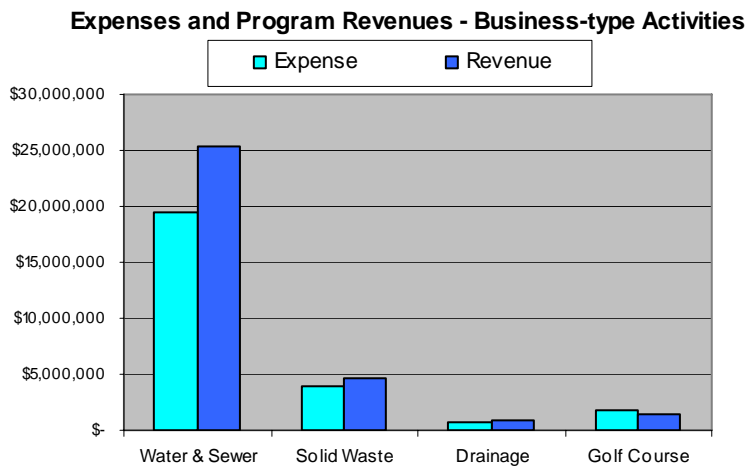
Business-type activities revenues decreased by \$5,311,617 or 13.6%. Major components of the decreases/increases are as follows:

- Charges for services for business-type activities decreased by \$3,357,131 or 11.3%. The largest part of this decrease is a result of the weather related conditions that occurred which resulted in less water used by citizens and business for landscaping maintenance. Water sales decreased by 27.6% from the previous year.
- Capital contributions for water and sewer lines and impact fees decreased by 27% due to residential growth slowing.
- Due to weather related conditions, the Golf Course Fund required transfers from the General Fund and the Park and Recreation Fund totaling \$570,652 for operating costs.
- Interest earnings grew from \$995,507 in FY2006 to \$1,269,510 in FY2007. This increase was a result of the continued increase of rates on investments during FY07.

Expenses for business-type activities increased by \$1,876,287 or 7.8%. The increases were primarily a result of expansion of waterlines, the expansion of Custer Road pump station #3, and sewer replacement on Jupiter Road. The following chart illustrates the relationship between expenses and program revenues for business-type activities:

CITY OF ALLEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2007 (UNAUDITED)



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds

The focus of the City of Allen'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's 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 governmental funds reported combined ending fund balances of \$43,346,852, an increase of \$12,688,827 in comparison with the prior fiscal year. Approximately 92% or \$39,820,566 constitutes unreserved fund balances, which are available for spending at the government's discretion. The remaining fund balances are reserved to indicate that they are not available for new spending because the funds have already been committed to pay for encumbrances (\$2,126,301), and debt service (\$1,399,985).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total unreserved fund balance was \$13,373,243. The total fund balance increased by \$812,214 more than the final revised budget. Contributing to this variance was revenue greater than the revised budget by \$239,586 due to higher than anticipated revenue from all sources except property taxes and court fines. Current operating expenditures had savings of \$2,213,019 allowing an additional \$210,894 to be transferred to the Golf Course Fund and \$1,289,000 transferred to the Capital Projects Fund for self financing of capital projects. The fund balance increased from \$11,492,233 to \$13,373,243 resulting in a positive effect on the operational expenditure reserve for the 2006-2007 budget.

The Debt Service Fund balance of \$1,399,985, all of which is reserved for the payment of debt, increased from the prior year fund balance by \$106,274. Since fiscal year 2005-06, the allocation to the debt service portion of ad valorem tax rate has decreased to \$0.167 or 8.6% from \$0.183 or 36%. The remaining fund balance meets the FY2007 10% of annual debt service requirement of \$1,015,333.

CITY OF ALLEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2007 (UNAUDITED)

The Facilities Agreement Fund records the use of funds received from builders and developers on specific facility agreements. At fiscal year end revenues exceeded expenditures by \$343,099 resulting in the fund balance increasing from \$2,826,417 to \$3,169,516. The net increase was mainly a result of interest earnings. The major expenditure for the fund was widening of Exchange from Watters to West Branch.

The General Capital Projects Fund provides information on cash financed capital projects. During the fiscal year, the fund balance increased by \$1,456,655 from \$6,373,650 to \$7,830,305. Revenues and transfers from other funds totaled \$5,335,581 which included \$1,125,000 from the County and \$234,628 from the State of Texas for the widening of Exchange Parkway and \$2,068,362 transferred in from other funds to cash finance capital projects. Total expenditures were \$3,878,926 and consisted of street improvements at St. Mary's Drive, widening of Exchange, emergency signals for fire station 2 and 3, and for the construction of Shallowater Bridge.

The General Obligation Bond Fund had an ending fund balance of \$13,234,722, an increase of \$10,053,704 from the prior year. Revenues and other financing sources included interest earnings and \$11,145,000 of new issued bonds. Expenditures totaled \$1,347,251 which included \$1,040,815 to fund construction of the Arts of Collin County project.

Proprietary Funds

The City's 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, unrestricted net assets for all enterprise funds are as follows: Water and Sewer, \$17,729,431, Solid Waste, \$2,331,596, Drainage, \$1,248,635, and Golf Course, \$91,591. The total change in net assets for the funds was \$3,966,005, \$683,196, \$158,055, and \$107,565, respectively. All funds had an increase in net assets as a result of capital contributions, transfers from other funds, and operating revenues. The Water and Sewer Fund contributed \$2,100,000 for the repainting of the Stacy Road ground storage tank, water and sewer line replacement and concrete repairs. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During April and May, all accounts are evaluated to determine if they are in line with the original budgets. Accounts that are under or over budget are revised to meet year-end estimates. New projects are not added to the year-end estimate; only the cost of maintaining the current base operation is revised as needed. As is customary, during FY2006-07, the City Council amended the budget for the General Fund one time.

Small adjustments made during FY2006-07, increased the original revenue budget by \$1,075,297 and decreased the expenditure budget by \$637,272. At the end of FY2007 revenues exceeded the revised budget by \$239,586. Additional retail businesses and more residents caused positive revenue budget variances in sales tax and property. In FY06, the City received an additional payment from TXU due to a change from annual to quarterly payments. As a result of this additional payment in FY06, franchise taxes decreased in FY07. Positive expenditure variances were due to salary savings from open staffing positions, reduced watering and mowing costs of city parkland due to weather conditions, and prudent conservative

CITY OF ALLEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS
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management by city staff. The net result of positive revenues and expenditure budget variances allowed the General Fund to transfer out an additional \$1,499,894 representing an additional \$210,894 to the Golf Course Fund for operating costs being more than expected and \$1,289,000 to the General Capital Projects Fund to cash finance capital projects.

The resulting General Fund balance increased \$1,881,010 which was \$812,214 more than budgeted and increased the funds operational expenditure reserve from the budgeted 71.6 days to 108.9 days, well above the City's financial policy of 60 days.

CAPITAL ASSETS

The City's invested in capital assets for its governmental and business-type activities as of September 30, 2007, amounts to \$509,114,506 (net of accumulated depreciation.) This investment in capital assets includes land and improvements, buildings, vehicles, machinery and equipment, park land and facilities, roads and bridges. About 80% of the capital assets are governmental and 20% are business-type activities. The total increase in investment in capital assets for the current fiscal year was 3%, out of which 63% was governmental and 37% was business-type activities.

Table 3
Capital Assets at Year-end Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 103,304,007	98,611,044	\$ 3,380,635	3,327,730	\$ 106,684,642	101,938,774
Buildings	44,693,164	38,684,509			44,693,164	38,684,509
Towers/ tanks/ pump stations			84,221,962	81,830,490	84,221,962	81,830,490
Other Improvements	245,244,734	227,719,989	441,911	453,852	245,686,645	228,173,841
Furniture and fixtures	792,169	1,139,411	11,035	3,454	803,204	1,142,865
Vehicles	3,269,854	3,295,841	44,128	37,765	3,313,982	3,333,606
Machinery and equipment	1,079,668	1,344,146	1,626,246	1,636,066	2,705,914	2,980,212
Construction in progress	10,835,221	27,591,180	10,169,772	6,278,198	21,004,993	33,869,378
Total	\$ <u>409,218,817</u>	<u>398,386,120</u>	\$ <u>99,895,689</u>	<u>93,567,555</u>	\$ <u>509,114,506</u>	<u>491,953,675</u>

CITY OF ALLEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2007 (UNAUDITED)

Governmental-type capital improvement projects and developer contributions during the current fiscal year included the following:

<u>Projects</u>	
• Developer contributed right of way and park land	\$ 15,956,369
• Spring Meadows Park	498,277
• Allenwood Park Development	381,524
• Street construction:	
Exchange, Watters-W. Branch	2,088,441
St. Mary Drive, phase 3	1,208,810
SH 5, Exchange-Stacy	712,303

Business-type capital improvement projects and developer contributions during the current fiscal year include the following:

<u>Projects</u>	
• Developer contributed water mains and sewer lines	\$ 4,139,592
• Custer Road pump station #3 expansion	1,642,682
• Twin Creeks 36" waterline	396,623
• Jupiter Road sewer replacement	293,594

Additional information on the City's capital assets can be found in Note 4 on pages 49-53 of this report.

DEBT ADMINISTRATION

At September 30, 2007, the City had long-term debt totaling \$108,823,598 shown in Table 4. General Obligation Bonds totaling \$83,310,000 comprises debt backed by the full faith and credit of the government, Certificates of Obligation totaling \$5,310,000 comprises of debt backed by taxes and revenue generated from the golf course facility, and \$16,610,000 represents bonds secured solely by water and sewer revenue. The other long-term debt relates to compensating absences, notes payable, debt refunding and issuance, premiums, and discounts.

Governmental activities' total debt increased by 5.9% and business-type activities' debt decreased by 8.85%. The City had authorized but un-issued direct general obligation bonds totaling \$85,440,000 at fiscal year end. In September 2007, the City issued \$11,145,000 in General Obligation Bonds. The City's indebtedness increased \$3,507,637 during the fiscal year.

Allen Community Development Corporation had outstanding long-term debt totaling \$7,188,439. This amount represents \$7,155,000 of sales tax revenue bonds secured by 4B sales tax revenue and \$33,439 which relates to the issuance costs and refunding of the bonds. Total indebtedness of the ACDC decreased by \$474,973 or 6.2%.

CITY OF ALLEN, TEXAS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(UNAUDITED)**

**Table 4
Outstanding Debt at Year-end
Bonds and Other Long Term Debt**

	Governmental Activities		Business-type Activities		Component Units		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Gross Bonded Debt								
General Obligation Bonds	\$ 83,310,000	78,300,000					\$ 83,310,000	78,300,000
Certificate of Obligation Bonds	5,310,000	5,500,000					5,310,000	5,500,000
Revenue Bonds Payable			16,610,000	18,190,000			16,610,000	18,190,000
Sales Tax Revenue Bonds					7,155,000	7,625,000	7,155,000	7,625,000
Total Gross Bonded Debt	88,620,000	83,800,000	16,610,000	18,190,000	7,155,000	7,625,000	112,385,000	109,615,000
Other Long-Term Debt								
Contractual Obligation								
Compensated Absences	2,949,513	2,696,685	257,311	231,346			3,206,824	2,928,031
Notes Payable	76,272	144,197	51,203	139,916			127,475	284,113
Refunding	(1,198,719)	(1,357,035)	(77,647)	(82,282)	(131,292)	(139,498)	(1,407,658)	(1,578,815)
Issuance, Premiums & Discounts	1,536,812	1,557,416	(1,147)	(4,282)	164,731	177,910	1,700,396	1,731,044
Total Other Long Term Debt	3,363,878	3,041,263	229,720	284,698	33,439	38,412	3,627,037	3,364,373
Total	\$ 91,983,878	86,841,263	16,839,720	18,474,698	7,188,439	7,663,412	\$ 116,012,037	112,979,373

The City's bonds are insured resulting in AAA ratings. The underlying credit ratings from both Moody's Investors Service and Standard and Poor's for the City's General Obligation Bonds, Community Development Corporation's Sales Tax Bonds and Water and Sewer Revenue Bonds are shown below in Table 5. Additional information on the City's long-term debt can be found in Note 5.

**Table 5
Bond Ratings**

	Moody's Investors Service	Standard & Poor's
General Obligation Bonds	Aa2	AA
Certificates of Obligation	Aa2	AA
Water & Sewer Revenue Bonds	A2	AA-
Sales Tax Revenue Bonds	A1	

CITY OF ALLEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS
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(UNAUDITED)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Allen's current population is 78,804 and is expected to surpass 97,900 by the year 2011. National employment statistics show the region as leading the country in employment growth, ahead of much larger metropolitan areas. Allen takes a proactive approach to economic development recruitment of new businesses and retention of existing businesses. The City has earned a reputation as a premier location for high-tech manufacturing, assembly/distribution facilities and corporate headquarters, retail and services. The reasonable cost of living, a highly rated school district and home prices below the national average continue to make Allen an attractive area for businesses to locate. The 2007-2008 budget reflects the efforts of the governing body and city staff to address the need to provide services and facilities to support our vibrant and growing community while maintaining a strong financial position.

At the end of fiscal year 2006-2007 the General Fund balance increased by \$1,881,010. This increased the operational expenditures in reserve from the budgeted 71.6 days to 108.9 days, which is well above the City's financial policy of 60 days. This will have a positive effect on the 2007-2008 budget estimate of approximately 88.2 days.

The certified assessed property value for 2007-2008 equates to an overall increase of approximately \$734 million (12.8%) from the preceding year. This has afforded the opportunity for the City to reduce the property tax rate for the fifteenth straight year from \$0.558 to \$0.557 per \$100 valuation. Of the total tax rate, \$0.426618 is dedicated to operations and maintenance in the General Fund, and \$0.130382 is dedicated to general obligation debt service.

The economic outlook from increased commercial development was projected to be very favorable with the mixed use development at Montgomery Farms resulting in approximately 1,100,000 square feet of retail, residential apartments, and offices planned to open in the Spring of 2008. Although residential development was projected at a slower pace, the overall sales tax receipts are projected to increase 7.7%. As of January 2008, sales tax revenue is 3.99% above last year, but is 3.24% below projection. Finance staff will monitor the monthly sales tax revenues and make adjustments as needed.

The 2007-2008 budget demonstrates the significant commitment to provide public safety to the community and to operate and maintain each of the public facilities and the increasing staffing levels they require. The 2007-2008 General Fund expenditure budget reflects a 15.2% increase from the revised 2006-2007 budget. City-wide staffing levels will increase by 25 full-time equivalent positions, which includes 21.5 from the General Fund to primarily address public safety, construction activities that impact Parks, Building Codes and Planning, the Information Technology Master Plan, and Finance monitoring of economic development incentives. With the City's residential and commercial growth, there are needs for additional police and fire personnel and equipment. The Capital Improvements Program includes Fire stations #5 and #6 being planned and bonds will be issued for the design and engineering of a new service center to accommodate the increasing fleet of the City. A five year Information Technology Strategic Plan will be implemented city-wide requiring a \$782,500 investment in 2007-2008. The City has been impacted by the increase in commodity prices such as natural gas which affect the price of electricity in Texas. Price increases in steel, concrete, and gasoline will affect the City's operational and the capital project costs. City staff continue to look for ways to conserve energy and utilize alternative solutions when cost efficient and to reevaluate the scope of capital projects.

CITY OF ALLEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2007 (UNAUDITED)

In 2007-2008, the City plans to issue the remaining \$250,000 of the un-issued 1999 general obligation bonds. The City is also planning to issue \$2,085,000 for the Arts of Collin County project and \$10,520,000 of new bonds that the voters approved in May 2007. The total bond election amount approved was \$77,895,000. During Fy2008, the City plans to issue \$15 million in Economic Development sales tax revenue bonds for infrastructure associated with a large commercial development at US75 Highway and Stacy Road. An additional \$32 million in Community Development sales tax bonds is planned to be issued for an Event Center project and two parking garages. This City facility will be located within the Village of Allen retail development which will have 1.5 million square feet of retail, office, and hotel space.

An annual 10% increase in the water rates for construction and irrigation are planned in early 2008. No increases are planned for residential, commercial, schools, or apartments. The sewer rates are planned to be increased 7% for residential, 10% for schools and municipal accounts, and 15% for commercial accounts. Due to the drought conditions in 2006, the City implemented a water conservation and drought policy. In 2007, wet weather resulted in less watering by residents and businesses which affected the Water and Sewer Fund operating revenues by approximately \$1,990,000 less than projected. The rate increases previously mentioned are necessary as North Texas Municipal Water District proceeds with capital expansion plans and the costs associated with water and sewer service from the District rises. In addition to wet weather reducing revenues, cash financing of water and sewer projects has reduced working capital. However, the City will meet bond coverage requirements necessary to maintain working capital minimum of 1.2 times the annual debt service obligations.

The Solid Waste Fund represents a stable operational service and staff has expanded educational outreach programs and prepared grant requests for future grant cycles. No Solid Waste Fund fee increases are planned in 2008.

The Parks and Recreation Enterprise Fund continues to record only revenue generating activities and related costs. Operation and maintenance expenditures for facilities are being budgeted in the General Fund. It is the goal of the City to have all revenue generating programs be 100% self sustaining.

The City finished the third year of operating the Chase Oaks Golf Course. Due to the wet weather in 2007 affecting the number of rounds of play and revenues received, the City subsidized the course with approximately \$570,652 to cover the revenue shortfalls. Expenses in 2007 were lower than in 2006 as staff made a concerted effort to monitor the expenditures on a daily and weekly basis. The clubhouse received major renovations that resulted in an enclosed community meeting room that can be used for parties, weddings, and by service clubs. Improvements to the course were also necessary due to some flooding. The long range goal is to improve the playability of the course with various improvements which should lead to more rounds being played. Consequently, additional revenue for golf operations is the expected result from the improvements.

Since healthcare costs continue to rise, the 2007-2008 budget includes an 8.6% budget increase to cover projected costs for medical, prescriptions, dental and vision claims, immunizations and physicals for employees and claims handling administration. Premium costs for employees were not budgeted to increase due to a prudent Risk Management Fund balance and positive trend in claims history. The City contributes about 76% of the cost of the health insurance premiums.

CITY OF ALLEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(UNAUDITED)

Request for Information

The financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Finance Department at 305 Century Parkway, Allen, Texas, 75013, or call (214)509-4626.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2007

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Cash and cash equivalents	\$ 23,447,595	\$ 12,439,405	\$ 35,887,000	\$ 7,378,386
Investments	31,860,846	6,404,397	38,265,243	4,600,558
Receivables (net of allowance for uncollectibles)	4,223,331	4,807,724	9,031,055	1,766,376
Internal balances	(706,089)	706,089	-	-
Prepaid items and other assets	-	11,050	11,050	-
Inventories	-	131,481	131,481	-
Restricted cash and cash equivalents	-	2,174,961	2,174,961	-
Capital assets:				
Non-depreciable	114,139,228	13,550,407	127,689,635	7,591,883
Depreciable (net of depreciation)	295,079,588	86,345,282	381,424,870	1,869,380
Deferred charges	482,955	151,632	634,587	87,130
TOTAL ASSETS	\$ 468,527,454	\$ 126,722,428	\$ 595,249,882	\$ 23,293,713
LIABILITIES				
Accounts payable	\$ 2,199,768	\$ 1,782,518	\$ 3,982,286	\$ 1,791,700
Accrued liabilities	2,893,751	572,162	3,465,913	26,525
Accrued interest payable	455,464	263,119	718,583	12,884
Customer deposits	-	1,335,451	1,335,451	-
Unearned revenue	2,795,629	-	2,795,629	-
Retainage payable	205,697	-	205,697	73,940
Non-current liabilities:				
Due within one year	6,621,066	1,806,297	8,427,363	495,000
Due in more than one year	85,362,812	15,033,423	100,396,235	6,693,439
TOTAL LIABILITIES	\$ 100,534,187	\$ 20,792,970	\$ 121,327,157	\$ 9,093,488
NET ASSETS				
Invested in capital assets (net of related debt)	333,490,275	83,485,274	416,975,549	2,272,824
Restricted for debt service	1,099,998	336,842	1,436,840	-
Unrestricted	33,402,994	22,107,342	55,510,336	11,927,401
TOTAL NET ASSETS	\$ 367,993,267	\$ 105,929,458	\$ 473,922,725	\$ 14,200,225

The Notes to Financial Statements
are an integral part of this statement.

CITY OF ALLEN, TEXAS

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Functions/Program Activities	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	\$ 11,171,912	\$ 488,618	\$ -	\$ -
Public safety	20,718,946	984,340	590,045	-
Public works	13,178,850	180,773	-	18,896,486
Culture and recreation	14,912,287	2,340,027	646,630	-
Community development	2,031,522	2,549,806	1,530,737	-
Interest on long-term debt	4,040,682	-	-	-
Total governmental activities	66,054,199	6,543,564	2,767,412	18,896,486
Business-type Activities:				
Water and sewer	19,463,383	19,394,286	-	6,029,069
Environmental waste services	3,921,060	4,597,805	-	-
Drainage	705,503	975,639	-	-
Golf Course	1,803,174	1,340,087	-	-
Total business-type activities	25,893,120	26,307,817	-	6,029,069
TOTAL PRIMARY GOVERNMENT	\$ 91,947,319	\$ 32,851,381	\$ 2,767,412	\$ 24,925,555
COMPONENT UNITS:				
Allen Economic Development Corporation	\$ 6,269,128	\$ -	\$ -	\$ -
Allen Community Development Corporation	2,412,520	-	-	-
TOTAL COMPONENT UNITS	\$ 8,681,648	\$ -	\$ -	\$ -

General revenues:

Taxes:

Property taxes, levied for general purposes

Sales taxes

Franchise taxes

Hotel motel taxes

Other taxes

Investment earnings

Gain on sale of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

CHANGE IN NET ASSETS

NET ASSETS, beginning of year

NET ASSETS, end of year

The Notes to Financial Statements
are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			COMPONENT UNITS
Governmental Activities	Business - Type Activities	TOTAL	
\$ (10,683,294)	\$ -	\$ (10,683,294)	\$ -
(19,144,561)	-	(19,144,561)	-
5,898,409	-	5,898,409	-
(11,925,630)	-	(11,925,630)	-
2,049,021	-	2,049,021	-
(4,040,682)	-	(4,040,682)	-
<u>(37,846,737)</u>	<u>-</u>	<u>(37,846,737)</u>	<u>-</u>
-	5,959,972	5,959,972	-
-	676,745	676,745	-
-	270,136	270,136	-
-	(463,087)	(463,087)	-
-	6,443,766	6,443,766	-
\$ <u>(37,846,737)</u>	\$ <u>6,443,766</u>	\$ <u>(31,402,971)</u>	\$ <u>-</u>
\$ -	\$ -	\$ -	\$ (6,269,128)
-	-	-	(2,412,520)
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(8,681,648)</u>
\$ 32,922,229	\$ -	\$ 32,922,229	\$ -
9,755,380	-	9,755,380	9,674,144
4,931,008	-	4,931,008	-
673,383	-	673,383	-
1,893,830	-	1,893,830	-
3,011,145	1,269,510	4,280,655	761,733
77,938	-	77,938	-
891,846	-	891,846	22,115
2,718,588	(2,718,588)	-	-
<u>56,875,347</u>	<u>(1,449,078)</u>	<u>55,426,269</u>	<u>10,457,992</u>
19,028,610	4,994,688	24,023,298	1,776,344
<u>348,964,657</u>	<u>100,934,770</u>	<u>449,899,427</u>	<u>12,423,881</u>
\$ <u>367,993,267</u>	\$ <u>105,929,458</u>	\$ <u>473,922,725</u>	\$ <u>14,200,225</u>

CITY OF ALLEN, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

	GENERAL	DEBT SERVICE	FACILITIES AGREEMENT	GENERAL CAPITAL PROJECTS
ASSETS				
Cash and cash equivalents	\$ 947,111	\$ 1,434,750	\$ 2,598,795	\$ 5,670,780
Investments	12,269,447	-	3,339,310	3,072,227
Receivables, net of allowances for uncollectibles:				
Ad valorem taxes	340,921	146,476	-	-
Sales taxes	1,676,639	-	-	-
Accounts receivable	-	-	-	-
Accrued interest	109,679	-	35,664	32,812
Other	1,369,040	2,046	-	-
Special assessments	-	-	-	187,557
TOTAL ASSETS	\$ 16,712,837	\$ 1,583,272	\$ 5,973,769	\$ 8,963,376
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,561,408	\$ -	\$ 23,887	\$ 229,328
Accrued liabilities	1,437,265	-	-	782,336
Interest payable	-	36,810	-	-
Retainage payable	-	-	57,325	121,407
Deferred revenue	340,921	146,477	2,723,041	-
TOTAL LIABILITIES	3,339,594	183,287	2,804,253	1,133,071
FUND BALANCES				
Reserved for:				
Encumbrances	-	-	154,712	1,784,737
Debt service	-	1,399,985	-	-
Unreserved, reported in:				
General fund	13,373,243	-	-	-
Facilities agreement	-	-	3,014,804	-
General obligation bond fund	-	-	-	-
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	6,045,568
TOTAL FUND BALANCES	13,373,243	1,399,985	3,169,516	7,830,305
TOTAL LIABILITIES AND FUND BALANCES	\$ 16,712,837	\$ 1,583,272	\$ 5,973,769	\$ 8,963,376

The Notes to Financial Statements
are an integral part of this statement.

EXHIBIT 3

GENERAL OBLIGATION BOND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 3,131,576	\$ 3,403,092	\$ 17,186,104
10,105,881	1,037,414	29,824,279
-	-	487,397
-	-	1,676,639
-	179,439	179,439
107,932	11,080	297,167
-	-	1,371,086
-	-	187,557
<u>\$ 13,345,389</u>	<u>\$ 4,631,025</u>	<u>\$ 51,209,668</u>
\$ 91,616	\$ 154,593	\$ 2,060,832
-	56,849	2,276,450
		36,810
19,051	7,914	205,697
-	72,588	3,283,027
<u>110,667</u>	<u>291,944</u>	<u>7,862,816</u>
96,773	90,079	2,126,301
-	-	1,399,985
-	-	13,373,243
-	-	3,014,804
13,137,949	-	13,137,949
-	1,545,027	1,545,027
-	2,703,975	8,749,543
<u>13,234,722</u>	<u>4,339,081</u>	<u>43,346,852</u>
<u>\$ 13,345,389</u>	<u>\$ 4,631,025</u>	<u>\$ 51,209,668</u>

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

Total fund balances - governmental funds	\$ 43,346,852
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	409,218,816
Costs associated with the issuance of governmental long-term debt are expensed when incurred in the fund statements and capitalized and amortized over the life of the debt in the government-wide financial statements.	482,955
Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.	(418,654)
Internal service funds are used by management to charge the cost of certain activities, such as insurance and fleet management, to individual funds. The assets and liabilities of the internal service funds are net of the amount allocated to business-type activities (\$706,089) and to capital assets (\$2,602,645).	6,859,778
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.	487,398
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements.	<u>(91,983,878)</u>
Net assets of governmental activities	<u>\$ 367,993,267</u>

CITY OF ALLEN, TEXAS

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

	GENERAL	DEBT SERVICE	FACILITIES AGREEMENT	GENERAL CAPITAL PROJECTS
REVENUES				
Ad valorem taxes, penalties and interest	\$ 23,230,344	\$ 9,957,899	\$ -	\$ -
Franchise taxes	4,866,243	-	-	-
Municipal sales tax	9,755,380	-	-	-
Licenses, permits and fees	1,637,556	-	-	-
Charges for services	1,404,376	-	-	770,929
Court fines	1,727,693	-	-	-
Gifts and contributions	152,018	-	1,527,029	-
Hotel / motel fees	-	-	-	-
Recreation fees	-	-	-	-
Intergovernmental	11,826	-	-	1,359,628
Investment earnings	969,303	316,837	343,099	415,660
Miscellaneous	261,404	-	-	721,002
Total revenues	44,016,143	10,274,736	1,870,128	3,267,219
EXPENDITURES				
Current				
General government	9,111,806	-	-	76,095
Public safety	19,825,653	-	-	-
Public works	3,025,105	-	-	-
Culture and recreation	8,772,497	-	-	-
Community development	1,893,229	-	-	-
Capital outlay	-	-	1,527,029	3,802,831
Debt service:				
Principal retirement	-	6,325,000	-	-
Interest and fiscal charges	-	3,843,462	-	-
Total expenditures	42,628,290	10,168,462	1,527,029	3,878,926
Excess (deficiency) of revenues over (under) expenditures	1,387,853	106,274	343,099	(611,707)
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	-	-
Transfers from other funds	2,639,250	-	-	2,068,362
Transfers to other funds	(2,180,010)	-	-	-
Sale of capital assets	33,917	-	-	-
Total other financing sources (uses)	493,157	-	-	2,068,362
NET CHANGE IN FUND BALANCES	1,881,010	106,274	343,099	1,456,655
FUND BALANCES, BEGINNING OF YEAR	11,492,233	1,293,711	2,826,417	6,373,650
FUND BALANCES, END OF YEAR	\$ 13,373,243	\$ 1,399,985	\$ 3,169,516	\$ 7,830,305

The Notes to Financial Statements
are an integral part of this statement.

GENERAL OBLIGATION BOND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ -	\$ 33,188,243
-	64,765	4,931,008
-	-	9,755,380
-	665,467	2,303,023
-	-	2,175,305
-	166,137	1,893,830
-	181,673	1,860,720
-	673,383	673,383
-	2,098,051	2,098,051
-	765,592	2,137,046
245,817	288,136	2,578,852
10,138	133,181	1,125,725
<u>255,955</u>	<u>5,036,385</u>	<u>64,720,566</u>
1,263,817	180,694	10,632,412
-	430,894	20,256,547
-	46,747	3,071,852
-	2,857,211	11,629,708
-	138,725	2,031,954
83,434	2,532,717	7,946,011
-	-	6,325,000
-	-	3,843,462
<u>1,347,251</u>	<u>6,186,988</u>	<u>65,736,946</u>
<u>(1,091,296)</u>	<u>(1,150,603)</u>	<u>(1,016,380)</u>
11,145,000	-	11,145,000
-	370,183	5,077,795
-	(387,862)	(2,567,872)
-	16,367	50,284
<u>11,145,000</u>	<u>(1,312)</u>	<u>13,705,207</u>
10,053,704	(1,151,915)	12,688,827
<u>3,181,018</u>	<u>5,490,996</u>	<u>30,658,025</u>
<u>\$ 13,234,722</u>	<u>\$ 4,339,081</u>	<u>\$ 43,346,852</u>

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

Net change in fund balances - total governmental funds	\$ 12,688,827
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.	8,430,521
Governmental funds do not recognize assets contributed by developers. However, in the statement of activities the fair market value of those assets is recognized as revenue, then allocated over their estimated useful lives and reported as depreciation expense.	17,418,016
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(15,297,044)
In governmental fund financial statements, the proceeds from sale of assets are shown as an increase in financial resources. However, in the statement of activities, the gain or loss is calculated and reported.	(22,052)
The proceeds from issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds (\$11,145,000), while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds (\$6,392,925). Neither transaction, however, has any effect on net assets.	(4,752,075)
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued. However, these amounts are deferred and amortized in the government-wide financial statements.	(9,790)
Current year changes in long-term liability for compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(252,829)
Current year changes in accrued interest payable do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(35,167)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net operating and non-operating income and transfers of the internal service funds is reported with governmental activities net of amounts allocated to business-type activities.	1,126,217
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.	<u>(266,014)</u>
Change in Net Assets of Governmental activities	<u>\$ 19,028,610</u>

The Notes to the Basic Financial Statements
are an integral part of this statement.

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2007

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS					GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
	WATER AND SEWER	SOLID WASTE	DRAINAGE	GOLF COURSE	TOTAL	
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 8,970,293	\$ 1,995,509	\$ 1,240,556	\$ 233,047	\$ 12,439,405	\$ 6,261,491
Investments	6,404,397	-	-	-	6,404,397	2,036,567
Receivables, net of allowance for uncollectibles:						
Accounts	4,123,348	233,619	53,942	6,849	4,417,758	2,295
Accrued interest	68,401	-	-	-	68,401	21,751
Other	-	321,565	-	-	321,565	-
Inventories	131,481	-	-	-	131,481	-
Prepaid items	-	-	-	11,050	11,050	-
Restricted cash and cash equivalents	2,174,961	-	-	-	2,174,961	-
Total current assets	21,872,881	2,550,693	1,294,498	250,946	25,969,018	8,322,104
NONCURRENT ASSETS						
CAPITAL ASSETS						
Land	3,380,635	-	-	-	3,380,635	-
Other improvements	-	-	496,132	-	496,132	-
Towers, tanks, and pump stations	122,452,540	-	-	-	122,452,540	-
Vehicles	760,655	44,448	102,079	-	907,182	3,875,798
Machinery and equipment	2,948,093	9,819	373,734	309,508	3,641,154	1,167,326
Furniture and fixtures	11,114	-	-	10,894	22,008	-
Construction in progress	10,169,772	-	-	-	10,169,772	-
Total capital assets	139,722,809	54,267	971,945	320,402	141,069,423	5,043,124
Less: accumulated depreciation	(40,474,572)	(50,683)	(400,531)	(247,948)	(41,173,734)	(2,440,479)
Capital assets, net of accumulated depreciation	99,248,237	3,584	571,414	72,454	99,895,689	2,602,645
DEFERRED CHARGES						
Bond issuance costs, net of amortization	151,632	-	-	-	151,632	-
Total noncurrent assets	99,399,869	3,584	571,414	72,454	100,047,321	2,602,645
TOTAL ASSETS	\$ 121,272,750	\$ 2,554,277	\$ 1,865,912	\$ 323,400	\$ 126,016,339	\$ 10,924,749
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable	\$ 1,516,648	\$ 175,471	\$ 22,774	\$ 67,625	\$ 1,782,518	\$ 138,936
Accrued liabilities	509,331	21,447	8,867	32,517	572,162	-
Accrued compensated absences - current	-	16,828	10,791	19,789	47,408	-
Incurred but not reported claims	-	-	-	-	-	617,301
Payable from restricted assets:						
Revenue bonds payable - current	1,575,000	-	-	-	1,575,000	-
Capital leases payable - current	-	-	-	36,063	36,063	-
Accrued interest payable	263,119	-	-	-	263,119	-
Accrued compensated absences - current	147,826	-	-	-	147,826	-
Customer deposits payable	1,308,963	-	-	26,488	1,335,451	-
Total current liabilities	5,320,887	213,746	42,432	182,482	5,759,547	756,237
NON-CURRENT LIABILITIES						
Revenue bonds payable	14,956,206	-	-	-	14,956,206	-
Capital leases payable	-	-	-	15,140	15,140	-
Accrued compensated absences	40,359	5,351	3,431	12,936	62,077	-
Total non-current liabilities	14,996,565	5,351	3,431	28,076	15,033,423	-
TOTAL LIABILITIES	20,317,452	219,097	45,863	210,558	20,792,970	756,237
NET ASSETS						
Invested in capital assets, net of related debt	82,889,025	3,584	571,414	21,251	83,485,274	2,602,645
Restricted for revenue bond principal and interest	336,842	-	-	-	336,842	-
Unrestricted	17,729,431	2,331,596	1,248,635	91,591	21,401,253	7,565,867
TOTAL NET ASSETS	\$ 100,955,298	\$ 2,335,180	\$ 1,820,049	\$ 112,842	\$ 105,223,369	\$ 10,168,512

The Notes to Financial Statements
are an integral part of this statement.

RECONCILIATION OF THE STATEMENT OF NET ASSETS
 OF PROPRIETARY FUNDS TO THE
 GOVERNMENT-WIDE STATEMENT OF NET ASSETS
 AS OF SEPTEMBER 30, 2007

Amounts reported for business-type activities in the statement of net assets are different because:

Total net assets per statement of net assets	\$ 105,223,369
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Internal service funds are used by management to charge the costs of replacing machinery and equipment, fleet management, workers compensation, property liability loss, medical and dental insurance, and health claims to individual funds.

The assets and liabilities of internal service funds are included in the governmental activities in the government-wide statement of net assets. The amount shown represents the net receivable from internal service funds allocated to business-type activities since the adoption of GASB 34.

706,089

Total net assets of business-type activities	\$ <u><u>105,929,458</u></u>
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The Notes to Financial Statements
 are an integral part of this statement.

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

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS					GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
	WATER AND SEWER	SOLID WASTE	DRAINAGE	GOLF COURSE	TOTAL	
OPERATING REVENUES						
Charges for sales and services:						
Water sales	\$ 10,992,395	\$ -	\$ -	\$ -	\$ 10,992,395	\$ -
Sewer charges	7,084,215	-	-	-	7,084,215	-
Connection fees	241,895	-	-	-	241,895	-
Garbage collections	-	4,552,398	-	-	4,552,398	-
Service charges	469,517	-	66,573	1,317,956	1,854,046	7,341,182
Drainage fees	-	-	909,066	-	909,066	-
Miscellaneous	606,264	45,407	-	22,131	673,802	67,396
Total operating revenues	19,394,286	4,597,805	975,639	1,340,087	26,307,817	7,408,578
OPERATING EXPENSES:						
Personnel services	2,833,142	219,162	299,721	981,802	4,333,827	156,678
Contractual services	10,953,668	3,634,416	87,916	515,133	15,191,133	6,056,994
Maintenance	277,231	-	178,765	76,054	532,050	-
Supplies	123,102	9,438	28,632	123,946	285,118	-
Depreciation	4,373,306	9,449	47,326	72,738	4,502,819	668,279
Other	126,462	48,595	63,143	33,501	271,701	-
Total operating expenses	18,686,911	3,921,060	705,503	1,803,174	25,116,648	6,881,951
OPERATING INCOME (LOSS)	707,375	676,745	270,136	(463,087)	1,191,169	526,627
NON-OPERATING REVENUES (EXPENSES)						
Investment earnings	1,130,430	80,586	58,494	-	1,269,510	432,293
Interest expense	(856,339)	-	-	-	(856,339)	-
Gain on disposal of capital assets	-	-	-	-	-	38,499
Development fees	1,889,477	-	-	-	1,889,477	-
Total non-operating revenues	2,163,568	80,586	58,494	-	2,302,648	470,792
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	2,870,943	757,331	328,630	(463,087)	3,493,817	997,419
CAPITAL CONTRIBUTIONS AND TRANSFERS						
Capital contributions	4,139,592	-	-	-	4,139,592	-
Transfers from other funds	1,495,645	-	-	570,652	2,066,297	208,665
Transfers to other funds	(4,540,175)	(74,135)	(170,575)	-	(4,784,885)	-
Total capital contributions and transfers	1,095,062	(74,135)	(170,575)	570,652	1,421,004	208,665
CHANGE IN NET ASSETS	3,966,005	683,196	158,055	107,565	4,914,821	1,206,084
NET ASSETS, BEGINNING OF YEAR	96,989,293	1,651,984	1,661,994	5,277	100,308,548	8,962,428
NET ASSETS, END OF YEAR	\$ 100,955,298	\$ 2,335,180	\$ 1,820,049	\$ 112,842	\$ 105,223,369	\$ 10,168,512

The Notes to Financial Statements
are an integral part of this statement.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET ASSETS OF PROPRIETARY FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

Amounts reported for business-type activities in the statement of activities
 are different because:

Net change in fund net assets- total proprietary funds	\$ 4,914,821
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Internal service funds are used by management to charge the costs of replacing
 machinery and equipment, fleet management, workers compensation, property liability
 loss, medical and dental insurance, and health claims to individual funds.

The net expenses of certain activities of internal service funds is allocated to
 business-type activities.

79,867

Change in net assets of business-type activities	\$ <u><u>4,994,688</u></u>
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The Notes to Financial Statements
 are an integral part of this statement.

ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS					GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
	WATER AND SEWER	SOLID WASTE	DRAINAGE	GOLF COURSE	TOTAL	
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 18,602,810	\$ 4,530,553	\$ 963,705	\$ 1,348,948	\$ 25,446,016	\$ -
Cash received from transactions with other funds						7,315,026
Cash paid to employees for services	(2,819,333)	(236,395)	(306,899)	(992,643)	(4,355,270)	(156,678)
Cash paid for goods and services	(11,812,361)	(3,597,107)	(342,491)	(725,514)	(16,477,473)	(2,472,511)
Cash paid for claims	-	-	-	-	-	(3,515,916)
Net cash provided by (used in) operating activities	3,971,116	697,051	314,315	(369,209)	4,613,273	1,169,921
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Transfers from other funds	1,495,645	-	-	660,652	2,156,297	208,665
Transfers to other funds	(4,540,175)	(74,135)	(170,575)	-	(4,784,885)	-
Net cash provided by (used in) non-capital financing activities	(3,044,530)	(74,135)	(170,575)	660,652	(2,628,588)	208,665
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Principal paid on revenue bond maturities	(1,580,000)	-	-	-	(1,580,000)	-
Interest and fees paid on long-term debt	(873,036)	-	-	-	(873,036)	-
Acquisition and construction of capital assets	(6,667,748)	-	-	(23,612)	(6,691,360)	(1,037,386)
Capital lease down payment	-	-	-	(88,713)	(88,713)	-
Proceeds from sale of capital assets	-	-	-	-	-	104,353
Contributions from developers	1,889,477	-	-	-	1,889,477	-
Net cash (used in) capital and related financial activities	(7,231,307)	-	-	(112,325)	(7,343,632)	(933,033)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investment securities	(4,406,570)	-	-	-	(4,406,570)	995,933
Proceeds from sale and maturities of investment securities	7,865,285	-	-	-	7,865,285	-
Interest on investments	1,106,905	80,586	58,494	-	1,245,985	388,580
Net cash provided by investing activities	4,565,620	80,586	58,494	-	4,704,700	1,384,513
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,739,101)	703,502	202,234	179,118	(654,247)	1,830,066
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	12,884,355	1,275,179	1,027,531	34,140	15,221,205	4,431,425
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 11,145,254	\$ 1,978,681	\$ 1,229,765	\$ 213,258	\$ 14,566,958	\$ 6,261,491
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Net operating income (loss)	\$ 707,375	\$ 676,745	\$ 270,136	\$ (463,087)	\$ 1,191,169	\$ 526,627
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization expense	4,382,986	9,449	47,326	72,738	4,512,499	668,279
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	(791,476)	(45,179)	(11,934)	8,861	(839,728)	(2,295)
(Increase) in other receivables	-	(22,073)	-	-	(22,073)	-
(Increase) in prepaids	-	-	-	21,573	21,573	-
Decrease in inventories	10,028	-	-	(972)	9,056	-
Increase (decrease) in accounts payable	(558,380)	106,437	15,466	2,519	(433,958)	(22,690)
Increase (decrease) in accrued liabilities	148,395	(11,095)	499	-	137,799	-
Increase (decrease) in compensated absences	13,809	(17,233)	(7,178)	(10,841)	(21,443)	-
Increase in utility deposits	58,379	-	-	-	58,379	-
Total adjustments	3,263,741	20,306	44,179	93,878	3,422,104	643,294
Net cash provided by (used in) operating activities	\$ 3,971,116	\$ 697,051	\$ 314,315	\$ (369,209)	\$ 4,613,273	\$ 1,169,921
NON-CASH INVESTING ACTIVITIES:						
Change in the fair value of investments	\$ 9,534	\$ -	\$ -	\$ -	\$ 9,534	\$ 49,741
NON-CASH FINANCING ACTIVITIES:						
Contributions of capital assets from developers	\$ 4,139,592	\$ -	\$ -	\$ -	\$ 4,139,592	\$ -
Reconciliation of total cash to the statement of net assets:						
Cash and cash equivalents - current	\$ 8,970,293	\$ 1,978,681	\$ 1,229,765	\$ 213,258	\$ 12,391,997	\$ 6,261,491
Restricted cash and cash equivalents	2,174,961	-	-	-	2,174,961	-
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 11,145,254	\$ 1,978,681	\$ 1,229,765	\$ 213,258	\$ 14,566,958	\$ 6,261,491

The Notes to Financial Statements
are an integral part of this statement:

COMPONENT UNITS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

	ALLEN ECONOMIC DEVELOPMENT CORPORATION	ALLEN COMMUNITY DEVELOPMENT CORPORATION	TOTALS
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 856,156	\$ 6,522,230	\$ 7,378,386
Investments	1,741,319	2,859,239	4,600,558
Sales tax receivable	838,319	838,320	1,676,639
Accounts receivable	1,301	39,301	40,602
Accrued interest receivable	18,598	30,537	49,135
Total current assets	3,455,693	10,289,627	13,745,320
CAPITAL ASSETS			
Land	7,384,605	-	7,384,605
Land improvements	207,278	-	207,278
Furniture and fixtures	74,028	-	74,028
Improvements other than buildings	3,129,289	-	3,129,289
Total capital assets	10,795,200	-	10,795,200
Less: accumulated depreciation	(1,333,937)	-	(1,333,937)
Capital assets, net of accumulated depreciation	9,461,263	-	9,461,263
DEFERRED CHARGES			
Bond issuance costs, net of amortization	-	87,130	87,130
TOTAL ASSETS	\$ 12,916,956	\$ 10,376,757	\$ 23,293,713
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 1,448,157	\$ 343,543	\$ 1,791,700
Accrued interest payable	-	26,525	26,525
Accrued and other liabilities	12,884	-	12,884
Retainage payable	-	73,940	73,940
Revenue bonds payable - current	-	495,000	495,000
Total current liabilities	1,461,041	939,008	2,400,049
NON-CURRENT LIABILITIES			
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	-	6,693,439	6,693,439
Total non-current liabilities	-	6,693,439	6,693,439
TOTAL LIABILITIES	1,461,041	7,632,447	9,093,488
NET ASSETS (ACCUMULATED DEFICIT)			
Invested in capital assets, net of related debt	9,461,263	(7,188,439)	2,272,824
Unrestricted	1,994,652	9,932,749	11,927,401
TOTAL NET ASSETS (ACCUMULATED DEFICIT)	\$ 11,455,915	\$ 2,744,310	\$ 14,200,225

The Notes to Financial Statements
are an integral part of this statement.

STATEMENT OF ACTIVITIES
 COMPONENT UNITS
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

Function/Program Activities	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	COMPONENT UNITS		
				ALLEN ECONOMIC DEVELOPMENT CORPORATION	ALLEN COMMUNITY DEVELOPMENT CORPORATION	TOTALS
COMPONENT UNITS						
Allen Economic Development Corporation	\$ 6,269,128	\$ -	\$ -	\$ (6,269,128)	\$ -	\$ (6,269,128)
Allen Community Development Corporation	<u>2,412,520</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,412,520)</u>	<u>(2,412,520)</u>
TOTAL COMPONENT UNITS	<u>\$ 8,681,648</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,269,128)</u>	<u>\$ (2,412,520)</u>	<u>\$ (8,681,648)</u>
General revenues:						
Sales taxes				\$ 4,837,072	\$ 4,837,072	\$ 9,674,144
Interest on investments				310,990	450,743	761,733
Miscellaneous				<u>22,115</u>	<u>-</u>	<u>22,115</u>
Total general revenues				<u>5,170,177</u>	<u>5,287,815</u>	<u>10,457,992</u>
CHANGE IN NET ASSETS				(1,098,951)	2,875,295	1,776,344
NET ASSETS, beginning of year				<u>12,554,866</u>	<u>(130,985)</u>	<u>12,423,881</u>
NET ASSETS, end of year				<u>\$ 11,455,915</u>	<u>\$ 2,744,310</u>	<u>\$ 14,200,225</u>

**NOTES TO
FINANCIAL STATEMENTS**

CITY OF ALLEN, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City of Allen (the "City") was incorporated in 1953, under the provisions of Chapter 11, Title 28, Texas Revised Civil Statutes of 1925. In 1979, the City adopted a charter making it a home rule city operating under a Council-Manager form of government. The City provides such services as are authorized by its charter to advance the welfare, health, comfort, safety and convenience of its inhabitants.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). As allowed by *Governmental Accounting and Financial Reporting Standards*, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the City are described below.

Financial Reporting Entity

As required by accounting principles generally accepted in the United States of America, the financial statements of the City include the primary government and organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the primary government.

CITY OF ALLEN, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

Financial Reporting Entity - continued

The following entities were found to be component units of the City and are included in the basic financial statements:

Allen Economic Development Corporation (AEDC) - The AEDC is responsible for aiding, promoting and furthering economic development within the City.

Allen Community Development Corporation (ACDC) - The ACDC is responsible for supporting the improvements in community parks and recreation, streets and sidewalks, public safety and the community library.

The members of both the AEDC's and ACDC's Boards of Directors are appointed by the City Council. Both the AEDC and ACDC are fiscally dependent upon the City as the City Council approves their budgets and must approve any debt issuance. However, the component units do not qualify for blending because the component services directly benefit the community rather than the City itself. The AEDC and ACDC are discreetly presented as governmental fund types and do not issue separate financial statements.

Basis of Presentation

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements; however, interfund services provided and used are not eliminated in the process of consolidation. 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. Additionally, the primary government is reported separately from the 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 program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental funds and proprietary funds. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

CITY OF ALLEN, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation – continued

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balances of current financial resources. The City has presented the following 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 not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund -

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Facilities Agreement Special Revenue Fund -

The Facilities Agreement Special Revenue Fund is used to account for funds received from builders and developers used on specific facility agreements such as neighborhood parks, paving and assessments in new developments.

General Capital Projects Fund -

The General Capital Projects Fund is used to account for resources used for the acquisition and/or construction of capital facilities by the City, except those financed by proprietary funds and not accounted for by another capital projects fund.

General Obligation Bond Capital Projects Fund -

To account for financing, acquisitions, and construction of improvements to City facilities and infrastructure not accounted for by other bond funds.

CITY OF ALLEN, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation - continued

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary funds:

Enterprise Funds:

Water and Sewer Fund -

The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities for the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

Solid Waste Fund -

The Solid Waste Fund is used to account for the provision of solid waste services to residents of the City.

Drainage Fund -

The Drainage Fund is used to account for the provision of developing and maintaining proper drainage services to the residents of the City.

Golf Course Fund -

The Golf Course Fund is used to account for activities associated with the operations of the Chase Oaks Golf Course purchased by the City in October 2004.

Internal Service Funds:

Replacement Fund -

The Replacement Fund is an internal service fund that accounts for the costs associated with the acquisition and replacement of vehicles, machinery, and equipment through the rental of such items to other departments.

Risk Management Fund -

The Risk Management Fund accounts for the costs associated workers compensation, liability and property insurance and medical and dental programs established for City employees and their covered dependents.

CITY OF ALLEN, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation - continued

Proprietary funds distinguish operating revenues and expenses from non-operating 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 the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liabilities are incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The revenues susceptible to accrual are property and sales taxes, franchise taxes and interest income. Other receipts (special assessments) become measurable and available when cash is received by the City and are recognized as revenue at that time.

Cash, Cash Equivalents and Investments

State statutes and policy as established by the City Council authorize the City to invest in certificates of deposit, direct obligations of the U.S. Treasury, investment pools consisting of such U.S. Treasury obligations, repurchase agreements, commercial paper and mutual funds. Substantially all operating cash and cash equivalents are maintained in pooled cash and time deposit accounts. Interest income relating to pooled deposits is allocated to the individual funds based on each fund's pro rata share of total pooled deposits.

CITY OF ALLEN, TEXAS

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash, Cash Equivalents and Investments - continued

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents, as they are available for withdrawal on demand.

Investments are recorded at amortized cost when original maturity at the time of purchase is less than one year or at market if greater than one year.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Under the City's budgetary process, appropriations lapse at fiscal year end. Encumbrances are reported as reservations of fund balances because they do not constitute expenditures or liabilities.

Property Taxes

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and certain personal property located within the City. Appraised values are established by the Central Appraisal District of Collin County at 100% of estimated market value and certified by the Appraisal Review Board. The assessed value upon which the 2006 levy was based is \$5,719,244,070. Taxes are due on October 1 and are delinquent after the following January 31.

The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services, including the payment of principal and interest on general obligation long-term debt. The combined tax rate to finance general governmental services including the payment of principal and interest on long-term debt for the year ended September 30, 2007 was \$0.558 per \$100 of assessed valuation. In Texas, countywide central appraisal districts are required to assess all property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years; however, the City may, at its own expense, require annual reviews of appraised values.

The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

CITY OF ALLEN, TEXAS

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Interfund Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Transactions Between Funds and Between Funds and Component Units

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund reimbursed. All other interfund transactions, except transactions between the component units and the primary government are recorded as transfers.

Transactions between the component units and the primary government are accounted for as external transactions (revenues and expenses). During the fiscal year ended September 30, 2007, ACDC contributed \$72,000 to the General Fund and \$60,000 to the Park and Recreation Special Revenue Fund and AEDC contributed \$68,500 to the General Fund. These revenues were reflected as grants and contributions for the primary government in the government-wide statement of activities.

Inventories and Prepaid Items

Inventories, which are expended when consumed, are recorded using the average cost method, and are valued at cost.

Prepaid items are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year. A reserve for prepaid items is recognized in the governmental funds in the fund level financial statements to signify that a portion of fund balance is not available for other subsequent expenditures.

Special Assessments

The City has the authority to make special assessments to property owners as part of the financing of capital improvements. Such assessments are recorded in the capital projects fund as receivables when assessed and are recognized as revenue when both the measurable and available criteria have been met (generally when collected).

CITY OF ALLEN, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at fair market value on the date donated. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the asset lives are not capitalized. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	15 - 40 Years
Towers, tanks, and pump stations	30 Years
Infrastructure	10 - 50 Years
Machinery and equipment	3 - 15 Years
Vehicles	2 - 15 years
Library books	5 Years
Furniture and fixture	5 Years
Other improvements	2 - 30 Years

The City has established the Replacement Fund to account for the replacement of the City-owned vehicle, machinery, and equipment. Charges for use in the form of user payments are made by City departments to the Replacement Fund to provide for future acquisitions and replacements.

Compensated Absences

City employees earn vacation and sick leave, which may either be taken or accumulated, up to certain amounts, until paid upon retirement or termination. Upon termination or retirement, an employee is reimbursed up to a maximum number of hours of vacation pay and sick leave based upon the years of service. Accumulated vacation and sick leave is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

CITY OF ALLEN, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007

NOTE 2. DEPOSITS, INVESTMENTS AND INVESTMENT POLICIES

Deposits – State statutes require that all deposits be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits.

The City's demand deposits and certificates of deposit were fully insured or collateralized at September 30, 2007, with collateral required by state statutes. At year-end, the carrying amount of the City's deposits was \$1,609,784 and the bank balance was \$2,803,731. Of the bank balance, federal depository insurance covered \$200,000 and the remainder was covered by collateral held by the pledging financial institution's agent in the City's name. The City's petty cash balance at September 30, 2007 was \$9,800.

The carrying amount of deposits for ACDC and AEDC, discretely presented component units, were \$9,474 and \$2,546, respectively, with no corresponding bank balances as they are pooled with the City's deposits.

Investments – State statutes authorize the City to invest in U.S. Government obligations, obligations of Texas and its agencies and fully collateralized repurchase agreements. The City, AEDC and ACDC invest in Texpool which is an investment fund authorized by the Texas Legislature and administered by the Texas State Treasury. The Texas Treasury Safekeeping Trust Company is trustee of Texpool and is a limited purpose trust company authorized pursuant to Texas Government Code. The purpose of Texpool is to allow for the pooling of public funds to provide a higher yield on the pooled investment than would be possible with the investment of the individual public entity's funds. Texpool investments are subject to the same investment policies maintained by the State Treasury for all state funds. The Legislature has authorized only certain investment instruments for public funds, including repurchase agreements, U.S. Treasury bills and bonds, securities of other U.S. Government agencies, commercial paper and other safe instruments. The investment in Texpool and any accrued interest may be redeemed at the City's discretion. The City's position in the pool is not materially different from the value of the pool shares.

The table below identifies the investment types that are authorized for the City by the Public Funds Investment Act. (Government Code Chapter 2256). The table also identifies certain provisions of the City's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
Certificates of Deposit	5 years	30%	None
Repurchase Agreements	5 years	30%	None
U. S. Treasure Obligations	5 years	100%	None
Municipal Investment Pool	5 years	100%	None
Commercial Bank Savings Account	5 years	15%	None
U. S. Government Securities (non-callable)	5 years	100%	None
U. S. Government Securities (callable)	5 years	70%	None
U. S. Government Sponsored Corp.	5 years	75%	None
Instruments: non-callable			
U. S. Government Sponsored Corp.	5 years	70%	None
Instruments: callable			
Commercial Paper	5 years	20%	None
Bankers Acceptance	5 years	10%	None
Guaranteed Investment Contracts	5 years	25%	None
State or Local Governmental Obligations	5 years	30%	None

CITY OF ALLEN, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007

NOTE 2. DEPOSITS, INVESTMENTS AND INVESTMENT POLICIES - CONTINUED

Disclosures relating to interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods of time are more likely to be subject to increased variability in their fair values due to changes in the market interest rates. The City manages its exposure to market price changes by avoiding over-concentration of assets in a specific maturity sector, limitation of average maturity of operating funds investments to less than eighteen months, and avoidance of over-concentration of assets in specific instruments other than U.S. Treasury Securities and authorized investment pools.

As of September 30, 2007, the City had the following investments:

Investment Type	Primary Government	Fair Value			Weighted Avg. Maturity (Years)
		AEDC	ACDC	Total	
FFC	\$ 2,468,750	\$	\$	\$ 2,468,750	1.46
Commercial Paper	16,527,693			16,527,693	.45
FHLB	6,029,872	487,569	800,587	7,318,028	.61
FNMA	7,089,340	574,635	943,549	8,607,524	.40
FHLMC	4,149,586	679,115	1,115,103	5,943,804	.56
Certificates of Deposit	2,000,000			2,000,000	.02
Texpool	<u>36,442,478</u>	<u>853,510</u>	<u>6,512,756</u>	<u>43,808,744</u>	.003
Total	<u>\$ 74,707,719</u>	<u>\$ 2,594,829</u>	<u>\$ 9,371,995</u>	<u>\$ 86,674,543</u>	

Disclosures relating to credit risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This type of risk is typically expressed in terms of the credit ratings issued by a nationally recognized statistical rating organization. The City reduces the risk of issuer default by limiting investments to those instruments allowed by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The City's investments in U.S. Agency securities (FHLB, FNMA, FFCB, and FHLMC) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The investment in the Texas Local Government Pool (TexPool) carried a credit rating of AAAM by Standard & Poor's as of September 30, 2007. The City's investments in commercial paper are rated A-1, F-1, and P-1 by Moody's Investors Service, Fitch, and Standard & Poor's as of September 30, 2007.

CITY OF ALLEN, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007

NOTE 2. DEPOSITS, INVESTMENTS AND INVESTMENT POLICIES - CONTINUED

Concentration of Credit Risk

The City's investment policy does not contain stipulations regarding the amount of funds that can be invested in any single issuer. As of September 30, 2007, with the exception of funds invested at Texpool, the following table represents 5% or more of the City's investments.

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>Percentage</u>
FHLB	Federal agency securities	\$ 7,318,028	8.44%
FNMA	Federal agency securities	\$ 8,607,524	9.93%
FHLMC	Federal agency securities	\$ 5,943,804	6.86%

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's investment policy does not contain specific policy or legal requirements that address the potential for custodial credit risk for investments.

The Public Funds Investment Act does require that financial institutions secure deposits made by state or local governmental bodies by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities of the collateral must always remain at least equivalent to the bank balance less the FDIC insurance.

As of September 30, 2007, the City's deposits with financial institutions above the federal depository limits were fully collateralized.

CITY OF ALLEN, TEXAS

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007**

NOTE 3. RECEIVABLES

Receivables at September 30, 2007 for the government's individual major funds and non-major, and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following:

	<u>Property Tax</u>	<u>Sales Taxes</u>	<u>Accounts</u>	<u>Accrued Interest</u>	<u>Assessments</u>	<u>Other</u>	<u>Total</u>
General Fund	\$ 517,213	\$ 1,676,639	\$	\$ 109,679	\$	\$ 1,369,040	\$ 3,672,571
Debt Service	255,828					2,046	257,874
Facilities							
Agreement				35,664			35,664
General Capital							
Projects				32,812	187,557		220,369
G.O. Bond Fund				107,932			107,932
Non-major							
Governmental Funds			179,439	11,080			190,519
Water and Sewer			4,137,929	68,401			4,206,330
Solid Waste			233,619			321,565	555,184
Drainage			53,942				53,942
Golf Course			6,849				6,849
Internal Service							
Funds			<u>2,295</u>	<u>21,751</u>			<u>24,046</u>
Gross Receivables	773,041	1,676,639	4,614,073	387,319	187,557	1,692,651	9,331,280
Less: Allowance for							
Uncollectibles	(285,644)		(14,581)				(300,225)
Total Net Receivables,							
Primary Government	<u>\$ 487,397</u>	<u>\$ 1,676,639</u>	<u>\$ 4,599,492</u>	<u>\$ 387,319</u>	<u>\$ 187,557</u>	<u>\$ 1,692,651</u>	<u>\$9,031,055</u>
Component Units	<u>\$</u>	<u>\$ 1,676,639</u>	<u>\$ 40,602</u>	<u>\$ 49,135</u>	<u>\$</u>	<u>\$</u>	<u>\$1,766,376</u>

The Water and Sewer Fund accounts receivable include unbilled charges for services rendered through September 30, 2007.

CITY OF ALLEN, TEXAS

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007**

NOTE 4. CAPITAL ASSETS

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

Governmental Activities

	Balance September 30, <u>2006</u>	<u>Additions</u>	Sales or Other <u>Dispositions</u>	Adjustments/ <u>Transfers</u>	Balance September 30, <u>2007</u>
Governmental Funds:-					
General capital assets not being depreciated					
Land and land improvements	\$ 98,611,044	\$ 4,692,963	\$	\$	\$ 103,304,007
Construction in progress	<u>27,591,180</u>	<u>8,428,212</u>	<u> </u>	<u>(25,184,171)</u>	<u>10,835,221</u>
Total capital assets not being depreciated	<u>126,202,224</u>	<u>13,121,175</u>	<u> </u>	<u>(25,184,171)</u>	<u>114,139,228</u>
General capital assets being depreciated					
Buildings	45,583,715			6,647,878	52,231,593
Improvements other than buildings	314,890,086	11,969,466		18,536,293	345,395,845
Furniture and fixtures	2,846,757	47,956			2,894,713
Vehicles	3,171,545	128,347	(277,911)		3,021,981
Library books	2,670,852	150,000	(58,914)		2,761,938
Machinery and equipment	<u>4,005,827</u>	<u>431,595</u>	<u>(56,889)</u>	<u> </u>	<u>4,380,533</u>
Total capital assets being depreciated	<u>373,168,782</u>	<u>12,727,364</u>	<u>(393,714)</u>	<u>25,184,171</u>	<u>410,686,603</u>
Less accumulated depreciation for:					
Buildings	(6,899,206)	(639,223)			(7,538,429)
Improvements other than buildings	(87,618,598)	(12,951,882)			(100,570,480)
Furniture and fixtures	(1,707,348)	(395,199)			(2,102,547)
Vehicles	(1,659,429)	(297,163)	257,749		(1,698,843)
Library Books	(2,222,350)	(179,130)	58,913		(2,342,567)
Machinery and equipment	<u>(3,177,347)</u>	<u>(834,447)</u>	<u>55,000</u>	<u> </u>	<u>(3,956,794)</u>
Total accumulated depreciation	<u>(103,284,278)</u>	<u>(15,297,044)</u>	<u>371,662</u>	<u> </u>	<u>(118,209,660)</u>
Total general capital assets being depreciated, net	<u>269,884,504</u>	<u>(2,569,680)</u>	<u>(22,052)</u>	<u>25,184,171</u>	<u>292,476,942</u>
General capital assets, net	<u>\$ 396,086,728</u>	<u>\$ 10,551,495</u>	<u>(\$ 22,052)</u>	<u>\$</u>	<u>\$ 406,616,171</u>

CITY OF ALLEN, TEXAS

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007**

NOTE 4. CAPITAL ASSETS - CONTINUED

	Balance September 30, <u>2006</u>	Additions	Sales or Other Dispositions	Adjustments/ Transfers	Balance September 30, <u>2007</u>
Internal Service Funds:					
Capital assets being depreciated					
Vehicles	\$ 3,388,300	\$ 690,791	(\$ 203,293)	\$	\$ 3,875,798
Machinery and equipment	<u>821,431</u>	<u>346,595</u>	<u>(700)</u>	<u> </u>	<u>1,167,326</u>
Total internal service assets being depreciated	<u>4,209,731</u>	<u>1,037,386</u>	<u>(203,993)</u>	<u> </u>	<u>5,043,124</u>
Less accumulated depreciation for:					
Vehicles	(1,604,574)	(462,647)	138,139	<u> </u>	(1,929,082)
Machinery and equipment	<u>(305,765)</u>	<u>(205,632)</u>	<u> </u>	<u> </u>	<u>(511,397)</u>
Total accumulated depreciation	<u>(1,910,339)</u>	<u>(668,279)</u>	<u>138,139</u>	<u> </u>	<u>(2,440,479)</u>
Internal service funds capital assets, net	<u>\$ 2,299,392</u>	<u>\$ 369,107</u>	<u>(\$ 65,854)</u>	<u>\$</u>	<u>\$ 2,602,645</u>
Governmental activities capital assets, net	<u>\$ 398,386,120</u>	<u>\$ 10,920,602</u>	<u>(\$ 87,906)</u>	<u>\$</u>	<u>\$ 409,218,816</u>
Business-Type Activities					
Water and Sewer Activities:					
Capital assets not being depreciated					
Land	\$ 3,327,730	\$ 52,905	\$	\$	\$ 3,380,635
Construction in progress	<u>6,278,198</u>	<u>6,059,056</u>	<u> </u>	<u>(2,167,482)</u>	<u>10,169,772</u>
Total capital assets not being depreciated	<u>9,605,928</u>	<u>6,111,961</u>	<u> </u>	<u>(2,167,482)</u>	<u>13,550,407</u>
Capital Assets Being depreciated:					
Towers, tanks, & pumps stations	116,145,466	4,139,592	<u> </u>	2,167,482	122,452,540
Furniture and fixtures	11,114	<u> </u>	<u> </u>	<u> </u>	11,114
Machinery and equipment	2,469,928	468,136	10,029	<u> </u>	2,948,093
Vehicles	<u>725,314</u>	<u>77,625</u>	<u>(42,284)</u>	<u> </u>	<u>760,655</u>
Total capital assets being depreciated	<u>119,351,822</u>	<u>4,685,353</u>	<u>(32,255)</u>	<u>2,167,482</u>	<u>126,172,402</u>
Less accumulated depreciation for:					
Towers, tanks, & pumps stations	(34,314,976)	(3,915,603)	<u> </u>	<u> </u>	(38,230,579)
Furniture and fixtures	(7,660)	(2,224)	<u> </u>	<u> </u>	(9,884)
Machinery and equipment	(1,103,168)	(396,757)	<u> </u>	<u> </u>	(1,499,925)
Vehicles	<u>(717,742)</u>	<u>(58,722)</u>	<u>42,280</u>	<u> </u>	<u>(734,184)</u>
Total accumulated depreciation	<u>(36,143,546)</u>	<u>(4,373,306)</u>	<u>42,280</u>	<u> </u>	<u>(40,474,572)</u>
Total capital assets being depreciated, net	<u>83,208,276</u>	<u>312,047</u>	<u>10,025</u>	<u>2,167,482</u>	<u>85,697,830</u>
Water and sewer activities capital assets, net	<u>\$ 92,814,204</u>	<u>\$ 6,424,008</u>	<u>\$ 10,025</u>	<u>\$</u>	<u>\$ 99,248,237</u>

CITY OF ALLEN, TEXAS

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007**

NOTE 4. CAPITAL ASSETS - CONTINUED

	Balance September 30, 2006	<u>Additions</u>	<u>Sales or Other Dispositions</u>	<u>Adjustments/ Transfers</u>	Balance September 30, 2007
Solid Waste Activities:					
Capital assets being depreciated					
Machinery and equipment	\$ 9,819	\$	\$	\$	\$ 9,819
Vehicles	<u>44,448</u>	<u></u>	<u></u>	<u></u>	<u>44,448</u>
Total capital assets being depreciated	<u>54,267</u>	<u></u>	<u></u>	<u></u>	<u>54,267</u>
Less accumulated depreciation for:					
Machinery and equipment	(5,017)	(1,219)	<u></u>	<u></u>	(6,236)
Vehicles	<u>(36,218)</u>	<u>(8,230)</u>	<u></u>	<u></u>	<u>(44,448)</u>
Total accumulated depreciation	<u>(41,235)</u>	<u>(9,449)</u>	<u></u>	<u></u>	<u>(50,684)</u>
Solid waste activities capital assets, net	<u>\$ 13,032</u>	<u>(\$ 9,449)</u>	<u>\$</u>	<u>\$</u>	<u>\$ 3,583</u>
Drainage Activities:					
Capital assets being depreciated					
Other improvements	\$ 496,132	\$	\$	\$	\$ 496,132
Vehicles	106,809	<u></u>	(4,730)	<u></u>	102,079
Machinery and equipment	<u>373,734</u>	<u></u>	<u></u>	<u></u>	<u>373,734</u>
Total capital assets being depreciated	<u>976,675</u>	<u></u>	<u>(4,730)</u>	<u></u>	<u>971,945</u>
Less accumulated depreciation for:					
Other improvements	(42,280)	(11,941)	<u></u>	<u></u>	(54,221)
Vehicles	(84,845)	(4,308)	4,730	<u></u>	(84,423)
Machinery and equipment	<u>(230,811)</u>	<u>(31,077)</u>	<u></u>	<u></u>	<u>(261,888)</u>
Total accumulated depreciation	<u>(357,936)</u>	<u>(47,326)</u>	<u>4,730</u>	<u></u>	<u>(400,532)</u>
Drainage activities capital assets, net	<u>\$ 618,739</u>	<u>(\$ 47,326)</u>	<u>\$</u>	<u>\$</u>	<u>\$ 571,413</u>
Golf Course Activities:					
Capital assets being depreciated					
Machinery and equipment	\$ 296,790	\$ 12,718	\$	\$	\$ 309,508
Furniture and fixtures	<u></u>	<u>10,894</u>	<u></u>	<u></u>	<u>10,894</u>
Total capital assets being depreciated	<u>296,790</u>	<u>23,612</u>	<u></u>	<u></u>	<u>320,402</u>
Less accumulated depreciation for:					
Machinery and equipment	(175,210)	(71,649)	<u></u>	<u></u>	(246,859)
Furniture and fixtures	<u>()</u>	<u>(1,089)</u>	<u></u>	<u></u>	<u>(1,089)</u>
Total accumulated depreciation	<u>(175,210)</u>	<u>(72,738)</u>	<u></u>	<u></u>	<u>(247,948)</u>
Golf course activities capital assets, net	<u>\$ 121,580</u>	<u>(\$ 49,126)</u>	<u>\$</u>	<u>\$</u>	<u>\$ 72,454</u>
Business-type activities capital assets, net	<u>\$ 93,567,555</u>	<u>\$ 6,318,107</u>	<u>\$ 10,025</u>	<u>\$</u>	<u>\$ 99,895,687</u>

CITY OF ALLEN, TEXAS

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007**

NOTE 4. CAPITAL ASSETS – CONTINUED

	Balance September 30, <u>2006</u>	<u>Additions</u>	Sales or Other <u>Dispositions</u>	Adjustments/ <u>Transfers</u>	Balance September 30, <u>2007</u>
Component Units					
Capital assets not being depreciated:					
Land	\$ 4,324,525	\$ 10,852,659	(\$ 7,792,579)	\$	\$ 7,384,605
Land improvements	<u>207,278</u>	<u> </u>	<u> </u>	<u> </u>	<u>207,278</u>
Total capital assets not being depreciated	<u>\$ 4,531,803</u>	<u>\$ 10,852,659</u>	<u>(\$ 7,792,579)</u>	<u>\$</u>	<u>\$ 7,591,883</u>
Capital assets being depreciated:					
Improvements other than buildings	3,129,289				3,129,289
Furniture and fixtures	<u>74,028</u>	<u> </u>	<u> </u>	<u> </u>	<u>74,028</u>
Total capital assets being depreciated	<u>3,203,317</u>	<u> </u>	<u> </u>	<u> </u>	<u>3,203,317</u>
Less accumulated depreciation for:					
Buildings	(1,106,576)	(153,333)			(1,259,909)
Furniture and fixtures	<u>(83,636)</u>	<u>9,608</u>	<u> </u>	<u> </u>	<u>(74,028)</u>
Total accumulated depreciation	<u>(1,190,212)</u>	<u>(143,725)</u>	<u> </u>	<u> </u>	<u>(1,333,937)</u>
Total capital assets being depreciated, net	<u>2,013,105</u>	<u>(143,725)</u>	<u> </u>	<u> </u>	<u>1,869,380</u>
Component units capital assets, net	<u>\$ 6,544,908</u>	<u>\$ 10,708,934</u>	<u>(\$ 7,792,579)</u>	<u>\$</u>	<u>\$ 9,461,263</u>

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

Governmental activities:	
General government	\$ 810,611
Public safety	827,093
Public works	9,929,012
Culture and recreation	3,680,231
Community development	17,870
Grant Administration	<u>32,227</u>
Total depreciation expense - General capital assets	15,297,044
Internal Service Funds	<u>668,279</u>
Total depreciation expense - Governmental activities	<u>\$ 15,965,323</u>

CITY OF ALLEN, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007

NOTE 4. CAPITAL ASSETS - CONTINUED

Business-type activities:	
Water and sewer	\$ 4,373,306
Solid waste	9,449
Drainage utility	47,326
Golf course	<u>72,738</u>
Total depreciation expense - Business-type activities	<u>\$ 4,502,819</u>
Component units:	
Allen Economic Development Corporation	<u>\$ 143,725</u>

Outstanding commitments at September 30, 2007, under authorized construction contracts were \$3,533,154. These outstanding commitments for capital projects will be funded from unexpended bond proceeds and additional general obligation bonds. Authorization to issue additional bonds may be requested from the qualified voters of the City.

NOTE 5. LONG-TERM DEBT

At September 30, 2007, bonds payable consisted of the following individual issues:

General Obligation Bonds:	<u>Governmental</u>	<u>Business-type</u>
\$10,000,000 Series 1998 Bonds due in annual installments of \$95,000 to \$795,000 through September 1, 2008; interest at 4.5% to 6.5%.	\$ 475,000	\$
\$13,340,000 Series 1999 Bonds due in annual installments of \$320,000 to \$1,055,000 through September 1, 2019; interest at 4.875% to 6.375%.	1,230,000	
\$11,100,000 Series 2000 Bonds due in annual installments of \$115,000 to \$915,000 through September 1, 2020; interest at 5.0% to 6.5%.	1,480,000	
\$20,715,000 Series 2001 Bonds due in annual installments of \$160,000 to \$2,110,000 through September 1, 2021; interest at 4.0% to 5.25%.	7,810,000	
\$13,000,000 Series 2002 Bonds due in annual installments of \$175,000 to 1,020,000 through September 1, 2022; interest at 4.2% to 5.5%.	11,045,000	
\$7,210,000 Series 2003 Bonds due in annual installments of \$175,000 to \$515,000 through September 1, 2023; interest at 2.75% to 4.25%.	\$ 6,240,000	

CITY OF ALLEN, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007

NOTE 5. LONG-TERM DEBT – CONTINUED

General Obligation Bonds - continued:

	<u>Governmental</u>	<u>Business-type</u>
\$11,700,000 Series 2004 Bonds due in annual installments of \$395,000 to \$790,000 through September 1, 2024; interest at 4.0% to 5.25%.	10,640,000	
\$32,330,000 Series 2005 Refunding Bonds due in annual installments of \$75,000 to \$3,505,000 through August 15, 2021; interest at 3.0% to 5.00%.	31,700,000	
\$1,595,000 Series 2006 Bonds due in annual installments of \$50,000 to \$115,000 through August 15, 2026; interest at 4.0% to 4.20%.	1,545,000	
\$11,145,000 Series 2007 Bonds due in annual installments of \$380,000 to \$815,000 through August 15, 2027; interest at 4.0% to 5.00%.	<u>11,145,000</u>	
	<u>\$ 83,310,000</u>	<u>\$</u>

Certificates of Obligation:

\$4,735,000 Series 2004A Combination Tax & Revenue Golf Course Certificates of Obligation due in annual installments of \$165,000 to \$390,000 through September 1, 2024; interest at 3.50% to 5.00%.	\$ 4,570,000	\$
\$765,000 Series 2004B Combination Tax & Revenue Golf Course Certificates of Obligation due in annual installments of \$25,000 to \$70,000 through September 1, 2024; interest at 4.875% to 5.50%.	<u>740,000</u>	
	<u>\$ 5,310,000</u>	<u>\$</u>

ACDC Sales Tax Revenue Bonds:

\$5,350,000 Series 1997 Sales Tax Revenue Bonds due in annual installments of \$125,000 to \$435,000 through September 1, 2017; interest at 4.625% to 6.625%.	\$ 260,000	\$
\$5,125,000 Series 1999 Sales Tax Revenue Bonds due in annual installments of \$55,000 to \$400,000 through September 1, 2019; interest at 4.5% to 6.0%.	1,295,000	
\$5,600,000 Series 2006 Refunding Bonds due in annual installments of \$290,000 to \$785,000 through September 1, 2019; interest at 3.75% to 5.0%.	<u>5,600,000</u>	
	<u>\$ 7,155,000</u>	<u>\$</u>

CITY OF ALLEN, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007

NOTE 5. LONG-TERM DEBT - CONTINUED

Water and Sewer Revenue Bonds:

	<u>Governmental</u>	<u>Business-type</u>
\$12,545,000 Series 1999 Bonds due in annual installments of \$330,000 to \$950,000 through June 1, 2019; interest at 3.55% to 5.0%.	\$	\$ 7,125,000
\$6,710,000 Series 2004 Bonds due in annual installments of \$175,000 to \$490,000 through June 1, 2024; interest at 4.75% to 5.0%.		5,490,000
\$4,300,000 Series 2005 Bonds due in annual installments of \$140,000 to \$310,000 through June 1, 2025; interest at 3.75% to 6.625%.		<u>3,995,000</u>
	<u>\$</u>	<u>\$ 16,610,000</u>

The following is a summary of long-term debt transactions, including current portion, of the City for the year ended September 30, 2007:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds	\$ 78,300,000	\$ 11,145,000	(\$6,135,000)	\$ 83,310,000	\$ 4,575,000
Certificates of Obligation	5,500,000		(190,000)	5,310,000	200,000
Capital lease payable	144,197		(67,925)	76,272	57,698
Compensated absences	2,696,685	387,663	(134,834)	2,949,513	1,788,368
Less deferred amounts:					
For issuance premiums	1,557,416		(20,604)	1,536,812	
For refundings	(<u>1,357,035</u>)		<u>158,316</u>	(<u>1,198,719</u>)	
Governmental activity Long-term debt	<u>\$ 86,841,263</u>	<u>\$ 11,532,663</u>	<u>(\$ 6,390,047)</u>	<u>\$ 91,983,878</u>	<u>\$ 6,621,066</u>

CITY OF ALLEN, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007

NOTE 5. LONG-TERM DEBT – CONTINUED

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Business Type Activities					
Water and Sewer Revenue Bonds	\$ 18,190,000	\$	(\$ 1,580,000)	\$ 16,610,000	\$ 1,575,000
Compensated absences	231,346	84,912	(58,950)	257,308	195,234
Capital lease payable	139,916		(88,713)	51,203	36,063
Less deferred amounts:					
For refundings	(82,282)		4,636	(77,646)	
For issuance discounts / premiums	(4,282)		3,135	(1,147)	
Business-type activity					
Long-term debt	<u>\$ 18,474,698</u>	<u>\$ 84,912</u>	<u>(\$ 1,719,892)</u>	<u>\$ 16,839,718</u>	<u>\$ 1,806,297</u>
Component Units					
Sales Tax Revenue Bonds	\$ 7,625,000	\$	(\$ 470,000)	\$ 7,155,000	\$ 495,000
Less deferred amounts:					
For issuance premiums	177,910		(13,179)	164,731	
For refundings	(139,498)		8,206	(131,292)	
Component units					
Long-term debt	<u>\$ 7,663,412</u>	<u>\$</u>	<u>(\$ 474,973)</u>	<u>\$ 7,188,439</u>	<u>\$ 495,000</u>

Annual Requirements to Retire Debt Obligations

The City intends to retire all of its general long-term liabilities, plus accrued interest, from ad valorem taxes and other current revenues. The proprietary fund type long-term debt will be repaid, plus accrued interest, from operating revenues of the Water and Sewer Fund. The annual aggregate maturities for each bond type for the years subsequent to September 30, 2007, are as follows:

General Obligation Bonds

Annual debt service requirements to maturity for general obligation bonds, including interest of \$32,978,298 are as follows:

<u>Fiscal Year Ending September 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	4,575,000	3,785,483	8,360,483
2009	4,745,000	3,587,506	8,332,506
2010	4,960,000	3,389,960	8,349,960
2011	5,180,000	3,188,566	8,368,566
2012	5,435,000	2,978,034	8,413,034
2013 - 2017	29,515,000	10,926,242	40,441,242
2018 - 2022	22,540,000	4,363,842	26,903,842
2023 - 2027	<u>6,360,000</u>	<u>758,665</u>	<u>7,118,665</u>
Total	<u>\$ 83,310,000</u>	<u>\$ 32,978,298</u>	<u>\$ 116,288,298</u>

CITY OF ALLEN, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007

NOTE 5. LONG-TERM DEBT – CONTINUED

Certificates of Obligation

Annual debt service requirements to maturity for the Certificates of Obligation, including interest of \$2,391,918 are as follows:

Fiscal Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2008	\$ 200,000	233,825	433,825
2009	205,000	223,700	428,700
2010	220,000	213,325	433,325
2011	230,000	202,175	432,175
2012	240,000	190,525	430,525
2013 - 2017	1,440,000	798,500	2,238,500
2018 - 2022	1,875,000	466,805	2,341,805
2023 - 2024	900,000	63,063	963,063
Total	<u>\$ 5,310,000</u>	<u>\$ 2,391,918</u>	<u>\$ 7,701,918</u>

Water and Sewer Revenue Bonds

Revenue bond debt service requirements to maturity, including interest of \$6,109,026 are as follows:

Fiscal Year Ending September 30	Business-type Activities		
	Principal	Interest	Total
2008	1,575,000	789,358	2,364,358
2009	1,035,000	709,407	1,744,407
2010	1,085,000	659,089	1,744,089
2011	1,145,000	605,277	1,750,277
2012	1,200,000	549,221	1,749,221
2013 - 2017	5,540,000	1,928,901	7,468,901
2018 - 2022	3,630,000	749,269	4,379,269
2023 - 2025	1,400,000	118,504	1,518,504
Total	<u>\$ 16,610,000</u>	<u>\$ 6,109,026</u>	<u>\$ 22,719,026</u>

Sales Tax and Revenue Bonds

Sales Tax Revenue bond debt service requirements to maturity, including interest of \$2,060,745 are as follows:

Fiscal Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2008	495,000	318,305	813,305
2009	535,000	291,985	826,985
2010	570,000	266,410	836,410
2011	590,000	243,085	833,085
2012	625,000	218,935	843,935
2013 - 2017	3,580,000	670,275	4,250,275
2018 - 2019	760,000	51,750	811,750
Total	<u>\$ 7,155,000</u>	<u>\$ 2,060,745</u>	<u>\$ 9,215,745</u>

CITY OF ALLEN, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007

NOTE 5. LONG-TERM DEBT – CONTINUED

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and infrastructure. During the year, \$11,145,000 of general obligation bonds were issued to finance permanent public improvements and public purposes. The City is required by ordinance to create from ad valorem tax revenues a sinking fund sufficient to pay the current interest and principal installments as they become due. The Debt Service Fund has \$1,399,985 available to service the general obligation debt at September 30, 2007. There are a number of limitations and restrictions contained in the various general obligation bond indentures. The City is in compliance with all significant limitations and restrictions at September 30, 2007.

A schedule of authorized but unissued direct General Obligation Bonds as of September 30, 2007, is as follows:

<u>Taxing Body</u>	<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Previously Issued</u>	<u>2007 Issue</u>	<u>Unissued</u>
City of Allen	06-12-99	Fire Stn & Equip	\$ 4,900,000	\$ 3,765,000	\$ 1,135,000	\$
	06-12-99	Streets	20,500,000	20,309,500	190,500	
	06-12-99	Parks	22,000,000	21,349,000	401,000	250,000
	11-05-02	Performing Arts Center	19,500,000	2,786,500	28,500	16,685,000
	05-12-07	Service Cntr Facilities	14,500,000			14,500,000
	05-12-07	Municipal Public Bldgs	1,700,000			1,700,000
	05-12-07	Streets	27,200,000		2,840,000	24,360,000
	05-12-07	Parks	17,250,000		4,150,000	13,100,000
	05-12-07	Public Arts Projects	1,390,000		200,000	1,190,000
	05-12-07	Public Safety	<u>15,855,000</u>		<u>2,200,000</u>	<u>13,655,000</u>
		Total	<u>\$144,795,000</u>	<u>\$ 48,210,000</u>	<u>\$ 11,145,000</u>	<u>\$85,440,000</u>

CITY OF ALLEN, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007

NOTE 5. LONG-TERM DEBT – CONTINUED

Water and Sewer Revenue Bonds

The City is required by the applicable revenue bond indentures to pledge the net revenues of the Water and Sewer Enterprise Fund for the retirement of its outstanding revenue bonds, including interest thereon, and is required to maintain debt service funds and bond reserve funds for all such bonds outstanding.

Funds aggregating \$336,842 at September 30, 2007 are restricted within the Water and Sewer Enterprise Fund for servicing of the debt. The respective bond indentures require the City to make equal monthly payments to the restricted accounts to accumulate the annual principal and interest requirements as they become due.

Water and Sewer Revenue Bonds and Refunding Bonds are payable solely from and, equally secured by, a first lien on and pledge of the net revenue of the City's combined waterworks and sanitary sewer systems.

The ordinances authorizing the Revenue Bonds stipulate that the City will deposit, in addition to principal and interest requirements, certain amounts in a reserve fund. Amounts in the reserve fund are to be used to pay principal and interest on outstanding bonds at any time sufficient funds are not available in the bond interest and redemption fund. The bond indentures require that the City accumulate reserves to an amount equal to the average annual principal and interest requirements of all outstanding bonds secured by the net revenues of the system. Such reserves are funded up to the required level in equal monthly installments over a maximum five-year period, as defined in the indentures. Amounts in the reserve fund at September 30, 2007 of \$2,174,961 are adequate to meet the reserve requirements.

At September 30, 2007, restricted assets, which include Water and Sewer Revenue Bond Debt Service and Reserve Funds, were as follows:

Revenue bond debt service	\$ 1,359,811
Revenue bond reserve fund	<u>815,150</u>
	<u>\$ 2,174,961</u>

Retained earnings reserved for Water and Sewer revenue bond retirement is detailed as follows:

Restricted assets, revenue bond debt Service and reserve funds	\$ 2,174,961
Accrued interest, payable from restricted assets	(263,119)
Current maturities of revenue bonds, payable from restricted assets	<u>(1,575,000)</u>
Reserved for revenue bond principal and interest	<u>\$ 336,842</u>

The City is in compliance with the various requirements of the bond ordinances. This covenant requires that operating revenues, as defined, cover the current debt requirement including principal and interest by a minimum of 1.2 times. Such coverage at September 30, 2007 was 3.32 times.

CITY OF ALLEN, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007

NOTE 5. LONG-TERM DEBT – CONTINUED

Capital Leases

The City acquired office equipment under various leases accounted for as capital leases. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. As of September 30, 2007, the capitalized costs of the Governmental leased property and Business-type leased property under capital leases were \$632,755 and \$296,790, respectively.

The terms of the leases range from 3 - 5 years and call for monthly and annual payments over the life of the leases. The future minimum lease payments under the capitalized leases and the net present value of the future minimum lease payments at September 30, 2007 are as follows:

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2008	57,698	2,662	60,360
2009	12,622	760	13,382
2010	3,893	343	4,236
2011	<u>2,059</u>	<u>59</u>	<u>2,118</u>
Total	<u>\$ 76,272</u>	<u>\$ 3,824</u>	<u>\$ 80,096</u>

Fiscal Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2008	36,063	1,491	37,554
2009	9,954	584	10,538
2010	<u>5,186</u>	<u>83</u>	<u>5,269</u>
Total	<u>\$ 51,203</u>	<u>\$ 2,158</u>	<u>\$ 53,361</u>

Operating Leases

The City leases machinery and equipment under non-cancelable operating leases. Total costs for such leases were \$70,768 for the fiscal year ended September 30, 2007. Future minimum lease payments, by year and in the aggregate, under the non-cancelable lease commitments are as follows:

Fiscal Year Ending September 30,	Amount
2008	\$ 70,073
2009	92,884
Total	<u>\$ 162,957</u>

CITY OF ALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007

NOTE 6. INTERFUND TRANSFERS

All interfund transfers between the various funds are approved supplements to the operations of those funds. Individual fund operating transfers for fiscal year 2007 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$ 2,639,250	\$ 801,010
Non-Bond Capital Projects	<u>2,068,362</u>	<u>1,379,000</u>
Total Major Governmental Funds	<u>4,707,612</u>	<u>2,180,010</u>
Non-major Governmental Funds:		
Street Improvement		1,152
Antenna Rental Fund		175,000
Parks & Recreation Special Revenue	175,000	150,000
Park Improvement		67,710
Grants & Special Revenue	<u>195,183</u>	
Total Non-major Governmental Funds	<u>370,183</u>	<u>387,862</u>
Major Enterprise Funds		
Water and Sewer Fund	1,495,645	4,540,175
Solid Waste Fund		74,135
Drainage Utility Fund		170,575
Golf Course Fund	<u>570,652</u>	
Total Major Enterprise Funds	<u>\$ 2,066,297</u>	<u>\$ 4,784,885</u>
Internal Service Funds:		
Risk Management Fund	<u>\$ 208,665</u>	
Total Internal Service Funds	<u>208,665</u>	
Total Transfers	<u>\$ 7,352,757</u>	<u>\$ 7,352,757</u>

Transfers are used to 1) move amounts from funds receiving administrative and operating support to the appropriate fund incurring the administrative and operating costs and 2) to move unrestricted funds to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs and to support cash financing of capital projects.

The fund financial statements show:

- Governmental funds: Total transfers in of \$5,077,795 include funding for capital projects, grant matching funds, and reimbursement for operating and administrative costs incurred to provide technology, procurement, human resources, building maintenance, financial and administrative support. Transfers out totaling \$2,567,872 include cash financing of capital projects, support of programs recorded in non-major governmental funds and internal service funds.

CITY OF ALLEN, TEXAS

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007**

NOTE 6. INTERFUND TRANSFERS - CONTINUED

- Proprietary funds: Total transfers in of \$2,066,297 mainly represent amounts transferred into the Golf Course to support operations. The total transfer out of \$4,784,885 represents the amount provided by other funds for technology, procurement, human resources, building maintenance, financial and administrative support. The Internal Service Funds total transfer in of \$208,665 mainly represents the amounts needed for administrative support of the Risk Management fund.

NOTE 7. RETIREMENT PLAN

Plan Description

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 811 currently administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 811 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2006 valuations are contained in the 2005 TMRS Comprehensive Annual Financial Report. A copy of that report can be obtained by writing to: Texas Municipal Retirement System, P.O. Box 149153, 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 at least 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 percentage (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. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows (as of 4/04/07):

Deposit Rate:	7%
Matching Ratio (City to Employee):	2 to 1
A member is vested after	5 years

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the City are: 5 years/age 60; 20 years/any age.

Contributions and Funding Policy

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service 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

CITY OF ALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007

NOTE 7. RETIREMENT PLAN - CONTINUED

normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (over funded) 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. Both the employees and the City make contributions monthly. 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 serves as the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2006 valuation is effective for rates beginning January 2008).

Contributions and Funding Policy

Contributions by the City were \$2,519,314 or 10.9% of the covered payroll of \$25,875,248 as required by the actuarial valuation. Annual City TMRS pension cost and related information for the last three years is as follows:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2005	\$2,307,968	100%	0
2006	2,570,900	100%	0
2007	2,519,314	100%	0

Actuarial Assumptions

Actuarial Cost Method	--	Unit Credit
Amortization Method	--	Level Percent of Payroll
Remaining Amortization Period	--	25 Years – Open Period
Asset Valuation Method	--	Amortized Cost
Investment Rate of Return	--	7%
Projected Salary increases	--	None
Includes Inflation At	--	3.5%
Cost-of-Living Adjustments	--	None

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>December 31,</u>				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Actuarial value of assets	\$39,700,687	\$34,749,259	\$30,154,132	\$26,378,242	\$23,100,250
Actuarial accrued liability	47,412,499	41,257,545	36,451,050	33,315,146	28,115,556
Percentage funded	83.73%	84.2%	83 %	79 %	82 %
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	7,711,812	6,508,286	6,296,918	6,936,904	5,015,406
Annual covered payroll	25,875,248	23,580,572	21,251,288	18,963,358	17,651,515
UAAL as a percentage of covered payroll	29.8%	27.6%	30 %	37 %	28 %

CITY OF ALLEN, TEXAS

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007**

Additional Information

At its December 8, 2007 meeting, the TMRS Board of Trustees adopted actuarial assumptions to be used in the actuarial valuation for the year ended December 31, 2007. A summary of the actuarial assumptions and definitions can be found in the December 31, 2007 TMRS Comprehensive Annual Financial Report (CAFR).

Since its inception, TMRS has used the traditional Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuations date but does not project the potential future liability of provisions adopted by a city. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. These provisions are considered to be "committed" benefits (or likely to be guaranteed); as such, the TMRS Board has adopted the Projected Unit Credit (PUC) actuarial funding method, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the PUC method will be used.

In addition, the Board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board of Trustee rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period may be increased up to 30 years, unless a city requests that the period remain at 25 years. For cities with repeating features, these changes will likely result initially in higher required contributions and lower funded ratios. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approximately 12.5% each year) to their full rate (or their required contribution rate).

Using demographic data from the 12/31/06 valuation, TMRS' actuary has made calculations with the new actuarial assumptions. For cities with annually repeating benefits, those calculations resulted in estimated higher contribution rates, increased unfunded actuarial liabilities, and lower funded ratios.

As of January 2008, The City elected to fund an additional 1% of the estimated payroll to reduce the unfunded liability.

NOTE 8. WATER AND SEWER CONTRACTS

In 1972, the City entered into a forty-year contract with the North Texas Municipal Water District (District) for the purchase of water. Under the terms of this contract, the City is obligated to make a minimum annual payment (adjusted annually) in return for a minimum volume of gallons of water per year. During 1998, the City was annexed into the North Texas Municipal Water District, which guaranteed the City a minimum volume of water. During the year ended September 30, 2007, the cost of water purchased under this contract was \$5,700,024.

In 1978, the City entered into a contract with the District for the transportation, treatment and disposal of sanitary sewage and other waste. The contract will continue in force at least until all bonds issued by the District pursuant to the contract have been paid in full and will remain in force thereafter throughout the useful life of the District's sanitary sewer system. The contract requires the City to pay varying amounts based on the costs associated with sewage transported and/or treated and disposed of. The cost includes the City's proportionate share of the District's operating and maintenance expenses and related debt service costs. During 2007, the cost for transportation, treatment and disposal of sewage and other wastes was \$4,130,515.

CITY OF ALLEN, TEXAS

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007**

NOTE 9. DEFERRED COMPENSATION PLAN

As a result of legislative changes, all amounts of compensation deferred, all property and rights purchased, and all income, property or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries, whereas, prior to these legislative changes, these amounts were solely the property and rights of the City subject only to the claims of the City's general creditors. As a result at September 30, 2007, the deferred compensation investments are not reported in the City's financial statements.

NOTE 10. RISK MANAGEMENT

Health and Dental Insurance

The City provides health and dental insurance benefits to City employees under a modified self-insurance plan. Under the plan, the City and the employee pay a portion of a predetermined monthly premium, which is based on the estimated claims cost for the plan and the extent of medical coverage selected by the employee. To cover annual costs, premium payments are reported as operating revenues of the Risk Management Fund and operating expenditures/expenses of the participating funds.

A commercial insurance carrier is utilized to adjudicate and pay medical claims on behalf of the City. The City's liability is limited by an excess ("stop loss") insurance policy covering individual claims in excess of \$100,000 per person. Throughout the policy year, the "stop loss" insurance carrier reimburses the City for claims paid during the policy year which exceeded the "stop loss" amount. A commercial insurance company re-insures the City for individual claims in excess of up to a lifetime maximum of \$2,000,000.

The liabilities for insurance claims reported are based on GASB No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an estimate for incurred but not reported claims. The estimated amount at September 30, 2007 was \$617,301.

Changes in the Risk Management liability during the past five fiscal years were as follows:

<u>Year Ending September 30,</u>	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at End of Fiscal Year</u>
2003	\$ 303,246	\$ 3,011,365	\$ 2,952,591	\$ 362,020
2004	362,020	3,827,089	3,764,493	424,616
2005	424,616	4,506,755	4,404,086	527,285
2006	527,285	4,347,042	4,359,306	515,021
2007	515,021	6,056,992	5,954,712	617,301

CITY OF ALLEN, TEXAS

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2007

NOTE 10. RISK MANAGEMENT - CONTINUED

Postemployment Benefits

The City provides post-employment health care benefits to all employees who retire from the City at any age with 20 years of service. The benefit provided by the City consists of participation in the City's health insurance plan at the same cost as an employee until age 65. Premiums are equal to COBRA rates and are paid entirely by the retired employee. Currently only two retirees are covered by these benefits. During fiscal year 2006-2007, retiree claims were \$3,847 less than premiums collected. Revenues and expenditures are included in the Risk Management Fund.

During fiscal year 2006-2007 the Government Accounting Standard Board implemented Statement 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions which requires the City to report, for the first time, annual post employment benefit costs and the unfunded actuarial accrued liabilities for past service costs. An actuarial valuation of the post-retirement medical and dental insurance program for the City of Allen was completed as of August 31, 2005 to provide the basis of implementing GASB 45 in fiscal year 2007-2008. The actuarial study indicated a \$240,657 liability of which the City has elected to make \$40,068 annual contributions to fund the annual required contribution (ARC) of \$8,423 and \$31,645 for the normal annual cost for current and future retirees.

Workers Compensation, Property and Liability Insurance

The City participates in the Texas Municipal League Intergovernmental Risk Pool ("TMLIRP") for workers' compensation claims, liability (general, automobile, law enforcement, and errors/omissions), and property insurance. The cost is based on the pool's claims cost, which is adjusted to reflect the City's individual claims experience. As claims arise they are submitted to and paid by TMLIRP. To cover annual costs, premium payments are reported as operating revenues of the Risk Management Fund and operating expenditures/expenses of the participating funds.

The City has a workers' compensation deductible of \$25,000 per occurrence, with an annual aggregate deductible of \$400,000. During 2007, the City contributed \$534,084 to the Risk Management Fund for workers' compensation.

The City has various levels of insurance deductibles for property, liability, and automobile insurance with the maximum deductible set at \$10,000. All insured claims are paid by TMLIRP, less the appropriate deductible. During 2007, the City contributed \$488,442 for property and general liability.

NOTE 11. COMMITMENTS AND CONTINGENT LIABILITIES

Federal Grants The City participates in a number of State and federally assisted grant programs. Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Litigation The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

CITY OF ALLEN, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2007

NOTE 11. COMMITMENTS AND CONTINGENT LIABILITIES - CONTINUED

Economic Development Grant The City has several economic development agreements whereby it has agreed to pay a grant(s) to a developer and/or business in return for the design, construction, operating and/or managing of the business within the City of Allen. All grants are performance based and do not constitute a liability on the City's financial records.

**REQUIRED SUPPLEMENTARY
INFORMATION**

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Ad valorem taxes, penalties and interest	\$ 22,779,504	\$ 23,328,756	\$ 23,230,344	\$ (98,412)
Franchise taxes	4,627,190	4,918,286	4,866,243	(52,043)
Municipal sales tax	10,130,630	9,734,954	9,755,380	20,426
Licenses, permits and fees	1,626,000	1,562,500	1,637,556	75,056
Charge for services	1,348,619	1,386,228	1,404,376	18,148
Court fines	1,500,001	1,848,900	1,727,693	(121,207)
Gifts and contributions	129,333	135,162	163,844	28,682
Investment earnings	508,000	751,000	969,303	218,303
Miscellaneous	51,983	110,771	261,404	150,633
Total revenues	42,701,260	43,776,557	44,016,143	239,586
EXPENDITURES				
Current:				
General government	10,317,903	10,245,666	9,111,806	1,133,860
Public safety	20,056,714	20,124,811	19,825,653	299,158
Public works	3,340,534	3,169,112	3,025,105	144,007
Culture and recreation	9,798,554	9,324,196	8,772,497	551,699
Community development	1,964,876	1,977,524	1,893,229	84,295
Total expenditures	45,478,581	44,841,309	42,628,290	2,213,019
Excess (deficiency) of revenues over expenditures	(2,777,321)	(1,064,752)	1,387,853	2,452,605
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	2,779,750	2,779,750	2,639,250	(140,500)
Transfers to other funds	(504,877)	(680,116)	(2,180,010)	(1,499,894)
Sale of capital assets	-	33,914	33,917	3
Total other financing sources (uses)	2,274,873	2,133,548	493,157	(1,640,391)
NET CHANGE IN FUND BALANCE	(502,448)	1,068,796	1,881,010	812,214
FUND BALANCES, BEGINNING OF YEAR	11,492,233	11,492,233	11,492,233	-
FUND BALANCES, END OF YEAR	\$ 10,989,785	\$ 12,561,029	\$ 13,373,243	\$ 812,214

CITY OF ALLEN, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED SEPTEMBER 30, 2007

BUDGETARY INFORMATION

The City Council adheres to the following procedures in establishing the budgets reflected in the financial statements:

1. Each year the City Manager is required to submit to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayers' comments.
3. Prior to October 1, the budget is legally enacted by the City Council through passage of an ordinance.
4. Annual budgets are legally adopted for the General Fund and Debt Service Fund on a basis consistent with accounting principles generally accepted in the United States of America. Formal budgetary integration is not employed for proprietary funds. However, the City does adopt an annual budget for those funds for managerial control.
5. The City Manager is authorized to adjust budgeted amounts; however, such revisions may not result in total expenditures (appropriations) in excess of budgeted expenditures without approval of the City Council. Therefore, the legal level of budgetary control is total budgeted expenditures.
6. Formal budgetary integration is not employed for Special Revenue Funds, Proprietary Funds or Capital Projects Funds. However, the City does adopt an annual budget for those funds for managerial control.
7. Budgetary data for the Special Revenue Funds and Capital Projects Funds has not been presented in the accompanying basic financial statements as such funds are budgeted over the life of the respective grant or project and not on an annual basis. Budgetary information for the Proprietary Funds has not been presented since reporting on such budgets is not legally required.

The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual — General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

The General Fund is used to account for resources associated with traditional governmental functions that are not required legally or by sound financial management to be accounted for in another fund.

DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources for and the payment of general obligation bonds, certificate of obligation bonds, and interest from governmental resources.

MAJOR SPECIAL REVENUE FUND

The Special Revenue Funds account for the proceeds of specific revenue sources (other than expendable trust or capital projects) that are legally restricted to expenditures for specific purposes. The City classifies the following Special Revenue Fund as a major fund:

Facilities Agreement Fund – To account for funds received from builders and developers used on specific facility agreements such as neighborhood parks, paving and assessments in new developments.

MAJOR CAPITAL PROJECTS FUNDS

The Capital Projects Funds account for all resources used for the acquisition and/or construction of major capital facilities by the City, except those financed by proprietary funds and trust funds. The following Capital Projects Funds are classified as major funds:

General Capital Projects Fund – To account for the acquisition and/or construction of capital facilities and infrastructure, except those financed by proprietary and trust funds and not accounted for by the other capital project funds. Proceeds from nonrecurring revenue sources are allocated to this fund.

General Obligation Bond Fund – To account for bond proceeds used for financing, acquisitions, and construction of improvements to City facilities and infrastructure not accounted for by other bond funds. Proceeds from the sale of general obligation bonds provide financing for this fund.

GENERAL FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 947,111	\$ 5,764,838
Investments	12,269,447	6,169,000
Receivables:		
Ad valorem taxes (net of allowances for uncollectibles of \$176,292 in 2007 and \$220,791 in 2006)	340,921	508,305
Sales taxes	1,676,639	1,625,234
Accrued interest	109,679	25,158
Other	1,369,040	1,364,218
Prepaid items	<u>-</u>	<u>1,250</u>
TOTAL ASSETS	\$ <u>16,712,837</u>	\$ <u>15,458,003</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ 1,561,408	\$ 1,308,438
Accrued liabilities	1,437,265	1,239,027
Due to other funds	-	910,000
Deferred revenue	<u>340,921</u>	<u>508,305</u>
TOTAL LIABILITIES	<u>3,339,594</u>	<u>3,965,770</u>
FUND BALANCES		
Reserved for prepaid items	-	1,250
Unreserved, undesignated	<u>13,373,243</u>	<u>11,490,983</u>
TOTAL FUND BALANCES	<u>13,373,243</u>	<u>11,492,233</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>16,712,837</u>	\$ <u>15,458,003</u>

GENERAL FUND
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
REVENUES		
Ad valorem taxes, penalties and interest	\$ 23,230,344	\$ 19,727,993
Franchise taxes	4,866,243	5,520,215
Municipal sales tax	9,755,380	9,230,206
Licenses, permits and fees	1,637,556	1,732,374
Charge for services	1,404,376	1,447,878
Court fines	1,727,693	1,506,429
Gifts and contributions	152,018	78,370
Intergovernmental	11,826	-
Investment earnings	969,303	789,876
Miscellaneous	261,404	498,658
Total revenues	<u>44,016,143</u>	<u>40,531,999</u>
EXPENDITURES		
Current:		
General government	9,111,806	7,293,588
Public safety	19,825,653	18,124,797
Public works	3,025,105	3,257,485
Culture and recreation	8,772,497	8,750,856
Community development	1,893,229	1,723,126
Total expenditures	<u>42,628,290</u>	<u>39,149,852</u>
Excess of revenues over expenditures	<u>1,387,853</u>	<u>1,382,147</u>
OTHER FINANCING SOURCES AND (USES)		
Transfers from other funds	2,639,250	2,339,600
Transfers to other funds	(2,180,010)	(2,111,267)
Capital lease obligations	-	65,944
Sale of capital assets	33,917	380,634
Total other financing sources	<u>493,157</u>	<u>674,911</u>
NET CHANGE IN FUND BALANCES	1,881,010	2,057,058
FUND BALANCE, BEGINNING OF YEAR	<u>11,492,233</u>	<u>9,435,175</u>
FUND BALANCE, END OF YEAR	<u>\$ 13,373,243</u>	<u>\$ 11,492,233</u>

DEBT SERVICE FUND
 COMPARATIVE BALANCE SHEETS
 SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS:		
Cash and cash equivalents	\$ 1,434,750	\$ 183,319
Investments	-	1,099,854
Receivables:		
Ad valorem taxes (net of allowances for uncollectibles of \$109,352 in 2007 and \$133,428 in 2006)	146,476	245,110
Accrued interest receivable	-	8,732
Other receivables	<u>2,046</u>	<u>1,806</u>
Total assets	<u>\$ 1,583,272</u>	<u>\$ 1,538,821</u>
LIABILITIES AND FUND BALANCES:		
LIABILITIES		
Interest Payable	\$ 36,810	\$ -
Deferred revenue	<u>146,477</u>	<u>245,110</u>
Total liabilities	<u>183,287</u>	<u>245,110</u>
FUND BALANCE		
Reserved for debt service	<u>1,399,985</u>	<u>1,293,711</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,583,272</u>	<u>\$ 1,538,821</u>

DEBT SERVICE FUND
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
REVENUES		
Ad valorem taxes	\$ 9,957,899	\$ 9,600,260
Investment earnings	<u>316,837</u>	<u>178,792</u>
Total revenues	<u>10,274,736</u>	<u>9,779,052</u>
EXPENDITURES		
Principal retirement	6,325,000	4,725,670
Interest and fiscal charges	<u>3,843,462</u>	<u>5,272,002</u>
Total expenditures	<u>10,168,462</u>	<u>9,997,672</u>
Deficiency of revenues over (under) expenditures	<u>106,274</u>	<u>(218,620)</u>
NET CHANGE IN FUND BALANCES	106,274	(218,620)
FUND BALANCES, BEGINNING OF YEAR	<u>1,293,711</u>	<u>1,512,331</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,399,985</u>	<u>\$ 1,293,711</u>

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Ad valorem taxes	\$ 9,749,347	\$ 9,982,214	\$ 9,957,899	\$ (24,315)
Investment earnings	250,000	240,000	316,837	76,837
Total revenues	9,999,347	10,222,214	10,274,736	52,522
EXPENDITURES				
Principal retirement	6,325,000	6,325,000	6,325,000	-
Interest and fiscal charges	3,836,117	3,836,117	3,843,462	(7,345)
Total expenditures	10,161,117	10,161,117	10,168,462	(7,345)
NET CHANGE IN FUND BALANCES	(161,770)	61,097	106,274	45,177
FUND BALANCE, BEGINNING OF YEAR	1,293,711	1,293,711	1,293,711	-
FUND BALANCE, END OF YEAR	\$ 1,131,941	\$ 1,354,808	\$ 1,399,985	\$ 45,177

FACILITIES AGREEMENT FUND
 COMPARATIVE BALANCE SHEETS
 SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 2,598,795	\$ 5,728,521
Investments	3,339,310	1,320,499
Accrued interest receivable	<u>35,664</u>	<u>10,483</u>
Total assets	<u>\$ 5,973,769</u>	<u>\$ 7,059,503</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 23,887	\$ 38,134
Retainage payable	57,325	21,068
Deferred revenue	<u>2,723,041</u>	<u>4,173,884</u>
Total liabilities	<u>2,804,253</u>	<u>4,233,086</u>
FUND BALANCES		
Reserved for encumbrances	154,712	545,426
Unreserved, undesignated	<u>3,014,804</u>	<u>2,280,991</u>
Total fund balances	<u>3,169,516</u>	<u>2,826,417</u>
Total liabilities and fund balances	<u>\$ 5,973,769</u>	<u>\$ 7,059,503</u>

FACILITIES AGREEMENT FUND
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
REVENUES		
Gifts and contributions	\$ 1,527,029	\$ 448,159
Investment earnings	<u>343,099</u>	<u>346,473</u>
Total revenues	<u>1,870,128</u>	<u>794,632</u>
EXPENDITURES		
Capital outlay	<u>1,527,029</u>	<u>448,159</u>
Total expenditures	<u>1,527,029</u>	<u>448,159</u>
NET CHANGE IN FUND BALANCES	343,099	346,473
FUND BALANCES, BEGINNING OF YEAR	<u>2,826,417</u>	<u>2,479,944</u>
FUND BALANCES, END OF YEAR	<u>\$ 3,169,516</u>	<u>\$ 2,826,417</u>

GENERAL CAPITAL PROJECTS FUND
 COMPARATIVE BALANCE SHEETS
 SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 5,670,780	\$ 3,325,456
Investments	3,072,227	3,119,786
Accrued interest receivable	32,812	24,768
Special assessments receivable	187,557	187,557
Due from other funds	<u>-</u>	<u>820,000</u>
Total assets	<u>\$ 8,963,376</u>	<u>\$ 7,477,567</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 229,328	\$ 194,479
Retainage payable	121,407	287,112
Accrued liabilities	<u>782,336</u>	<u>622,326</u>
Total liabilities	<u>1,133,071</u>	<u>1,103,917</u>
FUND BALANCES		
Reserved for encumbrances	1,784,737	1,449,765
Unreserved, designated	<u>6,045,568</u>	<u>4,923,885</u>
Total fund balances	<u>7,830,305</u>	<u>6,373,650</u>
Total liabilities and fund balances	<u>\$ 8,963,376</u>	<u>\$ 7,477,567</u>

GENERAL CAPITAL PROJECTS FUND
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
REVENUES		
Charges for services	\$ 770,929	\$ 593,749
Intergovernmental	1,359,628	1,882,500
Investment earnings	415,660	368,414
Miscellaneous	<u>721,002</u>	<u>303,098</u>
Total revenues	<u>3,267,219</u>	<u>3,147,761</u>
EXPENDITURES		
General government	76,095	143,277
Capital outlay	<u>3,802,831</u>	<u>5,707,586</u>
Total expenditures	<u>3,878,926</u>	<u>5,850,863</u>
Deficiency of revenues over expenditures	<u>(611,707)</u>	<u>(2,703,102)</u>
OTHER FINANCING SOURCES (USES)		
Transfers from other funds	2,068,362	1,288,600
Transfers to other funds	<u>-</u>	<u>(35,000)</u>
Total other financing sources (uses)	<u>2,068,362</u>	<u>1,253,600</u>
NET CHANGE IN FUND BALANCES	1,456,655	(1,449,502)
FUND BALANCES, BEGINNING OF YEAR	<u>6,373,650</u>	<u>7,823,152</u>
FUND BALANCES, END OF YEAR	<u>\$ 7,830,305</u>	<u>\$ 6,373,650</u>

GENERAL OBLIGATION BOND FUND
 COMPARATIVE BALANCE SHEETS
 SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 3,131,576	\$ 1,782,836
Investments	10,105,881	1,528,373
Accrued interest receivable	<u>107,932</u>	<u>12,134</u>
Total assets	<u>\$ 13,345,389</u>	<u>\$ 3,323,343</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 91,616	\$ 5,877
Retainage payable	<u>19,051</u>	<u>136,448</u>
Total liabilities	<u>110,667</u>	<u>142,325</u>
FUND BALANCES		
Reserved for encumbrances	96,773	2,563
Unreserved, undesignated	<u>13,137,949</u>	<u>3,178,455</u>
Total fund balances	<u>13,234,722</u>	<u>3,181,018</u>
Total liabilities and fund balances	<u>\$ 13,345,389</u>	<u>\$ 3,323,343</u>

GENERAL OBLIGATION BOND FUND
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
REVENUES		
Investment earnings	\$ 245,817	\$ 134,262
Miscellaneous	10,138	-
Total revenues	<u>255,955</u>	<u>134,262</u>
EXPENDITURES		
General government	1,263,817	918,126
Capital outlay	83,434	556,108
Total expenditures	<u>1,347,251</u>	<u>1,474,234</u>
Deficiency of revenues over expenditures	<u>(1,091,296)</u>	<u>(1,339,972)</u>
OTHER FINANCING SOURCES		
Issuance of debt	<u>11,145,000</u>	<u>1,595,000</u>
Total other financing sources	<u>11,145,000</u>	<u>1,595,000</u>
NET CHANGE IN FUND BALANCES	10,053,704	255,028
FUND BALANCES, BEGINNING OF YEAR	<u>3,181,018</u>	<u>2,925,990</u>
FUND BALANCES, END OF YEAR	<u>\$ 13,234,722</u>	<u>\$ 3,181,018</u>

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Funds account for the proceeds of specific revenue sources (other than expendable trust or capital projects) that are legally restricted to expenditures for specific purposes. Non-major Special Revenue Funds are as follows:

Antenna Rental Fund – To account for funds received and expended for capital items for the City.

Hotel Occupancy Tax Fund – To account for funds received from hotel occupancy tax and expend as allowed by state law.

Asset Forfeiture Fund – To account for activities associated with assets legally seized and forfeited.

Grants and Special Revenue Fund – To account for monies received from other governmental agencies that have restricted legal requirements and multi-year budgets.

Parks and Recreation Fund – To account for the provision of recreation services to the residents of the City, account for the operations and maintenance of the City's leisure and competitive swimming pools and to account for funds received and expended for the City of Allen swim team activities.

Library Acquisition Fund – To account for funds received and expended for the acquisition of library books and other resources.

Park Dedication Fund – To account for funds received and expended for the acquisition of additional park land and for the development of neighborhood parks.

CAPITAL PROJECTS FUNDS

The Capital Projects Funds account for all resources used for the acquisition and/or construction of major capital facilities by the City, except those financed by proprietary funds and trust funds. The following Capital Projects Funds are classified as non-major funds:

Street Improvements Fund – To account for the financing and construction of improvements to and the extension of the City's streets. The construction is financed primarily by the proceeds of general obligation bonds and interest on investments.

Park Improvements Fund – To account for the financing, improvements, and enlargements of the City's parks. These improvements and enlargements are funded by general obligation bond proceeds and interest on investments.

CITY OF ALLEN, TEXAS

NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 SEPTEMBER 30, 2007

	SPECIAL REVENUE				
	ANTENNA RENTAL	HOTEL OCCUPANCY TAX	ASSET FORFEITURE	GRANTS AND SPECIAL REVENUE	PARKS AND RECREATION
ASSETS					
Cash and cash equivalents	\$ 323,027	\$ 505,235	\$ 23,566	\$ 305,082	\$ 479,127
Investments	-	-	-	-	-
Accounts receivable	-	55,179	-	124,260	-
Accrued interest	-	-	-	-	-
TOTAL ASSETS	\$ 323,027	\$ 560,414	\$ 23,566	\$ 429,342	\$ 479,127
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ 26,116	\$ 180	\$ 64,120	\$ 46,796
Retainage payable	-	-	-	3,800	-
Accrued liabilities	-	-	2,724	16,672	37,453
Deferred revenue	-	-	-	62,095	10,493
TOTAL LIABILITIES	-	26,116	2,904	146,687	94,742
FUND BALANCES					
Reserved for encumbrances	-	-	-	-	-
Unreserved	323,027	534,298	20,662	282,655	384,385
TOTAL FUND BALANCES	323,027	534,298	20,662	282,655	384,385
TOTAL LIABILITIES AND FUND BALANCES	\$ 323,027	\$ 560,414	\$ 23,566	\$ 429,342	\$ 479,127

<u>CAPITAL PROJECTS</u>					TOTAL NON-MAJOR GOVERNMENTAL FUNDS
<u>LIBRARY ACQUISITION</u>	<u>PARK DEDICATION</u>	<u>STREET IMPROVEMENTS</u>	<u>PARK IMPROVEMENTS</u>		
\$ 262,153	\$ 1,373,766	\$ -	\$ 131,136	\$	3,403,092
-	1,037,414	-	-		1,037,414
-	-	-	-		179,439
<u>-</u>	<u>11,080</u>	<u>-</u>	<u>-</u>		<u>11,080</u>
<u>\$ 262,153</u>	<u>\$ 2,422,260</u>	<u>\$ -</u>	<u>\$ 131,136</u>	<u>\$</u>	<u>4,631,025</u>
\$ -	\$ 1,753	\$ -	\$ 15,628	\$	154,593
-	4,114	-	-		7,914
-	-	-	-		56,849
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>72,588</u>
<u>-</u>	<u>5,867</u>	<u>-</u>	<u>15,628</u>		<u>291,944</u>
-	61,297	-	28,782		90,079
<u>262,153</u>	<u>2,355,096</u>	<u>-</u>	<u>86,726</u>		<u>4,249,002</u>
<u>262,153</u>	<u>2,416,393</u>	<u>-</u>	<u>115,508</u>		<u>4,339,081</u>
<u>\$ 262,153</u>	<u>\$ 2,422,260</u>	<u>\$ -</u>	<u>\$ 131,136</u>	<u>\$</u>	<u>4,631,025</u>

CITY OF ALLEN, TEXAS

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

	SPECIAL REVENUE				
	ANTENNA RENTAL	HOTEL OCCUPANCY TAX	ASSET FORFEITURE	GRANTS AND SPECIAL REVENUE	PARKS AND RECREATION
REVENUES					
Franchise taxes	\$ -	\$ -	\$ -	\$ 64,765	\$ -
Licenses, permits, and fees	402,922	-	-	-	-
Court fines	-	-	-	166,137	-
Hotel / motel taxes	-	673,383	-	-	-
Recreation fees	-	-	-	-	2,098,051
Gifts and contributions	-	-	-	-	181,445
Intergovernmental	-	-	-	765,592	-
Investment earnings	12,419	13,662	695	8,353	19,592
Miscellaneous	-	-	37,612	1,737	93,832
Total revenues	<u>415,341</u>	<u>687,045</u>	<u>38,307</u>	<u>1,006,584</u>	<u>2,392,920</u>
EXPENDITURES					
General government	-	-	-	180,694	-
Public safety	-	-	18,404	412,490	-
Public works	-	-	-	41,309	-
Culture and recreation	98,703	334,465	-	47,195	2,376,848
Community development	-	-	-	138,725	-
Capital outlay	-	-	31,782	286,395	-
Total expenditures	<u>98,703</u>	<u>334,465</u>	<u>50,186</u>	<u>1,106,808</u>	<u>2,376,848</u>
Excess (deficiency) of revenues over expenditures	<u>316,638</u>	<u>352,580</u>	<u>(11,879)</u>	<u>(100,224)</u>	<u>16,072</u>
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	-	-	-	195,183	175,000
Transfers to other funds	(175,000)	-	-	-	(150,000)
Sale of capital assets	-	-	16,367	-	-
Total other financing sources (uses)	<u>(175,000)</u>	<u>-</u>	<u>16,367</u>	<u>195,183</u>	<u>25,000</u>
NET CHANGE IN FUND BALANCES	<u>141,638</u>	<u>352,580</u>	<u>4,488</u>	<u>94,959</u>	<u>41,072</u>
FUND BALANCES, BEGINNING OF YEAR	<u>181,389</u>	<u>181,718</u>	<u>16,174</u>	<u>187,696</u>	<u>343,313</u>
FUND BALANCES, END OF YEAR	<u>\$ 323,027</u>	<u>\$ 534,298</u>	<u>\$ 20,662</u>	<u>\$ 282,655</u>	<u>\$ 384,385</u>

CAPITAL PROJECTS				
LIBRARY ACQUISITION	PARK DEDICATION	STREET IMPROVEMENTS	PARK IMPROVEMENTS	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
\$ -	\$ -	\$ -	\$ -	\$ 64,765
-	262,545	-	-	665,467
-	-	-	-	166,137
-	-	-	-	673,383
-	-	-	-	2,098,051
228	-	-	-	181,673
-	-	-	-	765,592
13,157	126,941	34,181	59,136	288,136
-	-	-	-	133,181
<u>13,385</u>	<u>389,486</u>	<u>34,181</u>	<u>59,136</u>	<u>5,036,385</u>
-	-	-	-	180,694
-	-	-	-	430,894
-	-	5,438	-	46,747
-	-	-	-	2,857,211
-	-	-	-	138,725
-	268,896	795,975	1,149,669	2,532,717
-	268,896	801,413	1,149,669	6,186,988
<u>13,385</u>	<u>120,590</u>	<u>(767,232)</u>	<u>(1,090,533)</u>	<u>(1,150,603)</u>
-	-	-	-	370,183
-	-	(1,152)	(61,710)	(387,862)
-	-	-	-	16,367
-	-	(1,152)	(61,710)	(1,312)
13,385	120,590	(768,384)	(1,152,243)	(1,151,915)
<u>248,768</u>	<u>2,295,803</u>	<u>768,384</u>	<u>1,267,751</u>	<u>5,490,996</u>
<u>\$ 262,153</u>	<u>\$ 2,416,393</u>	<u>\$ -</u>	<u>\$ 115,508</u>	<u>\$ 4,339,081</u>

MAJOR ENTERPRISE FUNDS

The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent 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 City's council has decided that periodic determination of net income is appropriate for accountability purposes.

Water and Sewer Fund – To account for the provision of water and sewer services to the residents of the City.

Solid Waste Fund – To account for the provision of solid waste services to the residents of the City.

Drainage Fund – To account for the provision of developing and maintaining proper drainage services to the residents of the City.

Golf Course Fund – To account for activities associated with the operations of the Chase Oaks Golf Course purchased by the City in October 2004.

WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET ASSETS
SEPTEMBER 30, 2007 AND 2006

	2007	2006
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 8,970,293	\$ 10,070,114
Investments	6,404,397	9,853,578
Receivables, net of allowance for uncollectibles:		
Accounts	4,123,348	3,331,872
Accrued interest	68,401	54,410
Inventories	131,481	141,509
Restricted cash and cash equivalents	2,174,961	2,814,241
Total current assets	<u>21,872,881</u>	<u>26,265,724</u>
NONCURRENT ASSETS		
CAPITAL ASSETS		
Land	3,380,635	3,327,730
Towers, tanks, and pump stations	122,452,540	116,145,466
Vehicles	760,655	725,314
Machinery and equipment	2,948,093	2,469,928
Furniture and fixtures	11,114	11,114
Construction in progress	10,169,772	6,278,198
Total capital assets	139,722,809	128,957,750
Less: accumulated depreciation	<u>(40,474,572)</u>	<u>(36,143,546)</u>
Capital assets, net of accumulated depreciation	<u>99,248,237</u>	<u>92,814,204</u>
DEFERRED CHARGES - bond issuance costs, net of amortization	<u>151,632</u>	<u>161,311</u>
Total noncurrent assets	<u>99,399,869</u>	<u>92,975,515</u>
TOTAL ASSETS	<u>121,272,750</u>	<u>119,241,239</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	1,516,648	2,075,028
Accrued liabilities	509,331	360,936
Payable from restricted assets:		
Revenue bonds payable - current	1,575,000	1,580,000
Accrued interest payable	263,119	287,586
Accrued compensated absences - current	147,826	124,583
Customer deposits payable	1,308,963	1,250,584
Total current liabilities	<u>5,320,887</u>	<u>5,678,717</u>
NON-CURRENT LIABILITIES		
Revenue bonds payable	14,956,206	16,523,436
Accrued compensated absences	40,359	49,793
Total non-current liabilities	<u>14,996,565</u>	<u>16,573,229</u>
TOTAL LIABILITIES	<u>20,317,452</u>	<u>22,251,946</u>
NET ASSETS		
Invested in capital assets, net of related debt	82,889,025	77,878,785
Restricted		
Restricted for revenue bond principal and interest	336,842	946,656
Unrestricted	17,729,431	18,163,852
TOTAL NET ASSETS	<u>\$ 100,955,298</u>	<u>\$ 96,989,293</u>

WATER AND SEWER ENTERPRISE FUND
 COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES		
Water sales	\$ 10,992,395	\$ 15,189,548
Sewer charges	7,084,215	6,786,694
Connection fees	241,895	269,051
Service charges	469,517	638,541
Miscellaneous	<u>606,264</u>	<u>47,260</u>
Total operating revenues	<u>19,394,286</u>	<u>22,931,094</u>
OPERATING EXPENSES		
Personnel services	2,833,142	2,725,162
Contractual and other services	10,953,668	9,810,399
Maintenance	277,231	212,249
Supplies	123,102	109,319
Depreciation	4,373,306	4,087,222
Other	<u>126,462</u>	<u>127,661</u>
Total operating expenses	<u>18,686,911</u>	<u>17,072,012</u>
OPERATING INCOME	<u>707,375</u>	<u>5,859,082</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	1,130,430	923,966
Interest expense	(856,339)	(906,632)
Development fees	<u>1,889,477</u>	<u>1,753,041</u>
Total non-operating expense	<u>2,163,568</u>	<u>1,770,375</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>2,870,943</u>	<u>7,629,457</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS		
Capital contributions	4,139,592	6,504,517
Transfers from other funds	1,495,645	10,290
Transfers to other funds	<u>(4,540,175)</u>	<u>(2,182,633)</u>
Total capital contributions and transfers	<u>1,095,062</u>	<u>4,332,174</u>
CHANGE IN NET ASSETS	3,966,005	11,961,631
NET ASSETS, BEGINNING OF YEAR	<u>96,989,293</u>	<u>85,027,662</u>
NET ASSETS, END OF YEAR	<u>\$ 100,955,298</u>	<u>\$ 96,989,293</u>

WATER AND SEWER ENTERPRISE FUNDS
 COMPARATIVE STATEMENTS OF CASH FLOWS
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 18,602,810	\$ 23,886,558
Cash paid to employees for services	(2,819,333)	(2,771,207)
Cash paid for goods and services	<u>(11,812,361)</u>	<u>(9,749,963)</u>
Net cash provided by operating activities	<u>3,971,116</u>	<u>11,365,388</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers from other funds	1,495,645	10,290
Transfers to other funds	<u>(4,540,175)</u>	<u>(2,182,633)</u>
Net cash provided used in non-capital financing activities	<u>(3,044,530)</u>	<u>(2,172,343)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on revenue bond maturities	(1,580,000)	(1,545,000)
Interest and fees paid on long-term debt	(873,036)	(901,693)
Acquisition and construction of capital assets	(6,667,748)	(7,558,547)
Contributions from developers	<u>1,889,477</u>	<u>1,753,041</u>
Net cash provided by (used in) capital and related financing activities	<u>(7,231,307)</u>	<u>(8,252,199)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(4,406,570)	(9,959,693)
Proceeds from the sale and maturities of investment securities	7,865,285	12,035,393
Interest on investments	<u>1,106,905</u>	<u>797,053</u>
Net cash provided by (used in) investing activities	<u>4,565,620</u>	<u>2,872,753</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,739,101)	3,813,599
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>12,884,355</u>	<u>9,070,756</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u>11,145,254</u>	\$ <u>12,884,355</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Operating income	\$ <u>707,375</u>	\$ <u>5,859,082</u>
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization expense	4,382,986	4,087,222
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(791,476)	955,464
(Increase) decrease in inventories	10,028	(66,835)
Increase (decrease) in accounts payable	(558,380)	489,658
Increase in accrued liabilities	148,395	29,810
Increase (decrease) in compensated absences	13,809	(46,045)
Increase in utility deposits	<u>58,379</u>	<u>57,032</u>
Total adjustments	<u>3,263,741</u>	<u>5,506,306</u>
Net cash provided by operating activities	<u>\$ 3,971,116</u>	<u>\$ 11,365,388</u>
NON-CASH INVESTING ACTIVITIES:		
Change in the fair value of investments	<u>\$ 9,534</u>	<u>\$ 108,585</u>
NON-CASH FINANCING ACTIVITIES:		
Contributions of capital assets from developers	<u>\$ 4,139,592</u>	<u>\$ 6,504,517</u>

SOLID WASTE ENTERPRISE FUND
 COMPARATIVE STATEMENTS OF NET ASSETS
 SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,995,509	\$ 1,275,179
Receivables, net of allowance for uncollectibles:		
Accounts	233,619	188,440
Other	<u>321,565</u>	<u>299,492</u>
Total current assets	<u>2,550,693</u>	<u>1,763,111</u>
NONCURRENT ASSETS		
CAPITAL ASSETS		
Vehicles	44,448	44,448
Machinery and equipment	<u>9,819</u>	<u>9,819</u>
Total capital assets	54,267	54,267
Less: accumulated depreciation	<u>(50,683)</u>	<u>(41,235)</u>
Capital assets, net of accumulated depreciation	<u>3,584</u>	<u>13,032</u>
Total noncurrent assets	<u>3,584</u>	<u>13,032</u>
TOTAL ASSETS	<u>2,554,277</u>	<u>1,776,143</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	175,471	69,033
Accrued compensated absences-current	16,828	
Accrued liabilities	<u>21,447</u>	<u>32,542</u>
Total current liabilities	<u>213,746</u>	<u>101,575</u>
NON-CURRENT LIABILITIES		
Accrued compensated absences	<u>5,351</u>	<u>22,584</u>
Total non-current liabilities	<u>5,351</u>	<u>22,584</u>
TOTAL LIABILITIES	<u>219,097</u>	<u>124,159</u>
NET ASSETS		
Invested in capital assets, net of related debt	3,584	13,032
Unrestricted	<u>2,331,596</u>	<u>1,638,952</u>
TOTAL NET ASSETS	<u>\$ 2,335,180</u>	<u>\$ 1,651,984</u>

SOLID WASTE ENTERPRISE FUND
 COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES		
Garbage collections	\$ 4,552,398	\$ 4,073,155
Other	45,407	363,264
	<u>4,597,805</u>	<u>4,436,419</u>
Total operating revenues		
OPERATING EXPENSES		
Personnel services	219,162	258,661
Contractual and other services	3,634,416	3,174,850
Supplies	9,438	11,074
Depreciation	9,449	10,806
Other	48,595	67,703
	<u>3,921,060</u>	<u>3,523,094</u>
Total operating expenses		
OPERATING INCOME (LOSS)	<u>676,745</u>	<u>913,325</u>
NON-OPERATING REVENUES		
Interest income	80,586	33,904
	<u>80,586</u>	<u>33,904</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>757,331</u>	<u>947,229</u>
TRANSFERS		
Transfers to other funds	(74,135)	(48,078)
	<u>(74,135)</u>	<u>(48,078)</u>
Total transfers		
CHANGE IN NET ASSETS	683,196	899,151
NET ASSETS, BEGINNING OF YEAR	<u>1,651,984</u>	<u>752,833</u>
NET ASSETS, END OF YEAR	<u>\$ 2,335,180</u>	<u>\$ 1,651,984</u>

SOLID WASTE ENTERPRISE FUND
 COMPARATIVE STATEMENTS OF CASH FLOWS
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 4,530,553	\$ 4,272,563
Cash paid to employees for services	(236,395)	(258,172)
Cash paid for goods and services	<u>(3,597,107)</u>	<u>(3,476,564)</u>
Net cash provided by (used in) operating activities	<u>697,051</u>	<u>537,827</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers to other funds	<u>(74,135)</u>	<u>(48,078)</u>
Net cash used in non-capital financing activities	<u>(74,135)</u>	<u>(48,078)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>80,586</u>	<u>33,904</u>
Net cash provided by investing activities	<u>80,586</u>	<u>33,904</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	703,502	523,653
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,275,179</u>	<u>751,526</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,978,681</u>	<u>\$ 1,275,179</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net operating (loss)	\$ <u>676,745</u>	\$ <u>913,325</u>
Adjustments to reconcile net operating (loss) to net cash provided by (used in) operating activities:		
Depreciation	9,449	10,806
Change in assets and liabilities:		
Increase in accounts receivable	(45,179)	(27,104)
Increase in other receivables	(22,073)	(136,752)
Increase (decrease) in accounts payable	106,437	(233,886)
Increase in accrued liabilities	(11,095)	10,949
Increase in accrued compensated absences	<u>(17,233)</u>	<u>489</u>
Total adjustments	<u>20,306</u>	<u>(375,498)</u>
Net cash provided by (used in) operating activities	<u>\$ 697,051</u>	<u>\$ 537,827</u>

DRAINAGE ENTERPRISE FUND
 COMPARATIVE STATEMENTS OF NET ASSETS
 SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,240,556	\$ 1,027,531
Accounts receivable	53,942	42,008
Total current assets	<u>1,294,498</u>	<u>1,069,539</u>
NONCURRENT ASSETS		
CAPITAL ASSETS		
Other improvements	496,132	496,132
Vehicles	102,079	106,809
Machinery and equipment	373,734	373,734
Total capital assets	971,945	976,675
Less: accumulated depreciation	<u>(400,531)</u>	<u>(357,936)</u>
Capital assets, net of accumulated depreciation	<u>571,414</u>	<u>618,739</u>
Total noncurrent assets	<u>571,414</u>	<u>618,739</u>
TOTAL ASSETS	<u>1,865,912</u>	<u>1,688,278</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	22,774	7,307
Accrued compensated absences	10,791	
Accrued liabilities	8,867	8,368
Total current liabilities	<u>42,432</u>	<u>15,675</u>
NON-CURRENT LIABILITIES		
Accrued compensated absences	<u>3,431</u>	<u>10,609</u>
Total non-current liabilities	<u>3,431</u>	<u>10,609</u>
TOTAL LIABILITIES	<u>45,863</u>	<u>26,284</u>
NET ASSETS		
Invested in capital assets, net of related debt	571,414	618,739
Unrestricted	<u>1,248,635</u>	<u>1,043,255</u>
TOTAL NET ASSETS	<u>\$ 1,820,049</u>	<u>\$ 1,661,994</u>

DRAINAGE ENTERPRISE FUND
 COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES		
Drainage fees	\$ 909,066	\$ 861,947
Service charges	66,573	123,166
Miscellaneous	-	14,895
	<u>975,639</u>	<u>1,000,008</u>
Total operating revenues		
OPERATING EXPENSES		
Personnel services	299,721	270,148
Contractual and other services	87,916	87,469
Maintenance	178,765	186,423
Supplies	28,632	11,641
Depreciation	47,326	55,791
Other	63,143	36,283
	<u>705,503</u>	<u>647,755</u>
Total operating expenses		
OPERATING INCOME	<u>270,136</u>	<u>352,253</u>
Non-operating revenues - interest income	<u>58,494</u>	<u>37,637</u>
INCOME BEFORE TRANSFERS	<u>328,630</u>	<u>389,890</u>
TRANSFERS		
Transfers to other funds	<u>(170,575)</u>	<u>(141,655)</u>
Total operating transfers	<u>(170,575)</u>	<u>(141,655)</u>
CHANGE IN NET ASSETS	158,055	248,235
NET ASSETS, BEGINNING OF YEAR	<u>1,661,994</u>	<u>1,413,759</u>
NET ASSETS, END OF YEAR	<u>\$ 1,820,049</u>	<u>\$ 1,661,994</u>

DRAINAGE ENTERPRISE FUND
 COMPARATIVE STATEMENTS OF CASH FLOWS
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 963,705	\$ 998,486
Cash paid to employees for services	(306,899)	(270,052)
Cash paid for goods and services	<u>(342,491)</u>	<u>(326,931)</u>
Net cash provided by operating activities	<u>314,315</u>	<u>401,503</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers to other funds	<u>(170,575)</u>	<u>(141,655)</u>
Net cash used in non-capital financing activities	<u>(170,575)</u>	<u>(141,655)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>58,494</u>	<u>37,637</u>
Net cash provided by investing activities	<u>58,494</u>	<u>37,637</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	202,234	297,485
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,027,531</u>	<u>730,046</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,229,765</u>	<u>\$ 1,027,531</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ <u>270,136</u>	\$ <u>352,253</u>
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	47,326	55,791
Change in assets and liabilities:		
(Increase) in accounts receivable	(11,934)	(1,522)
(Decrease) in accounts payable	15,466	(4,598)
Increase (decrease) in accrued liabilities	499	(517)
Increase in compensated absences	<u>(7,178)</u>	<u>96</u>
Total adjustments	<u>44,179</u>	<u>49,250</u>
Net cash provided by operating activities	<u>\$ 314,315</u>	<u>\$ 401,503</u>

GOLF COURSE ENTERPRISE FUND
 STATEMENTS OF NET ASSETS
 SEPTEMBER 30, 2007 AND 2006

	2007	2006
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 233,047	\$ 34,140
Accounts receivable	6,849	15,710
Due from other funds	-	90,000
Prepaid items	11,050	11,050
Total current assets	<u>250,946</u>	<u>150,900</u>
NONCURRENT ASSETS		
CAPITAL ASSETS		
Furniture and fixtures	10,894	-
Machinery and equipment	309,508	296,790
Less: accumulated depreciation	<u>(247,948)</u>	<u>(175,210)</u>
Capital assets, net of accumulated depreciation	<u>72,454</u>	<u>121,580</u>
Total noncurrent assets	<u>72,454</u>	<u>121,580</u>
TOTAL ASSETS	<u>323,400</u>	<u>272,480</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	67,625	46,052
Accrued liabilities	32,517	33,489
Accrued compensated absences	19,789	-
Capital leases payable - current	36,063	88,713
Customer deposits payable	<u>26,488</u>	<u>23,969</u>
Total current liabilities	<u>182,482</u>	<u>192,223</u>
NON-CURRENT LIABILITIES		
Capital leases payable	15,140	51,203
Accrued compensated absences	<u>12,936</u>	<u>23,777</u>
Total non-current liabilities	<u>28,076</u>	<u>74,980</u>
TOTAL LIABILITIES	<u>210,558</u>	<u>267,203</u>
NET ASSETS		
Invested in capital assets, net of related debt	21,251	(18,336)
Unrestricted	<u>91,591</u>	<u>23,613</u>
TOTAL NET ASSETS	<u>\$ 112,842</u>	<u>\$ 5,277</u>

GOLF COURSE ENTERPRISE FUND
 STATEMENTS OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES		
Service charges	\$ 1,317,956	\$ 1,294,941
Miscellaneous	22,131	2,486
Total operating revenues	<u>1,340,087</u>	<u>1,297,427</u>
OPERATING EXPENSES		
Personnel services	981,802	982,610
Contractual and other services	515,133	647,374
Maintenance	76,054	107,234
Supplies	123,946	108,421
Depreciation	72,738	108,763
Other	33,501	40,078
Total operating expenses	<u>1,803,174</u>	<u>1,994,480</u>
OPERATING LOSS	<u>(463,087)</u>	<u>(697,053)</u>
TRANSFERS		
Transfers from other funds	570,652	707,000
Transfers to other funds	-	(8,712)
Total operating transfers	<u>570,652</u>	<u>698,288</u>
CHANGE IN NET ASSETS	107,565	1,235
NET ASSETS, BEGINNING OF YEAR	<u>5,277</u>	<u>4,042</u>
NET ASSETS, END OF YEAR	<u>\$ 112,842</u>	<u>\$ 5,277</u>

GOLF COURSE ENTERPRISE FUND
 STATEMENTS OF CASH FLOWS
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,348,948	\$ 1,297,413
Cash paid to employees for services	(992,643)	(987,661)
Cash paid for goods and services	(725,514)	(894,457)
Net cash used in operating activities	<u>(369,209)</u>	<u>(584,705)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Operating transfers from other funds	660,652	627,000
Operating transfers to other funds	-	(8,712)
Net cash provided by non-capital financing activities	<u>660,652</u>	<u>618,288</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(23,612)	-
Capital lease down payment	(88,713)	(98,730)
Net cash used in capital and related financing activities	<u>(112,325)</u>	<u>(98,730)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	179,118	(65,147)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>34,140</u>	<u>99,287</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 213,258</u>	<u>\$ 34,140</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Net operating loss	\$ (463,087)	\$ (697,053)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation	72,738	108,763
Change in assets and liabilities:		
(Increase) in accounts receivable	8,861	(14)
Increase in accounts payable	21,573	2,383
Increase (decrease) in accrued liabilities	(972)	(1,022)
Increase in customer deposits	2,519	7,289
Increase (decrease) in compensated absences	(10,841)	(5,051)
Total adjustments	<u>93,878</u>	<u>112,348</u>
Net cash used in operating activities	<u>\$ (369,209)</u>	<u>\$ (584,705)</u>

INTERNAL SERVICE FUNDS

The Internal Service Funds are used to account for financing of services provided by one department to other departments of the City on a cost-reimbursement basis.

Replacement Fund - accounts for the costs associated with the acquisition of vehicles, machinery, and equipment through the rental of such items to other departments.

Risk Management Fund – accounts for the costs associated with workers compensation, liability and property insurance and medical and dental programs established for City employees and their covered dependents.

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2007
 (WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2006)

	REPLACEMENT FUND	RISK MANAGEMENT FUND	TOTALS	
			2007	2006
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 3,754,597	\$ 2,506,894	\$ 6,261,491	\$ 4,431,425
Investments	2,036,567	-	2,036,567	2,986,826
Accounts receivable	-	2,295	2,295	-
Accrued interest receivable	21,751	-	21,751	23,712
Total current assets	<u>5,812,915</u>	<u>2,509,189</u>	<u>8,322,104</u>	<u>7,441,963</u>
CAPITAL ASSETS				
Machinery and equipment	1,167,326	-	1,167,326	821,431
Vehicles	3,875,798	-	3,875,798	3,388,300
Accumulated depreciation	(2,440,479)	-	(2,440,479)	(1,910,339)
Capital assets, net of accumulated depreciation	<u>2,602,645</u>	<u>-</u>	<u>2,602,645</u>	<u>2,299,392</u>
TOTAL ASSETS	<u>8,415,560</u>	<u>2,509,189</u>	<u>10,924,749</u>	<u>9,741,355</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	32,527	106,409	138,936	263,906
Incurred but not reported claims	-	617,301	617,301	515,021
TOTAL LIABILITIES	<u>32,527</u>	<u>723,710</u>	<u>756,237</u>	<u>778,927</u>
NET ASSETS				
Invested in capital assets, net of related debt	2,602,645	-	2,602,645	2,299,392
Unrestricted	5,780,388	1,785,479	7,565,867	6,663,036
TOTAL NET ASSETS	<u>\$ 8,383,033</u>	<u>\$ 1,785,479</u>	<u>\$ 10,168,512</u>	<u>\$ 8,962,428</u>

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED SEPTEMBER 30, 2007
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2006)

	REPLACEMENT FUND	RISK MANAGEMENT FUND	TOTALS	
			2007	2006
OPERATING REVENUES				
Charges for services	\$ 1,196,563	\$ 6,144,619	\$ 7,341,182	\$ 6,266,847
Other income	-	67,396	67,396	44,789
Total operating revenues	<u>1,196,563</u>	<u>6,212,015</u>	<u>7,408,578</u>	<u>6,311,636</u>
OPERATING EXPENSES				
Personal services	-	156,678	156,678	148,613
Contractual services	-	6,056,994	6,056,994	4,874,327
Depreciation	668,279	-	668,279	450,369
Total operating expenses	<u>668,279</u>	<u>6,213,672</u>	<u>6,881,951</u>	<u>5,473,309</u>
OPERATING INCOME	<u>528,284</u>	<u>(1,657)</u>	<u>526,627</u>	<u>838,327</u>
NON-OPERATING REVENUES				
Investment earnings	310,462	121,831	432,293	286,652
Gain on disposal of capital assets	38,499	-	38,499	6,752
Total non-operating revenues	<u>348,961</u>	<u>121,831</u>	<u>470,792</u>	<u>293,404</u>
INCOME BEFORE TRANSFERS	<u>877,245</u>	<u>120,174</u>	<u>997,419</u>	<u>1,131,731</u>
TRANSFERS				
Transfers from other funds	-	208,665	208,665	230,357
Total transfers	<u>-</u>	<u>208,665</u>	<u>208,665</u>	<u>230,357</u>
CHANGE IN NET ASSETS	877,245	328,839	1,206,084	1,362,088
NET ASSETS, BEGINNING OF YEAR	<u>7,505,788</u>	<u>1,456,640</u>	<u>8,962,428</u>	<u>7,600,340</u>
NET ASSETS, END OF YEAR	<u>\$ 8,383,033</u>	<u>\$ 1,785,479</u>	<u>\$ 10,168,512</u>	<u>\$ 8,962,428</u>

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2007
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2006)

	REPLACEMENT FUND	RISK MANAGEMENT FUND	TOTALS	
			2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from transactions with other funds	\$ 1,105,306	\$ 6,209,720	\$ 7,315,026	\$ 6,515,613
Cash paid to employees for services	-	(156,678)	(156,678)	(148,613)
Cash paid for goods and services	-	(2,472,511)	(2,472,511)	(1,404,388)
Cash paid for claims	-	(3,515,916)	(3,515,916)	(3,462,058)
Net cash provided by operating activities	<u>1,105,306</u>	<u>64,615</u>	<u>1,169,921</u>	<u>1,500,554</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	208,665	208,665	230,357
Net cash provided by non-capital financing activities	<u>-</u>	<u>208,665</u>	<u>208,665</u>	<u>230,357</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(1,037,386)	-	(1,037,386)	(925,214)
Proceeds from sale of capital assets	104,353	-	104,353	6,752
Net cash used in capital and related financing activities	<u>(933,033)</u>	<u>-</u>	<u>(933,033)</u>	<u>(918,462)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	995,933	-	995,933	(3,033,072)
Proceeds from sale and maturities of investment securities	-	-	-	3,000,000
Interest on investments	266,749	121,831	388,580	264,663
Net cash provided by (used in) investing activities	<u>1,262,682</u>	<u>121,831</u>	<u>1,384,513</u>	<u>231,591</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,434,955	395,111	1,830,066	1,044,040
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,319,642</u>	<u>2,111,783</u>	<u>4,431,425</u>	<u>3,387,385</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,754,597</u>	<u>\$ 2,506,894</u>	<u>\$ 6,261,491</u>	<u>\$ 4,431,425</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Net operating income	\$ 528,284	\$ (1,657)	\$ 526,627	\$ 838,327
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	668,279	-	668,279	450,369
Change in assets and liabilities:				
Decrease (Increase) in accounts receivables	-	(2,295)	(2,295)	80,193
Increase in accounts payable	(91,257)	68,567	(22,690)	131,665
Total adjustments	<u>577,022</u>	<u>66,272</u>	<u>643,294</u>	<u>662,227</u>
Net cash provided by operating activities	<u>\$ 1,105,306</u>	<u>\$ 64,615</u>	<u>\$ 1,169,921</u>	<u>\$ 1,500,554</u>
NON-CASH INVESTING ACTIVITIES:				
Change in the fair value of investments	<u>\$ 49,741</u>	<u>\$ -</u>	<u>\$ 49,741</u>	<u>\$ 7,271</u>

DISCRETELY PRESENTED COMPONENT UNITS

Allen Economic Development Corporation (AEDC) – AEDC is a legally separate entity from the City and is responsible for aiding, promoting and furthering economic development within the City.

Allen Community Development Corporation (ACDC) – ACDC is a legally separate entity from the City and is responsible for supporting the improvements in community parks and recreation, streets and sidewalks, public safety and the community library.

ALLEN ECONOMIC DEVELOPMENT CORPORATION
 COMPARATIVE BALANCE SHEETS
 SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 856,156	\$ 3,454,552
Investments	1,741,319	1,961,439
Sales tax receivable	838,319	812,617
Accounts receivable	1,301	1,562
Accrued interest receivable	<u>18,598</u>	<u>15,572</u>
TOTAL ASSETS	<u>\$ 3,455,693</u>	<u>\$ 6,245,742</u>
LIABILITIES AND FUND BALANCES		
CURRENT LIABILITIES		
Accounts payable	\$ 1,448,157	\$ 225,531
Accrued and other liabilities	<u>12,884</u>	<u>10,253</u>
TOTAL LIABILITIES	<u>1,461,041</u>	<u>235,784</u>
FUND BALANCES		
Unrestricted	<u>1,994,652</u>	<u>6,009,958</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,455,693</u>	<u>\$ 6,245,742</u>

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
ALLEN ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2007

Total governmental fund balance	\$	1,994,652
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		<u>9,461,263</u>
Net assets of governmental activities	\$	<u><u>11,455,915</u></u>

ALLEN ECONOMIC DEVELOPMENT CORPORATION
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
REVENUES		
Sales and other taxes	\$ 4,837,072	\$ 4,579,623
Investment earnings	310,990	277,912
Miscellaneous	<u>22,115</u>	<u>596,890</u>
 Total revenues	 <u>5,170,177</u>	 <u>5,454,425</u>
EXPENDITURES		
Current:		
Economic development	6,125,403	5,138,322
Capital projects:		
Economic development	<u>3,060,080</u>	<u>251,203</u>
 Total expenditures	 <u>9,185,483</u>	 <u>5,389,525</u>
 Excess of revenues over expenditures	 (4,015,306)	 64,900
 FUND BALANCES, BEGINNING OF YEAR	 <u>6,009,958</u>	 <u>5,945,058</u>
 FUND BALANCES, END OF YEAR	 <u>\$ 1,994,652</u>	 <u>\$ 6,009,958</u>

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
ALLEN ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Net change in fund balances - total governmental funds	\$ (4,015,306)
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(143,725)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	<u>3,060,080</u>
Change in net assets of governmental activities	<u>\$ (1,098,951)</u>

ALLEN COMMUNITY DEVELOPMENT CORPORATION
 COMPARATIVE BALANCE SHEETS
 SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,522,230	\$ 5,131,612
Investments	2,859,239	1,734,374
Sales tax receivable	838,320	812,617
Accounts receivable	39,301	1,562
Accrued interest receivable	30,537	13,769
TOTAL ASSETS	\$ <u>10,289,627</u>	\$ <u>7,693,934</u>
LIABILITIES AND FUND BALANCES		
CURRENT LIABILITIES		
Accounts payable	\$ 343,543	\$ 191,493
Retainage payable	73,940	31,891
TOTAL LIABILITIES	<u>417,483</u>	<u>223,384</u>
FUND BALANCES		
Reserved for encumbrances	497,827	547,625
Unreserved	9,374,317	6,922,925
Total fund balance	<u>9,872,144</u>	<u>7,470,550</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>10,289,627</u>	\$ <u>7,693,934</u>

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 ALLEN COMMUNITY DEVELOPMENT CORPORATION
 SEPTEMBER 30, 2007

Total governmental fund balance	\$ 9,872,144
Amounts reported for governmental activities in the statement of net assets are different because:	
Costs associated with the issuance of governmental long-term debt are expensed when incurred in the fund statements and capitalized and amortized over the life of the debt in the government-wide financial statements.	87,130
Interest payable on long-term debt does not require current financial resources, and, therefore, is not reported as a liability in the governmental funds balance sheet.	(26,525)
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the fund financial statements.	<u>(7,188,439)</u>
Net assets of governmental activities	<u><u>\$ 2,744,310</u></u>

ALLEN COMMUNITY DEVELOPMENT CORPORATION
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
REVENUES		
Sales and other taxes	\$ 4,837,072	\$ 4,579,623
Investment earnings	<u>450,743</u>	<u>283,700</u>
Total revenues	<u>5,287,815</u>	<u>4,863,323</u>
EXPENDITURES		
Current:		
Community development	611,457	691,494
Capital projects:		
Community development	1,461,696	1,115,573
Debt service:		
Principal retirement	470,000	445,000
Interest and fiscal charges	<u>343,068</u>	<u>344,110</u>
Total expenditures	<u>2,886,221</u>	<u>2,596,177</u>
Excess of revenues over expenditures	<u>2,401,594</u>	<u>2,267,146</u>
OTHER FINANCING SOURCES AND (USES)		
Issuance of refunding debt	-	5,600,000
Premium on issuance of debt	-	184,499
Payment to refund bond escrow agent	<u>-</u>	<u>(5,732,704)</u>
Total other financing sources	<u>-</u>	<u>51,795</u>
NET CHANGE IN FUND BALANCES	2,401,594	2,318,941
FUND BALANCES, BEGINNING OF YEAR	<u>7,470,550</u>	<u>5,151,609</u>
FUND BALANCES, END OF YEAR	<u>\$ 9,872,144</u>	<u>\$ 7,470,550</u>

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
 OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 TO THE STATEMENT OF ACTIVITIES
 ALLEN COMMUNITY DEVELOPMENT CORPORATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

Net change in fund balances - total governmental funds	\$ 2,401,594
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued. However, these amounts are deferred and amortized in the government-wide financial statements.	6,590
Current year changes in accrued interest payable do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(2,889)
Repayment of the principal on long-term debt consumes the current financial resources of governmental funds. However, these transactions have no effect on net assets.	<u>470,000</u>
Change in net assets of governmental activities	<u>\$ 2,875,295</u>

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

COMPARATIVE SCHEDULES OF CAPITAL ASSETS USED IN
THE OPERATION OF GOVERNMENTAL FUNDS - BY SOURCE (a)
SEPTEMBER 30, 2007 AND 2006

	2007	2006
GOVERNMENTAL FUNDS CAPITAL ASSETS		
Land and land improvements	\$ 103,304,007	\$ 98,611,044
Buildings	52,231,593	45,583,715
Machinery and equipment	4,380,533	4,005,827
Furniture and fixtures	2,894,713	2,846,757
Vehicles	3,021,981	3,171,545
Books	2,761,938	2,670,852
Infrastructure	<u>345,395,845</u>	<u>314,890,086</u>
Total property and equipment in service	513,990,610	471,779,826
Construction in progress	<u>10,835,221</u>	<u>27,591,180</u>
Total governmental funds capital assets	<u>\$ 524,825,831</u>	<u>\$ 499,371,006</u>
INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY REVENUE SOURCE		
General obligation bond proceeds and interest income	\$ 106,550,241	\$ 104,521,162
Revenue bonds	10,475,000	10,475,000
Contributions	307,084,732	291,128,363
Other governments	9,951,500	9,951,500
General and other fund operations	79,115,782	73,728,723
Special revenue funds	<u>11,648,576</u>	<u>9,566,258</u>
Total governmental funds capital assets	<u>\$ 524,825,831</u>	<u>\$ 499,371,006</u>

(a) This schedule presents only the capital asset balances related to governmental funds, including infrastructure. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF ALLEN

SCHEDULE OF CAPITAL ASSETS USED IN THE OPERATION OF
GOVERNMENTAL FUNDS-BY FUNCTION AND ACTIVITY (a)
AS OF SEPTEMBER 30, 2007

Function and Activity	Land	Land Improvements	Buildings	Machinery & Equipment
GENERAL GOVERNMENT				
Municipal court	\$ 631,788	\$	\$ 289,669	\$ 57,885
City administration	432,333		8,871,016	181,028
Information technology				268,244
Human resources				
Internal services				(6,784)
<i>Total General Government</i>	<u>1,064,121</u>		<u>9,160,685</u>	<u>500,373</u>
PUBLIC SAFETY				
Police			6,729,217	471,105
Fire	24,100		6,983,460	841,269
<i>Total Public Safety</i>	<u>24,100</u>		<u>13,712,677</u>	<u>1,312,374</u>
PUBLIC WORKS				
Community services & streets	51,238,812			287,360
Engineering	38,636,407			15,897
<i>Total Public Works</i>	<u>89,875,219</u>			<u>303,257</u>
CULTURE & RECREATION				
Parks & recreation	10,998,411	842,156	18,316,844	961,483
Library			11,041,387	532,849
<i>Total Culture & Recreation</i>	<u>10,998,411</u>	<u>842,156</u>	<u>29,358,231</u>	<u>1,494,332</u>
COMMUNITY DEVELOPMENT				
Building & code compliance				10,790
Planning & development				6,993
<i>Total community development</i>				<u>17,783</u>
GRANT ADMINISTRATION				
Grant Administration	500,000			752,414
<i>Total grant administration</i>	<u>500,000</u>			<u>752,414</u>
Construction in Progress				
Total governmental funds capital assets	\$ <u>102,461,851</u>	\$ <u>842,156</u>	\$ <u>52,231,593</u>	\$ <u>4,380,533</u>

Furniture & Fixtures	Vehicles	Books	Other Improvements	Construction in Progress	Total
\$ 413	\$	\$	\$	\$	\$ 979,755
838,709					10,323,086
16,009	9,681		222,321		516,255
3,336					3,336
18,321					11,537
<u>876,788</u>	<u>9,681</u>		<u>222,321</u>		<u>11,833,969</u>
261,717	352,985		71,867		7,886,891
235,398	1,347,662		269,885		9,701,774
<u>497,115</u>	<u>1,700,647</u>		<u>341,752</u>		<u>17,588,665</u>
	225,667		259,355,927		311,107,766
17,701	97,019		69,580,203		108,347,227
<u>17,701</u>	<u>322,686</u>		<u>328,936,130</u>		<u>419,454,993</u>
656,172	666,404		15,722,412		48,163,882
839,459		2,697,810			15,111,505
<u>1,495,631</u>	<u>666,404</u>	<u>2,697,810</u>	<u>15,722,412</u>		<u>63,275,387</u>
	135,089				145,879
7,478					14,471
<u>7,478</u>	<u>135,089</u>				<u>160,350</u>
	187,474	64,128	173,230		1,677,246
	<u>187,474</u>	<u>64,128</u>	<u>173,230</u>		<u>1,677,246</u>
				10,835,221	10,835,221
<u>\$ 2,894,713</u>	<u>\$ 3,021,981</u>	<u>\$ 2,761,938</u>	<u>\$ 345,395,845</u>	<u>\$ 10,835,221</u>	<u>\$ 524,825,831</u>

SCHEDULE OF CHANGES IN CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS - BY FUNCTION AND ACTIVITY (a)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

Function and Activity	Governmental Funds Capital Assets October 1, 2006	Developer Contributions	Additions	Deductions	Transfers	Governmental Funds Capital Assets September 30, 2007
GENERAL GOVERNMENT						
City Secretary						
Municipal Court	\$ 979,755	\$	\$	\$	\$	\$ 979,755
City Administration	10,284,491		9,125		29,468	10,323,084
Information Technology	430,620		85,637			516,257
Human Resources	3,336					3,336
Internal Services	11,537					11,537
Finance						-
Total General Government	11,709,739		94,762		29,468	11,833,969
PUBLIC SAFETY						
Police	7,510,816		247,016	(116,383)	245,442	7,886,891
Fire	9,602,724		70,698	(38,521)	66,873	9,701,774
Total Public Safety	17,113,540		317,714	(154,904)	312,315	17,588,665
PUBLIC WORKS						
Community services & streets	311,241,139			(133,373)		311,107,766
Engineering	83,891,748	14,857,491	354,445	(34,270)	9,277,813	108,347,227
Total Public Works	395,132,887	14,857,491	354,445	(167,643)	9,277,813	419,454,993
CULTURE & RECREATION						
Parks & Recreation	32,096,487	1,098,878	407,077		14,561,440	48,163,882
Library	14,086,405		150,000	(58,914)	934,014	15,111,505
Total Culture & Recreation	46,182,892	1,098,878	557,077	(58,914)	15,495,454	63,275,387
COMMUNITY DEVELOPMENT						
Building & Code Compliance	158,133			(12,254)		145,879
Planning & Development	14,471					14,471
Total Community Development	172,604			(12,254)		160,350
GRANT ADMINISTRATION						
Grant Administration	1,468,164		139,961		69,121	1,677,246
Total Grant Administration	1,468,164		139,961		69,121	1,677,246
Total general fixed assets allocated by function	471,779,826	15,956,369	1,463,959	(393,715)	25,184,171	513,990,610
Construction in progress	27,591,180		8,428,212		(25,184,171)	10,835,221
Total governmental funds capital assets	\$ 499,371,006	\$ 15,956,369	\$ 9,892,171	\$ (393,715)	\$	\$ 524,825,831
Total governmental funds capital assets	\$ 499,371,006	\$ 15,956,369	\$ 18,320,383	\$ (393,715)	\$ (25,184,171)	\$ 524,825,831

(a) This schedule presents only the capital asset balances related to governmental funds, including infrastructure. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**STATISTICAL SECTION
(UNAUDITED)**

STATISTICAL SECTION

This part of the City of Allen's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the City's overall financial health. This information has not been audited by the independent auditor.

<u>Contents</u>	<u>Table #s</u>
Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1, 2, 3 & 4
Revenue Capacity These tables contain information to help the reader assess the City's two most significant local revenue sources, the property and sales taxes.	5, 6, 7 & 8
Debt Capacity These tables 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.	9, 10, 11 & 12
Economic and Demographic Information These tables offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	13 & 14
Operating Information These tables 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.	15, 16 & 17

Source: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in fiscal year 2003: tables presenting government-wide information include information beginning in that year.

NET ASSETS BY COMPONENT
 LAST FIVE FISCAL YEARS
 (accrual basis of accounting)
 (Unaudited)

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 244,859,181	\$ 258,362,043	\$ 296,732,997	\$ 319,817,360	\$ 333,490,275
Restricted	-	-	1,273,649	1,155,334	1,099,998
Unrestricted	33,631,923	33,577,688	26,069,318	27,991,963	33,402,994
Total governmental activities net assets	<u>\$ 278,491,104</u>	<u>\$ 291,939,731</u>	<u>\$ 324,075,964</u>	<u>\$ 348,964,657</u>	<u>\$ 367,993,267</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 62,662,202	\$ 60,774,331	\$ 70,516,150	\$ 78,492,220	\$ 83,485,274
Restricted	23,046	662,643	228,047	946,656	336,842
Unrestricted	11,545,297	10,023,787	16,953,181	21,495,894	22,107,342
Total business-type activities net assets	<u>\$ 74,230,545</u>	<u>\$ 71,460,761</u>	<u>\$ 87,697,378</u>	<u>\$ 100,934,770</u>	<u>\$ 105,929,458</u>
Primary government					
Invested in capital assets, net of related debt	\$ 307,521,383	\$ 319,136,374	\$ 367,249,147	\$ 398,309,580	\$ 416,975,549
Restricted	23,046	662,643	1,501,696	2,101,990	1,436,840
Unrestricted	45,177,220	43,601,475	43,022,499	49,487,857	55,510,336
Total primary governmental net assets	<u>\$ 352,721,649</u>	<u>\$ 363,400,492</u>	<u>\$ 411,773,342</u>	<u>\$ 449,899,427</u>	<u>\$ 473,922,725</u>

Source: Comprehensive Annual Financial Report

Note: Accrual-basis financial information for the city as a whole is only available back to 2003, the year GASB Statement 34 was implemented.

CHANGES IN NET ASSETS
 LAST FIVE FISCAL YEARS
 (accrual basis of accounting)
 (Unaudited)

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
General government	\$ 5,232,132	\$ 5,064,045	\$ 8,354,753	\$ 9,262,795	\$ 11,171,912
Public safety	14,189,983	15,082,018	16,938,526	19,006,622	20,718,946
Public works	6,653,857	10,709,180	11,284,098	13,058,440	13,178,850
Culture and recreation	7,821,550	10,805,972	11,004,820	14,053,062	14,912,287
Community development	1,475,116	1,527,010	1,781,916	2,029,569	2,031,522
Grants administration	340,030	34,861	-	-	-
Interest on long-term debt	4,264,053	4,327,605	4,388,211	4,236,614	4,040,682
Total governmental activities expenses	<u>39,976,721</u>	<u>47,550,691</u>	<u>53,752,324</u>	<u>61,647,102</u>	<u>66,054,199</u>
Business-type activities:					
Water and sewer	13,068,955	16,097,999	15,915,281	17,851,504	19,463,383
Environmental waste services	3,052,961	3,370,834	3,470,363	3,523,094	3,921,060
Drainage	615,020	643,388	730,530	647,755	705,503
Golf Course	-	-	1,610,613	1,994,480	1,803,174
Total business-type activities expenses	<u>16,736,936</u>	<u>20,112,221</u>	<u>21,726,787</u>	<u>24,016,833</u>	<u>25,893,120</u>
Total primary government expenses	<u>\$ 56,713,657</u>	<u>\$ 67,662,912</u>	<u>\$ 75,479,111</u>	<u>\$ 85,663,935</u>	<u>\$ 91,947,319</u>
Program Revenues					
Governmental activities:					
Charges for Services:					
General government	\$ 215,689	\$ 95,368	\$ 358,546	\$ 387,773	\$ 488,618
Public safety	575,140	657,601	731,979	827,845	984,340
Public works	236	268,680	300,881	287,527	180,773
Culture and recreation	1,603,568	1,912,010	2,294,878	2,403,913	2,340,027
Community development	1,557,980	2,367,861	2,447,465	2,565,363	2,549,806
Operating grants and contributions	1,181,048	829,913	2,828,863	2,868,438	2,767,412
Capital grants and contributions	5,343,717	9,016,085	38,431,255	25,504,879	18,896,486
Total governmental activities program revenues	<u>10,477,378</u>	<u>15,147,518</u>	<u>47,393,867</u>	<u>34,845,738</u>	<u>28,207,462</u>
Business-type activities:					
Charges for services:					
Water and sewer	15,375,794	16,565,544	19,428,212	22,931,094	19,394,286
Environmental waste services	3,139,245	3,289,839	3,330,542	4,436,419	4,597,805
Drainage	791,464	866,433	937,774	1,000,008	975,639
Golf Course	-	-	1,204,536	1,297,427	1,340,087
Capital grants and contributions	1,974,803	2,139,123	7,912,862	8,257,558	6,029,069
Total business-type activities program revenues	<u>21,281,306</u>	<u>22,860,939</u>	<u>32,813,926</u>	<u>37,922,506</u>	<u>32,336,886</u>
Total primary government program revenues	<u>\$ 31,758,684</u>	<u>\$ 38,008,457</u>	<u>\$ 80,207,793</u>	<u>\$ 72,768,244</u>	<u>\$ 60,544,348</u>

(continued)

CHANGES IN NET ASSETS
LAST FIVE FISCAL YEARS
(accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	2003	2004	2005	2006	2007
Net (Expenses) Revenue					
Governmental activities	\$ (29,499,343)	\$ (32,403,173)	\$ (6,358,457)	\$ (26,801,364)	\$ (37,846,737)
Business-type activities	4,544,370	2,748,718	11,087,139	13,905,673	6,443,766
Total primary government net expenses	<u>\$ (24,954,973)</u>	<u>\$ (29,654,455)</u>	<u>\$ 4,728,682</u>	<u>\$ (12,895,691)</u>	<u>\$ (31,402,971)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes:					
Property taxes	\$ 23,033,563	\$ 25,157,725	\$ 27,414,742	\$ 29,667,668	\$ 32,922,229
Sales taxes	6,740,270	7,064,601	7,749,679	9,230,206	9,755,380
Franchise taxes	3,349,730	3,660,556	4,021,020	5,562,256	4,931,008
Hotel / Motel taxes	221,262	262,392	346,753	411,489	673,383
Other taxes	1,428,274	1,567,378	1,764,506	1,631,725	1,893,830
Investment earnings	1,149,016	1,271,209	1,071,768	2,401,571	3,011,145
Gain on sales of capital assets	-	-	-	327,268	77,938
Miscellaneous	800,747	1,176,473	1,069,285	794,086	891,846
Transfers	6,854,264	5,691,466	(4,943,063)	1,663,788	2,718,588
Total governmental activities	<u>43,577,126</u>	<u>45,851,800</u>	<u>38,494,690</u>	<u>51,690,057</u>	<u>56,875,347</u>
Business-type activities:					
Interest on investments	205,505	172,964	206,415	995,507	1,269,510
Transfers	(6,854,264)	(5,691,466)	4,943,063	(1,663,788)	(2,718,588)
Total business-type activities	<u>(6,648,759)</u>	<u>(5,518,502)</u>	<u>5,149,478</u>	<u>(668,281)</u>	<u>(1,449,078)</u>
Total primary government	<u>\$ 36,928,367</u>	<u>\$ 40,333,298</u>	<u>\$ 43,644,168</u>	<u>\$ 51,021,776</u>	<u>\$ 55,426,269</u>
Change in Net Assets					
Governmental activities	\$ 14,077,783	\$ 13,448,627	\$ 32,136,233	\$ 24,888,693	\$ 19,028,610
Business-type activities	(2,104,389)	(2,769,784)	16,236,617	13,237,392	4,994,688
Total primary government	<u>\$ 11,973,394</u>	<u>\$ 10,678,843</u>	<u>\$ 48,372,850</u>	<u>\$ 38,126,085</u>	<u>\$ 24,023,298</u>

Source: Comprehensive Annual Financial Report

Note: Accrual-basis financial information for the city as a whole is only available back to 2003, the year GASB Statement 34 was implemented.

FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)
 (Unaudited)

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved ^a	\$ -	\$ -	\$ -	\$ 70,616	\$ 680,095	\$ 112,906	\$ 4,713	\$ 7,796	\$ 1,250	\$ -
Unreserved	3,541,750	4,577,854	5,384,609	6,557,375	6,275,971	7,319,381	8,421,863	9,427,379	11,490,983	13,373,243
Total General Fund	<u>\$ 3,541,750</u>	<u>\$ 4,577,854</u>	<u>\$ 5,384,609</u>	<u>\$ 6,627,991</u>	<u>\$ 6,956,066</u>	<u>\$ 7,432,287</u>	<u>\$ 8,426,576</u>	<u>\$ 9,435,175</u>	<u>\$ 11,492,233</u>	<u>\$ 13,373,243</u>
All Other Governmental Funds										
Reserved for:										
Encumbrances	\$ 7,092,537	\$ 5,025,570	\$ 13,791,960	\$ 7,135,177	\$ 7,312,539	\$ 2,619,817	\$ 5,056,612	\$ 6,125,407	\$ 2,157,752	\$ 2,126,301
Debt service	1,017,694	937,386	833,788	848,466	1,040,735	1,377,670	1,541,257	1,512,331	1,293,711	1,399,985
Unreserved, reported in:										
Special revenue funds	1,815,448	2,075,248	2,055,251	2,331,981	2,387,046	5,109,438	4,797,416	4,261,650	5,711,430	4,559,831
Capital projects funds	12,325,180	18,814,175	13,401,188	23,810,161	29,485,848	34,091,220	31,226,995	9,253,356	10,002,899	21,887,492
Total all other governmental funds	<u>\$ 22,250,859</u>	<u>\$ 26,852,379</u>	<u>\$ 30,082,187</u>	<u>\$ 34,125,785</u>	<u>\$ 40,226,168</u>	<u>\$ 43,198,145</u>	<u>\$ 42,622,280</u>	<u>\$ 21,152,744</u>	<u>\$ 19,165,792</u>	<u>\$ 29,973,609</u>

Source: Comprehensive Annual Financial Report

Note: ^aIncludes encumbrances and prepaid items.

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
REVENUES										
Ad valorem taxes	\$ 9,293,862	\$ 11,111,363	\$ 13,488,693	\$ 16,293,275	\$ 19,806,522	\$ 23,281,808	\$ 25,081,914	\$ 27,314,825	\$ 29,328,253	\$ 33,188,243
Franchise taxes	1,685,172	1,898,119	2,139,442	2,839,104	3,270,580	3,349,730	3,660,556	4,021,020	5,562,256	4,931,008
Municipal sales tax	2,997,617	3,597,647	4,627,385	6,160,361	6,638,270	6,740,270	7,064,601	7,749,679	9,230,206	9,755,380
Licenses, permits and fees	1,842,603	2,006,937	1,733,140	1,896,867	1,484,888	1,364,939	1,494,082	1,617,995	2,829,227	2,303,023
Charges for services	536,480	753,775	1,430,918	1,288,629	1,147,409	988,076	2,072,885	2,182,146	2,041,627	2,175,305
Fines	465,756	671,934	738,005	1,007,666	1,179,269	1,428,274	1,567,378	1,764,506	1,631,725	1,893,830
Gifts and contributions	685,217	254,693	1,158,765	2,250	1,004,720	331,119	442,130	1,175,712	709,608	1,860,720
Special assessments	156,395	2,753	18,788	7,313	190,109	317,602	-	-	-	-
Hotel / motel taxes	-	-	-	-	-	221,262	262,392	346,753	411,489	673,383
Recreation fees	-	-	-	-	-	1,599,598	1,734,553	1,931,423	2,140,496	2,098,051
Intergovernmental	6,035,975	-	-	10,991,761	1,592,748	3,457,327	2,538,754	3,505,192	3,361,785	2,137,046
Interest earned	1,612,314	1,419,164	2,611,659	2,614,653	1,198,197	1,070,618	1,165,979	975,461	2,113,578	2,578,852
Miscellaneous	459,825	653,506	1,131,828	672,492	859,455	851,281	1,164,731	1,376,920	936,043	1,125,725
Total revenues	25,771,216	22,369,891	29,078,623	43,774,371	38,372,167	45,001,904	48,249,955	53,961,632	60,296,293	64,720,566
EXPENDITURES										
General government	2,126,443	2,640,755	3,822,845	4,315,392	5,325,097	5,404,974	5,642,290	7,752,050	8,510,267	10,632,412
Public safety	6,911,125	8,006,330	9,063,625	10,896,606	12,813,503	13,564,653	15,182,134	16,874,154	18,789,581	20,256,547
Public works	675,079	854,907	1,963,195	2,354,777	2,629,347	2,480,088	2,817,238	2,997,679	3,301,756	3,071,852
Culture and recreation	2,541,508	2,913,149	3,390,150	4,554,158	5,423,075	8,064,697	9,086,648	10,178,469	11,538,120	11,629,708
Community development	748,510	618,812	1,230,318	1,242,795	1,522,634	1,492,952	1,563,096	1,837,979	1,923,116	2,031,954
Grants administration	-	-	-	-	-	1,025,141	-	-	-	-
Capital outlay	10,945,525	11,638,490	12,328,707	23,897,780	16,495,335	17,248,740	21,256,909	25,231,568	9,663,363	7,946,011
Debt service										
Principal retirement	1,927,980	2,161,370	2,830,000	3,446,497	4,269,098	5,030,771	5,697,209	4,563,251	4,725,670	6,325,000
Interest and fiscal charges	1,715,075	2,306,686	2,715,171	3,367,273	3,851,836	4,112,260	3,977,473	5,564,814	5,272,002	3,843,462
Total expenditures	27,591,245	31,140,499	37,344,011	54,075,278	52,329,925	58,424,276	65,222,997	74,999,964	63,723,875	65,736,946
Excess (deficiency) of revenues over (under) expenditures	(1,820,029)	(8,770,608)	(8,265,388)	(10,300,907)	(13,957,758)	(13,422,372)	(16,973,042)	(21,038,332)	(3,427,582)	(1,016,380)
OTHER FINANCING SOURCES (USES)										
Refunding bonds	-	-	-	8,758,782	-	2,712,759	-	32,330,000	-	-
Issuance of debt	-	-	-	-	-	-	-	1,567,354	1,595,000	11,145,000
Sales of bonds	10,000,000	13,340,000	11,100,000	12,155,213	13,000,000	7,210,000	11,700,000	5,500,000	-	-
Capital lease obligations	32,127	-	-	54,275	396,945	6,789	-	140,863	65,944	-
Contractual obligations	-	-	-	1,994,826	1,062,588	-	-	-	-	-
Payment to refund bond escrow agent	-	-	-	(8,688,700)	-	(2,653,846)	-	(33,777,702)	-	-
Operating transfer from component units	48,000	200,000	121,865	76,116	1,122,588	-	-	-	-	-
Operating transfer to component units	-	-	(165,530)	-	-	-	-	-	-	-
Transfer from other funds	1,461,353	2,455,413	2,551,059	3,205,601	7,403,823	10,223,254	9,668,657	4,260,498	3,939,755	5,077,795
Transfer to other funds	(857,503)	(1,601,833)	(1,966,321)	(1,968,226)	(2,599,728)	(3,368,990)	(3,977,191)	(9,443,618)	(2,506,324)	(2,567,872)
Sale of capital assets	-	-	-	-	-	-	-	-	403,313	50,284
Total other financing sources (uses)	10,683,977	14,393,580	11,641,073	15,587,887	20,386,216	14,129,966	17,391,466	577,395	3,497,688	13,705,207
NET CHANGE IN FUND BALANCES	\$ 8,863,948	\$ 5,622,972	\$ 3,375,685	\$ 5,286,980	\$ 6,428,458	\$ 707,594	\$ 418,424	\$ (20,460,937)	\$ 70,106	\$ 12,688,827
Debt service as a percentage of noncapital expenditures	21.9%	22.9%	22.2%	22.6%	22.7%	22.9%	23.4%	21.3%	19.0%	17.7%

Source: Comprehensive Annual Financial Report

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 (Unaudited)

Fiscal Year	Estimated Market Value			Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property	Less: Tax- Exempt Property		
1998	1,763,247,427	148,256,651	350,773,544	1,560,730,534	0.58058
1999	2,105,285,044	281,480,421	498,155,556	1,888,609,909	0.57500
2000	2,542,874,371	296,891,491	557,065,255	2,282,700,607	0.57400
2001	3,098,407,144	316,828,050	565,835,776	2,849,399,418	0.56400
2002	3,725,894,750	401,347,847	682,360,112	3,444,882,485	0.56300
2003	4,377,809,180	553,906,196	855,166,382	4,076,548,994	0.56200
2004	4,762,431,405	462,934,194	792,365,952	4,432,999,647	0.56100
2005	5,064,065,680	444,153,445	723,071,317	4,785,147,808	0.56000
2006	5,431,725,066	487,759,119	757,822,868	5,161,661,317	0.55900
2007	5,977,932,595	527,560,589	786,249,114	5,719,244,070	0.55800

Sources: City of Allen Budget Document
 Collin Central Appraisal District

DIRECT AND OVERLAPPING PROPERTY TAX RATES (PER \$100 OF ASSESSED VALUE)
 LAST TEN FISCAL YEARS
 (Unaudited)

Fiscal Year	City Direct Rates			Overlapping Rates					
	Operating/ General Rate	General obligation Debt Service	Total Direct	Allen Independent School District	Plano Independent School District	McKinney Independent School District	Love Joy Independent School District	Collin County	Collin County Community College District
1998	0.34867	0.23191	0.58058	1.66110	1.51930	1.54000	1.54000	0.26000	0.09855
1999	0.35005	0.22495	0.57500	1.73690	1.53950	1.56000	1.63000	0.25000	0.09855
2000	0.34603	0.22797	0.57400	1.89290	1.57920	1.59000	1.65000	0.25000	0.09672
2001	0.34817	0.21583	0.56400	1.76204	1.55310	1.64000	1.62000	0.25000	0.09405
2002	0.35705	0.20595	0.56300	1.83140	1.62850	1.78500	1.62000	0.25000	0.09284
2003	0.35438	0.20762	0.56200	1.80820	1.70340	1.94500	1.60000	0.25000	0.09195
2004	0.35924	0.20176	0.56100	1.87230	1.73340	1.98000	1.70300	0.25000	0.09193
2005	0.35824	0.20176	0.56000	1.93335	1.73340	2.00000	1.82340	0.25000	0.09065
2006	0.37624	0.18276	0.55900	1.91246	1.73340	2.00000	1.82340	0.25000	0.08942
2007	0.39100	0.16700	0.55800	1.77510	1.57840	1.84100	1.69340	0.24500	0.08768

Source: Collin Central Appraisal District

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

2007			1998		
Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value ^a	Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value ^b
Chelsea Allen Development LP	\$ 64,246,753	1.12%	Janice Brittingham	\$ 24,570,152	1.57%
Lexington Allen LP	41,500,000	0.73%	Allen Office Inv. Ltd. Partners	23,174,124	1.48%
TXU Electric Delivery Company	35,840,926	0.63%	Cumberland Windsong Partners	11,800,087	0.76%
BES Settler's Gate Fund III LP & ETAL	30,836,874	0.54%	Lyrick	11,521,171	0.74%
Diebold Inc	30,692,559	0.54%	Texas Utilities Electric	10,976,703	0.70%
Benton Pointe Apartments Inc	29,492,600	0.52%	Southwestern Bell	9,135,010	0.59%
Cingular Wireless LLC	28,593,457	0.50%	DLM, Inc.	7,597,105	0.49%
Sanmina Corporation	25,489,515	0.45%	Crossmark Partners	6,915,162	0.44%
Bossy Boots Holdings Ltd	21,740,058	0.38%	Cottonwood Creek Association	6,482,000	0.42%
Lansbrook Apartment Ltd Partnership	21,037,030	0.37%	Bon Terre-B Ltd.	6,152,034	0.39%
Total	\$ 329,469,772	5.76%	Total	\$ 118,323,548	7.58%

Source: Collin Central Appraisal District

Notes: ^aTaxpayers are assessed on January 1, 2006 (2006 tax year) for the 2007 fiscal year.

^bTaxpayers are assessed on January 1, 1997 (1997 tax year) for the 1998 fiscal year.
Taxpayer information was only available back to fiscal year 1998.

AD VALOREM TAX LEVIES AND COLLECTIONS
 LAST TEN FISCAL YEARS
 (Unaudited)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections	
		Amount	Percentage of levy		Amount	Percentage of levy
1998	9,107,745	9,102,700	99.94	27,067	9,129,767	100.24
1999	10,823,366	10,762,014	99.43	68,580	10,830,594	100.07
2000	13,100,263	13,043,521	99.57	103,623	13,147,144	100.36
2001	16,070,978	16,051,072	99.88	152,450	16,203,522	100.82
2002	19,396,752	19,318,306	99.60	272,200	19,590,506	101.00
2003	22,912,250	22,792,642	99.48	552,794	23,345,436	101.89
2004	24,869,126	24,627,258	99.03	235,498	24,862,756	99.97
2005	26,796,828	26,904,000	100.40	256,767	27,160,767	101.36
2006	28,853,687	28,444,083	98.58	351,092	28,795,175	99.80
2007	31,913,382	31,515,163	98.75	244,800	31,759,963	99.52

Source: Collin Central Appraisal District

RATIO OF OUTSTANDING DEBT BY TYPE
 LAST TEN FISCAL YEARS
 (Unaudited)

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Obligation	Other Obligations	Water and Sewer Revenue Bonds	Other Obligations			
1998	38,413,921	-	843,960	9,791,532	-	49,049,413	7.78	1,372
1999	50,654,249	-	1,032,469	18,359,952	-	70,046,670	9.09	1,603
2000	59,117,730	-	1,337,556	17,427,204	-	77,882,490	5.41	1,612
2001	68,409,064	-	2,288,356	16,444,456	-	87,141,876	5.37	1,601
2002	78,007,619	-	3,316,909	15,416,709	-	96,741,237	5.52	1,646
2003	79,243,921	-	4,300,927	14,525,000	(110,210)	97,959,638	5.17	1,539
2004	85,833,921	-	3,800,414	16,775,000	(17,052)	106,392,283	5.32	1,584
2005	81,430,670	5,500,000	2,982,900	19,735,000	426,168	110,074,738	4.58	1,575
2006	78,300,000	5,500,000	3,041,263	18,190,000	284,698	105,315,961	4.03	1,391
2007	83,310,000	5,310,000	3,362,879	16,610,000	229,718	108,822,597	4.07	1,381

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

^aSee Table 13 for personal income and population data.

RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
	General Obligation Bonds	Certificates of Obligation	Total		
1998	38,413,921	-	38,413,921	2.46%	1,075
1999	50,654,249	-	50,654,249	2.68%	1,160
2000	59,117,730	-	59,117,730	2.59%	1,224
2001	68,409,064	-	68,409,064	2.40%	1,257
2002	78,007,619	-	78,007,619	2.26%	1,327
2003	79,243,921	-	79,243,921	1.94%	1,245
2004	85,833,921	-	85,833,921	1.94%	1,278
2005	81,430,670	5,500,000	86,930,670	1.82%	1,244
2006	78,300,000	5,500,000	83,800,000	1.62%	1,107
2007	83,310,000	5,310,000	88,620,000	1.55%	1,125

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

^aSee Table 5 for property value data.

^bSee Table 13 for population data.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2007
(Unaudited)

<u>Governmental Unit</u>	<u>Gross Bonded Debt</u>	<u>Percentage of Debt Applicable to Area</u>	<u>Allen Share of Overlapping Debt</u>
Debt repaid with property taxes			
Allen I.S.D.	\$ 264,321,813	93.46%	\$ 247,044,813
Plano I.S.D.	830,580,589	0.96%	7,969,735
McKinney I.S.D.	436,328,452	0.15%	661,207
Lovejoy I.S.D.	116,922,597	12.73%	14,889,067
Collin County	356,287,939	9.10%	32,427,520
Collin County Community College District	52,745,000	9.10%	4,798,972
Subtotal, overlapping debt			<u>307,791,314</u>
City of Allen (direct debt)	88,620,000	100.00%	<u>88,620,000</u>
Total direct and overlapping debt			<u><u>\$ 396,411,314</u></u>

Sources: Debt outstanding data provided by each school district and county.
Percentage of debt provided by the Collin Central Appraisal District.

PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS
 (Unaudited)

Fiscal Year	Water and Sewer System Revenue Bonds				
	Total Revenues ^a	Less: Operating Expenses ^b	Net Available Revenue	Annual Requirement ^c	Times Coverage
1998	9,448,995	4,952,415	4,496,580	1,167,694	3.85
1999	10,192,010	6,077,421	4,114,589	1,172,113	3.51
2000	12,848,778	5,862,644	6,986,134	1,859,299	3.76
2001	15,874,710	7,679,566	8,195,144	1,861,484	4.40
2002	15,923,966	8,404,926	7,519,040	1,854,609	4.05
2003	16,444,360	9,755,126	6,689,234	1,859,091	3.60
2004	17,454,426	10,808,922	6,645,504	1,857,806	3.58
2005	20,684,765	11,682,618	9,002,147	2,136,150	4.21
2006	25,608,101	12,984,790	12,623,311	2,445,730	5.16
2007	22,414,193	14,313,605	8,100,588	2,442,758	3.32

Notes: ^aIncludes operating and non-operating revenues.

^bIncludes operating expenses minus depreciation.

^cIncludes Principal and Interest.

DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS
 (Unaudited)

Year	Estimated Population ^a	Personal Income	Per Capita Personal Income ^b	School Enrollment ^c	Unemployment Rate ^d
1998	35,744	630,810,112	17,648	9,453	1.7%
1999	43,686	770,970,528	17,648	9,940	1.5%
2000	48,308	1,439,240,244	29,793	10,595	1.8%
2001	54,421	1,621,364,853	29,793	11,519	3.5%
2002	58,790	1,751,530,470	29,793	12,380	6.0%
2003	63,643	1,896,115,899	29,793	13,798	4.4%
2004	67,147	2,000,510,571	29,793	14,770	3.9%
2005	69,891	2,403,341,817	34,387	15,904	4.2%
2006	75,699	2,615,551,848	34,552	15,893	3.2%
2007	78,804	2,671,692,012	33,903	17,049	3.7%

Sources: ^aEstimated population provided by the City of Allen.

^bPer Capita Income provided by SRC, LLC

^cAllen Independent School District.

^dTexas Workforce Commission.

PRINCIPAL EMPLOYERS
CURRENT YEAR AND SIX YEARS AGO
(Unaudited)

2007			2001		
Employer	Employees	Percentage of Total City Employment	Employer	Employees	Percentage of Total City Employment
Allen Independent School District	2,300	10.07%	Allen Independent School District	1,335	11.84%
Presbyterian Hospital	690	3.02%	Experian	1,000	8.87%
City of Allen	684	3.00%	RCL Enterprises	865	7.67%
Experian	655	2.87%	City of Allen	308	2.73%
Graphic Converting	600	2.63%	Daisytek	300	2.66%
Sanmina SCI	565	2.47%	DEY Laboratories	300	2.66%
Celerity, Inc	330	1.45%	Millipore	260	2.31%
Jack Henry & Associates	303	1.33%	FSI International	225	2.00%
Sage Telecommunications	300	1.31%	Jack Henry	225	2.00%
RCL Enterprises	225	0.99%	Photonics	170	1.51%
Total	6,652	29.13%		4,988	44.25%

Source: Top ten employers and employee count provided by Allen Economic Development Corporation.

Note: Employer & Employees information were only available back to 2001.

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS
 (Unaudited)

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Government and Administration	27.75	32.75	38.00	43.75	40.25	42.75	42.25	41.75	43.75	46.75
Public Safety	125.00	145.00	157.00	167.00	189.00	199.00	202.50	210.00	233.00	239.00
Public Works	22.00	23.00	31.00	38.00	42.00	48.00	50.00	52.00	50.00	50.00
Culture and Recreational	45.00	49.00	70.50	111.75	126.75	133.60	130.10	144.96	157.64	161.04
Water and Sewer	19.00	23.00	34.00	38.00	46.00	50.00	50.50	53.50	56.50	57.00
Golf Course ^a	-	-	-	-	-	-	-	25.00	34.00	34.00
Community Development	14.50	14.50	21.50	21.50	25.50	25.00	25.00	26.00	26.00	28.50
Risk Management	-	-	-	1.00	1.00	1.00	1.00	2.00	2.00	2.00
Economic Development	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>	<u>3.00</u>	<u>4.00</u>
Total	<u>256.25</u>	<u>290.25</u>	<u>355.00</u>	<u>424.00</u>	<u>473.50</u>	<u>502.35</u>	<u>504.35</u>	<u>558.21</u>	<u>605.89</u>	<u>622.29</u>

Source: City Budget Book

Note: ^aThe City acquired Chase Oak Golf Course in Fiscal Year 2005.

OPERATING INDICATORS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS
 (Unaudited)

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public Safety										
Police										
Number of Employees	62	79	89	92	107	115	117	123	142	148
Number of Violations (Citations)	N/A	9,650	11,698	17,521	15,796	18,168	20,282	16,970	20,749	18,562
Fire										
Number of Employees	63	66	68	75	82	84	86	87	91	91
Number of Fire runs	770	1,268	1,168	1,091	1,102	1,038	1,477	1,618	1,844	1,298
Number of EMS runs	1,399	1,368	1,558	1,404	1,662	1,813	1,374	1,517	1,687	2,416
Development Services										
Streets paved (miles)	17	18	29	18	21	6	6	13	21	14
Building Permits Issued ^a	3,828	4,383	4,853	6,013	5,715	5,065	4,992	4,888	5,871	4,903
Cultural and Recreational										
Parks and Recreation										
Park maintain & operate per acre	N/A	N/A	N/A	N/A	\$ 6,429	\$ 5,844	\$ 5,885	\$ 4,741	\$ 5,796	\$ 5,093
Participants in Leisure Service Programs	N/A	N/A	N/A	N/A	262,522	273,661	306,501	307,469	308,699	351,931
Rounds of Golf	N/A	N/A	N/A	N/A	N/A	N/A	N/A	35,868	35,919	33,685
Library										
Volumes in Collection ^b	69,771	79,502	88,696	96,259	104,576	111,471	115,683	119,241	128,799	138,063
Water and Sewer										
Number of Water Consumers	11,698	13,181	15,946	17,897	19,603	20,758	21,933	22,870	24,438	25,326
Average Daily Water Consumption (gallons)	7,382,860	7,267,131	8,544,800	9,632,052	9,537,652	10,915,227	10,579,183	11,021,534	14,308,342	9,377,466
Maximum Storage Capacity (million of gallons)	10.5	10.5	13.5	19.5	25.5	25.5	25.5	27.5	27.5	33.5
Sanitation										
Recyclables Collected (tons)	2,226	2,399	2,590	2,415	2,602	2,827	3,205	5,515	6,502	6,954
Solid Waste Collected (tons)	24,496	28,314	32,360	35,494	43,798	45,349	47,268	56,669	47,512	49,822

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS
 (Unaudited)

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Police Patrol Units	10	13	14	14	15	17	17	17	17	18
Fire Stations	4	4	4	4	4	4	4	4	4	4
Police Motorcycle Units	-	-	-	2	4	4	4	4	4	4
Development Services										
Streets-Paved (miles)	161	179	208	225	246	253	259	272	293	307
Alleys-Paved (miles)	91	100	115	125	135	139	143	149	158	159
Cultural and Recreational										
Parks (acres)	244	268	268	328	339	438	525	554	573	578
Playgrounds	8	13	13	18	18	19	21	22	24	33
Swimming Pools (outdoor)	1	1	1	1	1	1	1	1	1	1
Recreation Centers	1	1	1	1	1	1	1	1	1	1
Senior Center	1	1	1	1	1	1	1	1	1	1
Tennis Courts	-	1	1	1	1	5	5	5	5	5
Natatorium	-	-	-	1	1	1	1	1	1	1
Youth Center	-	-	-	-	-	-	-	1	1	1
Golf Course	-	-	-	-	-	-	-	1	1	1
Water and Sewer										
Water Mains (miles)	233	261	299	326	350	360	367	381	410	427
Fire Hydrants	1,879	2,150	2,218	2,324	2,442	2,547	2,733	3,444	3,748	3,894
Sanitary Sewers (miles)	184	203	231	250	270	277	283	296	316	329
Storm Sewer Lines (miles)	53	59	69	74	81	83	85	90	97	101

Source: City Departments