

CITY OF DESOTO, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2007

Prepared by the
CITY OF DESOTO
FINANCE DEPARTMENT
Camelia Browder, Director

CITY COUNCIL
Bobby Waddle, Mayor

Thelma Clardy, Mayor Pro-Tem
Sandy Respass, Council Member
Virgil Helm, Council Member

Denise Valentine, Council Member
Carl O. Sherman, Council Member
Carl Williams, Council Member

CITY MANAGER
James Baugh

CITY OF DESOTO, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2007

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INTRODUCTORY SECTION



City of DeSoto

March 19, 2008

To the Citizens of the
City of DeSoto, Texas

State law requires that every municipality publish and file with the municipal secretary or clerk the annual financial statement, including the auditor's opinion on the statement, within 120 days after the last day of the municipality's fiscal year. This report is published to fulfill that requirement for the fiscal year ended September 30, 2007.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has 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, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of DeSoto's financial statements for the year ended September 30, 2007. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

PROFILE

Located in the Best Southwest portion of Dallas County, the City of DeSoto is situated just minutes from downtown Dallas. Bordering I-35 on its eastern border and Highway 67 on its northern boundary, the City covers approximately 21 square miles. The City serves an estimated 2007 population of 47,600. The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, and is a home rule city operating under a Council/Manager form of government. The Council is comprised of the Mayor and six Council members, who enact local legislation, adopt budgets, determine policies, and appoint the city secretary, city attorney and judge of the municipal court. The City Manager, appointed by City Council, is the chief administrative officer for the City and is responsible for the daily management of the City. Major services provided under general government and enterprise functions are: public safety (police and fire protection), emergency

ambulance services, construction and maintenance of streets, water and sewer services, parks and recreation, library services and general administrative services.

MAJOR INITIATIVES

The 2006-2007 fiscal year included initiatives such as:

- To provide market adjustments to city employees' compensation;
- To enhance public safety through the funding of an additional three police officers and two public service officers in the police department and three additional firefighters to maintain minimum manning requirements
- To provide for a sewer emergency response crew consisting of two employees and a truck mounted sewer jetter and increase the funding for the water meter change-out program to reflect the annual replacement needs of the system

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

One of the objectives of the City's financial accounting system is to provide adequate internal controls. Internal controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use of disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgements by management. We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's enterprise activities are maintained on the accrual basis.

The government-wide financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities, business-type activities, and activities of its discretely presented component units on the statement of net assets and statement of activities.

Budgetary Controls – The objective of the budgetary controls maintained by the City is to ensure compliance with legal provisions embodied in the annual budget approved by the City Council. Activities of the general fund, water and sewer fund, and all other funds are included in the annual budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amounts) is established by departments within the individual fund. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Cash Management – Cash temporarily idle during the year was invested in demand deposits and public fund investment pools. Yields during the year ranged from 5.24% to 5.28%. The City earned interest of \$2,220,659 on all investments for the year ended September 30, 2007.

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. The City's investment strategies include using cash flow analysis to purchase securities. This practice lessens the impact which rising interest rates have on the valuation changes of the portfolio. Investments in the deferred compensation plans are held by the third party plan administrators.

Risk Management – Third party coverage is currently maintained for workers' compensation, liability and property losses.

OTHER INFORMATION

Awards – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in financial reporting for the fiscal year ended September 30, 2006. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement for Excellence, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose content conform to program standards. Such Comprehensive Annual Financial Reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of DeSoto has received a Certificate of Achievement for the last 18 consecutive fiscal years ended September 30. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

ACKNOWLEDGEMENTS – The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the City's staff. Appreciation is extended to Patrick Harvey and city staff who assisted and contributed to its preparation. The Mayor and the City Council is also commended for their leadership and guidance in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Jim Baugh
City Manager



Camelia Browder
Managing Director of Financial Services

CITY OF DESOTO, TEXAS
LIST OF PRINCIPAL OFFICIALS
SEPTEMBER 30, 2007

Bobby Waddle
Mayor
Place 1

Sandy Respass
Place 5

Virgil Helm
Place 2

Carl O. Sherman
Place 6

Denise Valentine
Place 3

Carl Williams
Place 7

Thelma Clardy
Mayor Pro Tem
Place 4

James Baugh
City Manager

Lynda Humble
Assistant City Manager

William Broadnax
Police Chief

Camelia Browder
Managing Director of Financial Services

Tom Johnson
Managing Director of
Development Services

Fred Hart
Fire Chief

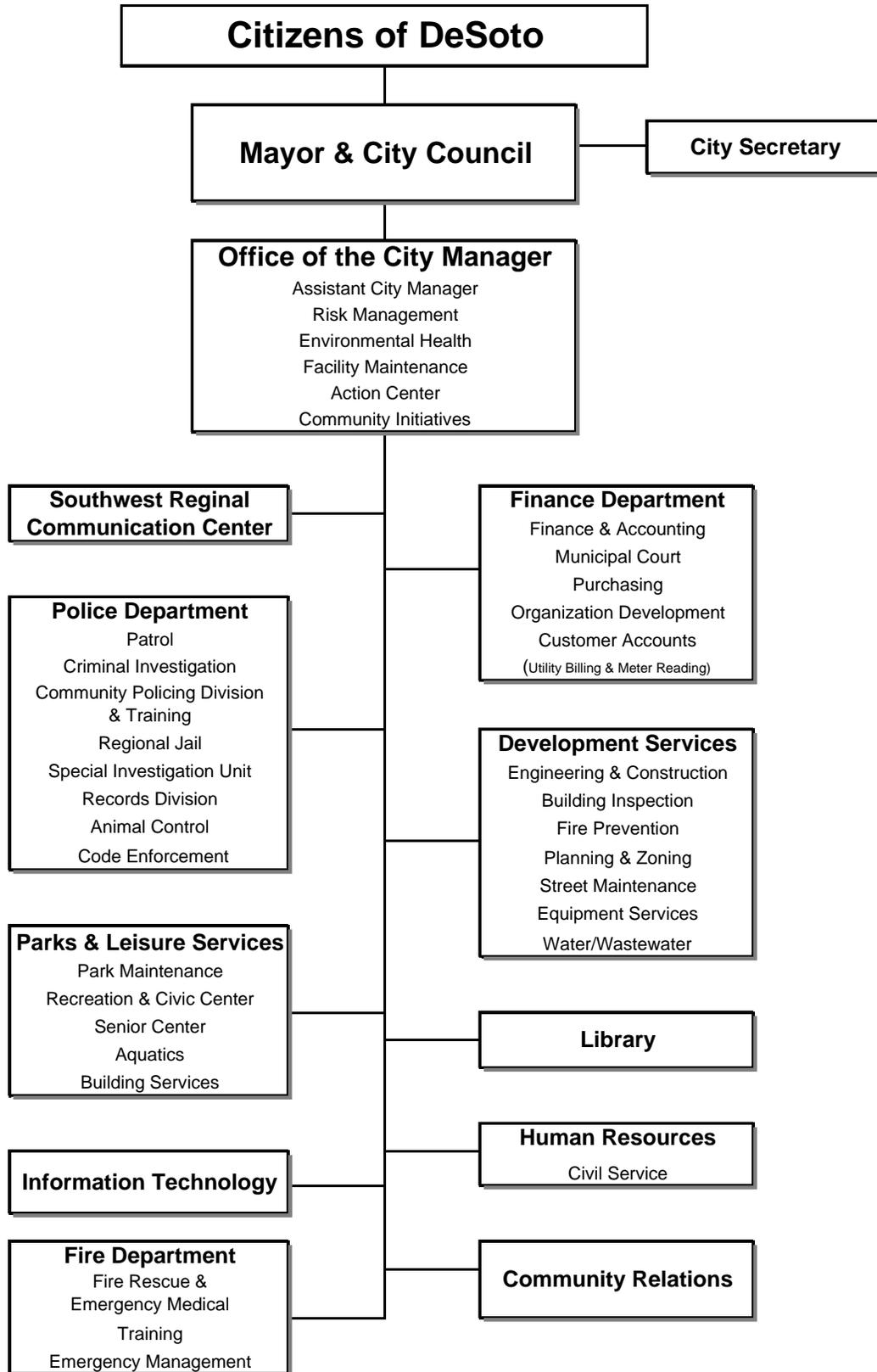
Renee Johnson
Managing Director of Parks
and Leisure Services

Andre Houser
Managing Director
Human Resources

Anell Shipman
City Secretary

Lucile Dade
Managing Director
Library

Peter G. Smith
City Attorney



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of DeSoto
Texas

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

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



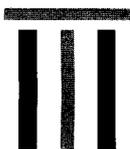
Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

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 DESOTO, 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 Desoto (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 Desoto 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 19, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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AN INDEPENDENT MEMBER OF
BAKER TILLY
INTERNATIONAL

DALLAS

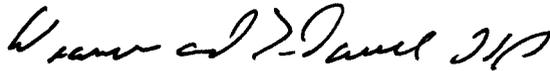
OFFICES IN
FORT WORTH

HOUSTON

City of Desoto, Texas
Page Two

The accompanying management's discussion and analysis and schedule of funding progress, information on pages 3 through 15 and 57, 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.

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 non-major fund financial statements 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 non-major fund financial statements 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 19, 2008

CITY OF DESOTO, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2007

As management of the City of DeSoto, 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. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages i - iii of this report, and the financial statements which follow this section.

Financial Highlights

- The assets of the City of DeSoto exceeded its liabilities at the close of the 2007 fiscal year by \$157,880,727 (net assets). Of this amount, \$14,060,799 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of fiscal year 2007, the City of DeSoto's governmental funds reported combined ending fund balances of \$35,111,063, an increase of \$9,610,853 from the prior year. Approximately 18.9% of this total amount is available for spending at the City's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$6,780,425 or 28.2% of total general fund expenditures.
- The City's total capital assets net of accumulated depreciation increased by \$12,038,939. The increase is primarily due to additions to infrastructure, drainage, and water and sewer improvements.
- The City's long-term liabilities increased \$11,255,746 due to an increase in general obligation debt of \$6,150,000, and an increase in certificates of obligation of \$9,360,000. The general obligation bond issuance in the amount of \$6,150,000 was sold to fund projects identified in the five year capital improvement plan. Of the increase in certificates of obligation, \$7,190,000 is designated to finance construction of a municipal parking garage, including equipment; constructing and improving streets within the city, including landscaping; improving and extending the City's waterworks and sewer system and acquiring, constructing and installing a public safety radio system for the Southwest Regional Communication Center (SWRCC). The increase in certificates of obligation of \$2,170,000 funds improvements to streets within the city including related traffic signalization, signage, sidewalks, landscaping and drainage improvements, and acquisition of land and right of way.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of DeSoto'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 themselves.

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

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

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 as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general administration, public safety, development services, parks and leisure services, library, management services, non departmental, human resources, finance, and information technology. The business-type activities of the City include water and sewer, drainage systems, and sanitation operations.

The government-wide financial statements include not only the City of DeSoto itself (known as the primary government), but also include the DeSoto Health Facilities Development Corporation, the DeSoto Housing Finance Corporation and the DeSoto Industrial Development Authority, Inc., which are legally separate but financially accountable to the City. A blended presentation has been used to report the financial information of these component units. That means that the component unit balances and transactions are reported in a manner similar to the balances and transactions of the primary government. Additionally, the government-wide financial statements include the DeSoto Economic Development Corporation and the DeSoto Park Development Corporation as part of its reporting entity as discretely presented component units. Discrete presentation entails reporting component unit financial data in columns separate from the financial data of the primary government. The DeSoto Economic Development Corporation and the DeSoto Park Development Corporation are legally separate entities.

The government-wide financial statements can be found on pages 16 - 17 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or

objectives. The City of DeSoto, 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 funds and proprietary funds.

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

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

The City maintains 33 general governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Debt Service, 2005 Bond, 2006 Bond and 2007 Bond funds, which are considered to be major funds. Data from the other 28 governmental funds are combined into a single, aggregate presentation.

The governmental fund financial statements can be found on pages 18 - 22 of this report.

The City adopts an annual appropriated budget for its general fund. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual is provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, drainage and sanitation operations. 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 water and sewer, drainage and sanitation, all of which are considered to be major funds.

The proprietary fund financial statements can be found on pages 23 - 25 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund

financial statements. The notes to the financial statements can be found on pages 26 - 56 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation. Required supplementary information immediately follows the notes to the financial statements. Combining statements and budgetary comparison schedules for non-major governmental funds and component unit fund financial statements follow the section on required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As of September 30, 2007, the City of DeSoto's assets exceeded liabilities by \$157,880,727.

The largest portion of the City's net assets (89.2%) reflects its investment in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is 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.

An additional portion of the City's net assets (1.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$14,060,799) may be used to meet the City's ongoing obligations to citizens and creditors.

As of September 30, 2007, the City is able to report positive balances in all three categories of net assets, for the government as a whole, as well as for its separate governmental and business-type activities.

CITY OF DESOTO NET ASSETS (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	Total
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 42,902	\$ 31,377	\$ 7,624	\$ 12,288	\$ 50,526	\$ 43,665
Capital assets	<u>143,362</u>	<u>138,101</u>	<u>63,506</u>	<u>56,728</u>	<u>206,868</u>	<u>194,829</u>
Total assets	<u>186,264</u>	<u>169,478</u>	<u>71,130</u>	<u>69,016</u>	<u>257,394</u>	<u>238,494</u>
Long-term liabilities	88,488	72,630	5,265	5,258	93,753	77,888
Other liabilities	<u>3,632</u>	<u>6,818</u>	<u>2,129</u>	<u>2,171</u>	<u>5,761</u>	<u>8,989</u>
Total liabilities	<u>92,120</u>	<u>79,448</u>	<u>7,394</u>	<u>7,429</u>	<u>99,514</u>	<u>86,877</u>
Net assets:						
Invested in capital assets, net of related debt	82,336	79,160	58,520	51,542	140,856	130,702
Restricted	2,723	1,586	-	-	2,723	1,586
Unrestricted	<u>9,085</u>	<u>9,284</u>	<u>5,216</u>	<u>10,045</u>	<u>14,301</u>	<u>19,329</u>
Total net assets	<u>\$ 94,144</u>	<u>\$ 90,030</u>	<u>\$ 63,736</u>	<u>\$ 61,587</u>	<u>\$ 157,880</u>	<u>\$ 151,617</u>

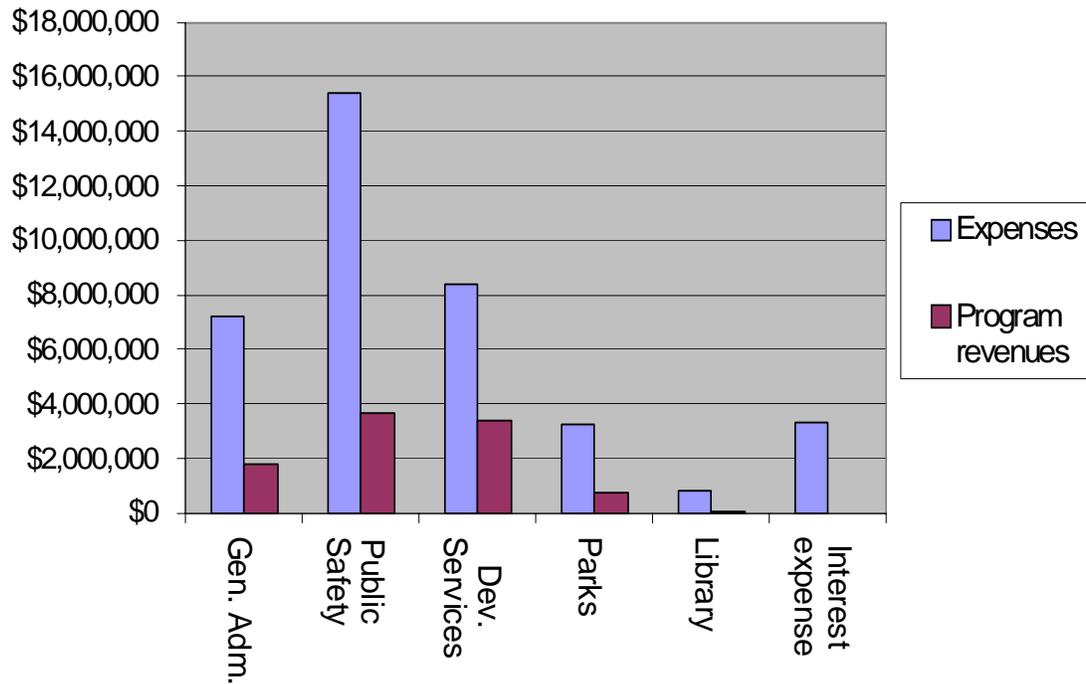
General government activities. There is an increase of approximately \$5.3 million dollars in general government capital assets from 2006 to 2007. This increase is due to completion of facility improvements and street infrastructure. The increase in general government restricted net assets from 2006 to 2007 is due to activity in capital projects and the city's capital improvement program. The increase in net assets for governmental activities is primarily due to better than anticipated revenues in property taxes, franchise fees, development and building permits and interest revenues.

Business-type activities. There is an increase of \$6.8 million dollars in capital assets from 2006 to 2007. This reflects additions to the municipal drainage system funded by long term debt to accomplish the goals in the city's five year drainage improvement plan. Other capital assets improvements occurred in the water and sewer fund, financed through customer fees. The decrease in unrestricted net assets in business type activities is due to high rainfall totals, leading to lower than anticipated water sales.

Analysis of the City's Operations. The following table provides a summary of the City's operations for the year ended September 30, 2007. Overall, the City had an increase in net assets of \$6,194,374. This is due to increases in governmental service charges, property taxes and interest income offsetting increases in wages and fringe benefits for city staff.

	Governmental Activities		Business-type Activities		Total	Total
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 6,814,209	\$ 6,144,632	\$ 16,998,532	\$ 20,358,607	\$ 23,812,741	\$ 26,503,239
Operating grants and contributions	896,598	1,462,364	-	-	896,598	1,462,364
Capital grants and contributions	2,040,813	5,157,461	2,399,780	4,281,581	4,440,593	9,439,042
General revenues:						
Property taxes	20,479,714	18,748,137	-	-	20,479,714	18,748,137
Other local taxes	8,968,049	8,944,583	-	-	8,968,049	8,944,583
Interest income	1,857,677	1,259,291	362,982	351,041	2,220,659	1,610,332
Total revenues	41,057,060	41,716,468	19,761,294	24,991,229	60,818,354	66,707,697
Expenses:						
General administration	5,116,336	3,680,576	-	-	5,116,336	3,680,576
Public safety	15,368,212	14,206,475	-	-	15,368,212	14,206,475
Development services	8,389,388	6,657,838	-	-	8,389,388	6,657,838
Parks and leisure services	3,262,673	4,198,907	-	-	3,262,673	4,198,907
Library	847,492	761,034	-	-	847,492	761,034
Human Resources	336,085	310,097	-	-	336,085	310,097
Finance	1,192,832	1,208,137	-	-	1,192,832	1,208,137
Information Technology	602,759	569,664	-	-	602,759	569,664
Interest on long term debt	3,363,716	3,262,049	-	-	3,363,716	3,262,049
Water & sewer	-	-	12,185,402	12,034,001	12,185,402	12,034,001
Drainage	-	-	803,044	775,309	803,044	775,309
Sanitation	-	-	2,916,041	2,641,575	2,916,041	2,641,575
Total expenses	38,479,493	34,854,777	15,904,487	15,450,885	54,383,980	50,305,662
Increase (decrease) in net assets before transfers	2,577,567	6,861,691	3,856,807	9,540,344	6,434,374	16,402,035
Transfers	1,708,085	1,487,965	(1,708,085)	(1,487,965)	-	-
Change in net assets	4,285,652	8,349,656	2,148,722	8,052,379	6,434,374	16,402,035
Net assets - beginning	90,030,482	81,680,826	61,587,348	53,534,969	151,617,830	135,215,795
Prior period adjustment	(171,477)	-	-	-	(171,477)	-
Net assets - ending	\$ 94,144,657	\$ 90,030,482	\$ 63,736,070	\$ 61,587,348	\$ 157,880,727	\$ 151,617,830

Expenses and Program Revenues-Governmental Activities
 (Gen. Adm. Includes Human Resources, Finance and Information Technology)



Financial Analysis and Budgetary Highlights of City Funds

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

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

At the end of the 2007 fiscal year, the City of DeSoto’s governmental funds reported combined ending fund balances of \$35,111,063, an increase of \$9,610,853 from the prior year. Approximately 18.9% of this total amount is available for spending at the City’s discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed **1)** to complete capital projects

(\$25,531,243), **2**) for a variety of restricted purposes (\$1,200,544), **3**) to pay debt service (\$1,720,235) and **4**) for inventory and prepaid expenditures (\$34,432).

The fund balance of the City of DeSoto general fund decreased by \$288,643 during the current fiscal year. Key factors in this decrease are as follows:

- A one time use of fund balance in the amount of \$1,000,000 to renovate the east side of the existing city hall facility
- A one time use of fund balance in the amount of \$250,000 for modifications to the existing library facility
- A one time use of fund balance in the amount of \$220,000 to purchase the Nance farm property, pay closing costs and maintenance fees.

Debt service fund balance increased \$397,023 due to rising market interest rates and property tax collections.

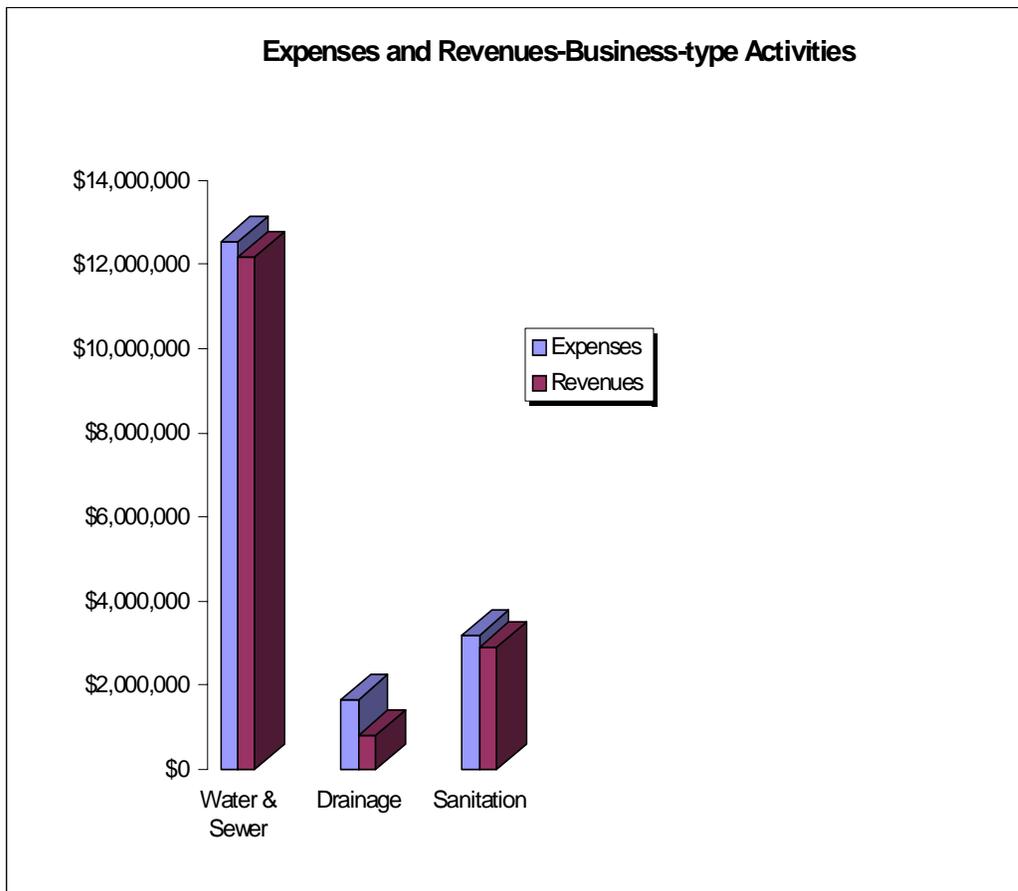
The 2005 Bond issuances fund experienced a drawdown of fund balance in the amount of \$2,066,060. This was due to capital outlay expenditures for planned capital improvement projects. Rising market rates of interest benefited the results of operations in this fund. This fund balance is expected to decrease in future years as planned projects are completed.

The 2006 Bond issuances fund increased by \$274,556 during the current fiscal year. Resource inflows for this fund were provided by the issuance of certificates of obligation of \$2,170,000 funds improvements to streets within the city including related traffic signalization, signage, sidewalks, landscaping and drainage improvements, and acquisition of land and right of way. Additional resources were provided by a transfer from the Water & Sewer capital projects fund in the amount of \$150,000 for the expansion of the Pleasant Run/Westmoreland intersection. These inflows offset outlays for planned capital projects and for the issuance costs associated with the certificates of obligation.

The fund balance of the 2007 Bond issuances fund increased by \$10,970,984 during the current fiscal year. Resource inflows for this fund were provided by a general obligation bond issuance in the amount of \$5,890,000 to fund projects identified in the five year capital improvement plan. Additional resources were provided by the issuance of certificates of obligation in the amount of \$7,190,000 to finance construction of a municipal parking garage, including equipment; constructing and improving streets within the city, including landscaping; improving and extending the city's waterworks and sewer system and acquiring, constructing and installing a public safety radio system for the Southwest Regional Communication Center (SWRCC). These inflows offset outlays for planned capital projects and for the issuance costs associated with the bond sales.

General Fund Budgetary Highlights

The City originally budgeted for a decrease in fund balance of \$273,016, and was amended to provide for a decrease of \$2,591,495. The reasons for amending the budget was to provide funding for renovating the façade on the east side of City Hall, construction of a media room, sound system upgrades for city council chambers, Library facility modifications, town center schematic design fees, the acquisition of Nance Farm and the 2007 street reconstruction program. The actual revenue of \$28,651,707 exceeded the revised budget revenues by \$1,210,953 because increases in property tax revenue, the natural gas and cable television franchises (other local taxes), development and alarm permits (licenses and permits) and interest revenue were coupled with better than expected results in ambulance service revenue (charges for services) and the receipt of the SAFER grant for emergency personnel in intergovernmental revenue. Actual expenditures of \$24,064,671 were \$1,309,939 less than revised budget expenditures of \$25,374,610. There were salary savings in the Police and Fire departments (Public Safety) and in Developmental Services.



Proprietary Funds. The City’s proprietary fund statements provide the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the respective proprietary funds are Water and Sewer - \$1,797,587, Storm Drainage - \$2,519,166 and Sanitation - \$898,920. All funds experienced net asset increases as follows: Water and Sewer - \$464,940, Storm Drainage - \$1,568,930 and Sanitation - \$114,852. The Water and Sewer fund was adversely affected by lower than expected water sales due to the fifth wettest rainfall year in the Dallas region. Customer late payment and penalty fees increased the net asset position of this fund. Capital contributions from the developers of Stillwater Canyon, Hampton Meadows, Crossroads Center, and Silver Creek Meadows improved the net asset position of the Water and Sewer fund and the Storm drainage fund. This new residential and commercial development also fueled an expansion in the customer base of the Storm Drainage and Sanitation funds, which led to positive operating results in both funds.

Capital Assets

At the end of fiscal year 2007, the City had over \$206 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, and water and sewer lines. This amount represents a net increase of approximately \$12 million over the amounts for the prior fiscal year.

City of DeSoto Capital Assets

(Net of Depreciation, in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Land	\$ 3,703	\$ 3,703	\$ 945	\$ 812	\$ 4,648	\$ 4,515
Street/alley ROW	14,073	13,829	-	-	14,073	13,829
Construction in progress	12,105	7,197	6,467	7,102	18,572	14,299
Buildings	20,527	18,970	-	-	20,527	18,970
Infrastructure	90,389	91,988	55,695	48,467	146,084	140,455
Equipment and furniture	1,881	1,525	399	346	2,280	1,871
Capitalized leases	684	889	-	-	684	889
Totals	<u>\$ 143,362</u>	<u>\$ 138,101</u>	<u>\$ 63,506</u>	<u>\$ 56,727</u>	<u>\$ 206,868</u>	<u>\$ 194,828</u>

Major capital asset events during the 2007 fiscal year include the following:

- Completion of the recommendations of the Spring Creek Basin Infiltration and Inflow (I&I) study. The improvements recommended were extensive and resulted in a two-phase approach intended to reduce sanitary sewer treatment costs. Phase one recommendations identified over 70 manholes in need of rehabilitation. Phase two recommendations were for the design and installation of new sanitary sewer lines in deteriorated areas. The project was completed for \$436,839 and is capitalized as water and sewer fund (business type activity) infrastructure.

- Completion of the FY 2006 street reconstruction program in the amount of \$515,961. This project involved reconstruction of sections of ten streets with six inches of cement-stabilized base and six inches of new asphalt. This project is capitalized as infrastructure of governmental activities.
- Completion of water and wastewater replacement at four locations in the amount of \$925,942. The scope of this project involved replacing roughly 2,900 linear feet of water mains and 2,500 linear feet of wastewater mains on the local streets of Sequoia Court, Sequoia Drive, Young Boulevard and Glenn Court. This project is capitalized as infrastructure of business-type activities.
- Completion of drainage improvements at five locations: Fall Wheat, Edmonds Way, Spinner Road, Whitewater and Derby/DeSoto in the amount of \$686,028. Prior to completion of this project, heavy rains would inundate these areas with water and the prior drainage system did not have the capacity to carry and contain the storm waters. This project is capitalized as infrastructure of business-type activities.
- Proposition Two of the approved 2003 Bond Program was for general obligation bonds in the amount of \$1,380,000 for constructing, improving, expanding and equipping the city's senior center facility. The completed project renovated the existing six thousand four hundred (6,400) square feet facility and built a three thousand six hundred sixty (3,660) square foot addition. This project was completed in the amount of \$1,284,058 and is capitalized as facilities of governmental activities.
- The completion of a 2.0 million gallon elevated storage tank in the vicinity of the Briarwood subdivision. This project improves water pressure and service to meet increasing demand in a high growth area of the city. This project was completed in the amount of \$3,026,258 and is capitalized as water and sewer system infrastructure of business-type activities.

Additional information on the City of DeSoto's capital assets can be found in Note 5 on pages 38 - 44 of this report.

Debt Administration

City of DeSoto Outstanding Debt
General Obligation Bonds, Certificates of Obligation and Note Payable
(in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Notes Payable	\$ 1,672	\$ 1,856	\$ -	\$ -	\$ 1,672	\$ 1,856
General Obligation	61,948	58,923	-	-	61,948	58,923
Certificates of Obligation	19,848	11,243	5,140	5,350	24,988	16,593
Totals	\$ 83,468	\$ 72,022	\$ 5,140	\$ 5,350	\$ 88,608	\$ 77,372

In 2007 the City issued \$4,120,000 in tax exempt certificates of obligation bonds (series 2007A), with interest rates ranging from 4.00% to 4.5%. These bonds are recorded as general government debt. The proceeds from the sale of the tax exempt certificates of obligation will be used to construct a municipal parking garage, including equipment; constructing and improving streets within the city, including landscaping; improving and extending the city's waterworks and sewer system and acquiring, constructing and installing a public safety radio system for the Southwest Regional Communication Center (SWRCC). The City also issued \$3,070,000 in taxable certificates of obligation bonds (series 2007A), with interest rates ranging from 5.4% to 6%. These bonds are recorded as general government debt. The proceeds from the sale of the tax exempt certificates of obligation will be used to construct a municipal parking garage, including equipment; constructing and improving streets within the city, including landscaping; improving and extending the city's waterworks and sewer system and acquiring, constructing and installing a public safety radio system for the Southwest Regional Communication Center (SWRCC). Additionally, the City issued \$6,150,000 in general obligation bonds (series 2007), with interest rates ranging from 4.00% to 4.375% which fund the construction of streets, fire fighting facilities and park improvements, and \$2,170,000 in certificate of obligation bonds (series 2007) with interest rates ranging from 4.00% to 4.375% which fund improvements to streets within the city including related traffic signalization, signage, sidewalks, landscaping and drainage improvements, and acquisition of land and right of way. The 2007 series general obligation and certificates of obligation bonds are recorded as general government debt.

The City has an AA- rating from Fitch and an A+ rating from Standard and Poor's.

Additional information on the City of DeSoto's long-term debt can be found in Note 6 on pages 44 - 49 of this report.

Economic Factors and Next Year's Budgets and Rates

The two major financing sources for general government operations - Property Tax and Sales Tax - are the major area of focus. The yield from Property Tax is projected to increase by \$983,450 over the FY 2007 budget. This represents an increase of 7.3 percent and is largely made up of new value added to the community in the past twelve months. On January 1, 2007, there were 475 new single family structures on the ground. This level of growth in our assessed valuation is very positive as the housing market in 2006 leading up to January 1, 2007 continued to be strong. The FY 2008 budget is adopted with the same O&M tax rate as Fiscal Year 2007 - \$0.48592.

Sales Tax continues to show modest gains. The budget includes a five (5%) increase for FY 2008. Franchise Fees are down slightly in FY 2008 from FY 2007, reflecting the final payment in a three payment agreement with TXU. Municipal Court fines are up slightly, and interest revenue is up slightly reflecting the current financial market. Overall, there is an increase in revenue in the General Fund of \$1,716,088 which represents a 6% increase over the amount budgeted in FY 2007.

The FY 2008 budget provides funding for all aspects of our service delivery. This spending plan meets the objective of maintaining the current level of services.

Because the City of DeSoto is a service organization, a major portion of the operating budget is allocated to employee compensation and fringe benefits. Maintaining these items at a current market rate requires that new resources be allocated annually. The market review of compensation was conducted and salaries for FY 2008 have been adjusted accordingly.

The total cost associated with salary adjustments in FY 2008 is \$661,451. This amount is split 64% to the protective services (Fire and Police) and 36% for the balance of the workforce. The other personnel related items: TMRS, Workers Compensation insurance and dental insurance have experienced only modest increases. Our health insurance coverage with Blue Cross/Blue Shield has increased FY 2008 by \$78,739. This increase is due, in large measure, to the enrollment of the group in a network (Blue Choice) in which more of the physicians used by our employees are members. The personnel account in the Fire Department reflects the additional firefighters added in FY 2007 through the SAFER grant. The off-setting revenue of \$198,720 is reflected in revenue object code 4138 - State Grants. This federal program provides a decreasing percentage of the salaries for the nine additional firefighters until the federal support in FY 2012 is zero.

Code enforcement continues to be a high priority of our Council, citizens, and staff. Currently, there are three employees in the Code Enforcement Department, which operates in the Police Department. Through the years, we have maximized their efforts by asking all of our employees and citizens to be pro-active in finding violations and turning those into Code Enforcement for follow-up. However, all of this assistance is now generating more input than we have adequate professional staff to process. As a result, additional personnel were needed. Included in the FY 2008 budget is the salary for one new code enforcement officer beginning in March, 2008 in the amount of \$24,427. A pilot program was recently launched where Public Service Officers (PSO's) do code enforcement activities in a specific area of the City when they are not answering police related calls. Since this program was recently started, a final assessment will occur at the end of February to determine its effectiveness. At that time, a decision will be made as to hire an addition Public Service Officer, which can serve in a dual capacity for Police and Code Enforcement, or a Code Enforcement Officer, who will be dedicated strictly to code enforcement activities.

The total increase over FY 2007 in the General Fund for salaries and benefits is \$1,330,401. This spending plan meets the objective of maintaining market compatibility with employee compensation.

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 additional information, contact the Finance Department, Attn: Assistant Director of Finance 211 E. Pleasant Run Road DeSoto, Texas call (972) 230-9635 or email cbrowder@ci.desoto.tx.us.

City of DeSoto
Statement of Net Assets
As of September 30, 2007

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	DeSoto Park Development Corporation	DeSoto Economic Development Corporation
Assets					
Cash and cash equivalents	\$ 29,340,429	\$ 4,745,749	\$ 34,086,178	\$ 236,459	\$ 2,841,916
Investments	7,577,021	-	7,577,021	-	-
Receivables (Net of Allowance for Uncollectibles):					
Taxes	1,120,238	-	1,120,238	78,947	332,975
Grants and Other Governments	2,444	-	2,444	-	-
Interest	30,520	-	30,520	-	-
Accounts and Other	1,447,601	2,778,236	4,225,837	-	-
Inventories (at cost)	32,814	2,715	35,529	-	-
Prepaid Expenses	1,618	-	1,618	-	1,232
Restricted assets:					
Notes from Component Unit	390,304	-	390,304	-	-
Internal Balances	72,425	(72,425)	-	-	-
Investment in Joint Venture	1,485,484	-	1,485,484	-	-
Capital assets, net of accumulated depreciation:					
Non-depreciable	29,881,207	7,412,619	37,293,826	11,250	-
Depreciable (net)	113,480,315	56,093,260	169,573,575	3,506,481	-
Deferred Bond Issue Costs	1,401,740	170,156	1,571,896	-	-
Total Assets	<u>\$ 186,264,160</u>	<u>\$ 71,130,310</u>	<u>\$ 257,394,470</u>	<u>\$ 3,833,137</u>	<u>\$ 3,176,123</u>
Liabilities					
Accounts and Contracts Payable	\$ 2,842,197	\$ 738,921	\$ 3,581,118	\$ -	\$ 7,601
Accrued Liabilities	458,467	408,646	867,113	-	117
Unearned Revenue	98,469	-	98,469	-	-
Accrued Interest Payable	472,420	-	472,420	14,700	20,786
Payable from Restricted Assets:					
Water Meter Deposits	-	982,083	982,083	-	-
Long-Term Liabilities					
Due Within One Year	4,350,369	220,000	4,570,369	100,000	139,860
Due In More Than One Year	83,897,581	5,044,590	88,942,171	2,170,000	3,465,444
Total Liabilities	<u>92,119,503</u>	<u>7,394,240</u>	<u>99,513,743</u>	<u>2,284,700</u>	<u>3,633,808</u>
Net Assets					
Investment in Capital Assets, Net of Related Debt	82,336,139	58,520,397	140,856,536	1,247,731	-
Restricted for:					
Debt Service	2,279,534	-	2,279,534	79,997	-
Other	443,858	-	443,858	-	-
Unrestricted (Deficit)	9,085,126	5,215,673	14,300,799	220,709	(457,685)
Total Net Assets	<u>\$ 94,144,657</u>	<u>\$ 63,736,070</u>	<u>\$ 157,880,727</u>	<u>\$ 1,548,437</u>	<u>\$ (457,685)</u>

The notes to the financial statements are an integral part of this statement.

City of DeSoto
Statement of Activities
For the Year Ended September 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			DeSoto Park Development Corporation	DeSoto Economic Development Corporation
					Governmental Activities	Business-Type Activities	Total		
Function/Program Activities									
Primary Government:									
Governmental activities:									
General Administration	\$ 5,116,336	\$ 1,619,187	\$ 189,943	\$ -	\$ (3,307,206)	\$ -	\$ (3,307,206)	\$ -	\$ -
Public Safety	15,368,212	3,354,155	325,403	-	(11,688,655)	-	(11,688,655)	-	-
Development Services	8,389,388	1,086,307	371,328	1,966,938	(4,964,814)	-	(4,964,814)	-	-
Parks and Leisure Services	3,262,673	709,537	400	73,875	(2,478,861)	-	(2,478,861)	-	-
Public Library	847,492	45,023	9,524	-	(792,945)	-	(792,945)	-	-
Human Resources	336,085	-	-	-	(336,085)	-	(336,085)	-	-
Finance	1,192,832	-	-	-	(1,192,832)	-	(1,192,832)	-	-
Information Technology	602,759	-	-	-	(602,759)	-	(602,759)	-	-
Interest on long term debt	3,363,716	-	-	-	(3,363,716)	-	(3,363,716)	-	-
Total governmental activities	38,479,493	6,814,209	896,598	2,040,813	(28,727,873)	-	(28,727,873)	-	-
Business-type activities:									
Water and sewer	12,185,402	12,579,614	-	1,452,946	-	1,847,158	1,847,158	-	-
Drainage	803,044	1,389,414	-	946,834	-	1,533,204	1,533,204	-	-
Sanitation	2,916,041	3,029,504	-	-	-	113,463	113,463	-	-
Total business-type activities	15,904,487	16,998,532	-	2,399,780	-	3,493,825	3,493,825	-	-
Total primary government	\$ 54,383,980	\$ 23,812,741	\$ 896,598	\$ 4,440,593	\$ (28,727,873)	\$ 3,493,825	\$ (25,234,048)	\$ -	\$ -
Component units:									
DPDC	\$ 344,366	\$ -	\$ -	\$ -	\$ -	\$ (344,366)	\$ -	\$ -	\$ -
DEDCC	1,170,586	-	-	-	-	-	-	(1,170,586)	-
Total component units	\$ 1,514,952	\$ -	\$ -	\$ -	\$ -	\$ (344,366)	\$ -	\$ (1,170,586)	\$ -
General revenues:									
Taxes:									
General Property Taxes					20,479,714		20,479,714		
Other Local Taxes					8,968,049		8,968,049	420,574	1,261,722
Interest Income					1,857,677	362,982	2,220,659	11,417	144,812
Gain on sale of Assets					-	-	-	-	161,865
Miscellaneous					-	-	-	-	2,000
Transfers					1,708,085	(1,708,085)	-	-	-
Total general revenues and transfers					33,013,525	(1,345,103)	31,668,422	431,991	1,570,399
Change in net assets					4,285,652	2,148,722	6,434,374	87,625	399,813
Net assets - beginning					90,030,482	61,587,348	151,617,830	1,460,812	(857,498)
Prior period adjustment					(171,477)	-	-	-	-
Net assets - ending					\$ 94,144,657	\$ 63,736,070	\$ 157,880,727	\$ 1,548,437	\$ (457,685)

The notes to the financial statements are an integral part of this statement.

**City of DeSoto
Balance Sheet
Governmental Fund
As of September 30, 2007**

	<u>General</u>	<u>Debt Service</u>	<u>2005 Bonds</u>	<u>2006 Bonds</u>	<u>2007 Bonds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets							
Cash and cash equivalents	\$ 4,016,887	\$ 963,981	\$ 4,376,297	\$ 2,260,432	\$ 11,378,904	\$ 6,343,928	\$ 29,340,429
Investments	2,481,869	750,000	-	4,345,152	-	-	7,577,021
Receivables:							
Taxes	778,649	341,589	-	-	-	-	1,120,238
Grants and Other Governments	-	-	-	-	-	2,444	2,444
Interest	29,490	1,030	-	-	-	-	30,520
Accounts and Other	1,332,091	-	-	-	-	115,510	1,447,601
Due From Other Funds	97,442	-	-	-	-	72,425	169,867
Inventories (at cost)	32,814	-	-	-	-	-	32,814
Prepaid Expenses	1,618	-	-	-	-	-	1,618
Note from Component Units	-	-	-	-	-	390,304	390,304
Total Assets	<u>\$ 8,770,860</u>	<u>\$ 2,056,600</u>	<u>\$ 4,376,297</u>	<u>\$ 6,605,584</u>	<u>\$ 11,378,904</u>	<u>\$ 6,924,611</u>	<u>\$ 40,112,856</u>
Liabilities and Fund Balances							
Accounts and Contracts Payable	\$ 686,326	\$ -	\$ 975,231	\$ 291,475	\$ 407,920	\$ 481,245	\$ 2,842,197
Accrued Liabilities	438,047	101	-	-	-	20,319	458,467
Due to Other Funds	-	-	-	-	-	97,442	97,442
Deferred Revenue	831,630	336,264	-	-	-	435,793	1,603,687
Total Liabilities	<u>1,956,003</u>	<u>336,365</u>	<u>975,231</u>	<u>291,475</u>	<u>407,920</u>	<u>1,034,799</u>	<u>5,001,793</u>
Fund balances							
Reserved for Inventory and Prepaid Expenses	34,432	-	-	-	-	-	34,432
Reserved for Capital Projects	-	-	3,401,066	6,314,109	10,970,984	4,845,084	25,531,243
Reserved for Public Safety	-	-	-	-	-	615,648	615,648
Reserved for Recreation	-	-	-	-	-	425,343	425,343
Reserved for Community Development	-	-	-	-	-	159,553	159,553
Reserved for Debt Service	-	1,720,235	-	-	-	-	1,720,235
Unreserved, reported in:							
General Fund	6,780,425	-	-	-	-	-	6,780,425
Special revenue funds	-	-	-	-	-	(155,816)	(155,816)
Total Fund Balances	<u>6,814,857</u>	<u>1,720,235</u>	<u>3,401,066</u>	<u>6,314,109</u>	<u>10,970,984</u>	<u>5,889,812</u>	<u>35,111,063</u>
Total Liabilities and Fund Balances	<u>\$ 8,770,860</u>	<u>\$ 2,056,600</u>	<u>\$ 4,376,297</u>	<u>\$ 6,605,584</u>	<u>\$ 11,378,904</u>	<u>\$ 6,924,611</u>	<u>\$ 40,112,856</u>

The notes to the financial statements are an integral part of this statement.

City of DeSoto
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
As of September 30, 2007

Total fund balances--governmental funds \$ 35,111,063

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$	3,703,301	
Street and Alley ROW		14,072,949	
Construction in Progress		12,104,957	
Buildings		26,657,876	
Infrastructure		130,797,685	
Equipment and Furniture		6,011,250	
Capitalized Leases		2,299,244	
Accumulated depreciation		(52,285,740)	
Total capital assets	\$	<u>143,361,522</u>	143,361,522

Investment in Joint Venture is not considered a financial asset and is not reported in the governmental funds 1,485,484

Some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. On the accrual basis, however, those revenues would be recognized, regardless of when they are collected. 1,505,219

Deferred bond issue costs are expensed in the funds when incurred, they are capitalized and amortized in the government wide financials 1,401,740

Interest on long term debt is recognized when paid at the fund level, but is accrued when incurred in the government wide Statement of Net Assets (472,421)

Some long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Capital leases	\$	512,747	
Compensated absences		3,562,752	
Note payable		1,671,789	
Bond premium		1,584,756	
Accreted interest		275,528	
Loss on bond refunding		(1,156,338)	
Long-term debt		<u>81,796,716</u>	
Total long-term liabilities	\$	<u>88,247,950</u>	(88,247,950)

Net assets of governmental activities \$ 94,144,657

The notes to the financial statements are an integral part of this statement.

City of DeSoto
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2007

	General	Debt Service	2005 Bonds	2006 Bonds	2007 Bonds	Other Governmental Funds	Total Governmental Funds
Revenues:							
General Property Taxes	\$ 14,238,053	\$ 6,120,228	\$ -	\$ -	\$ -	\$ -	\$ 20,358,281
Other Local Taxes	8,709,201	-	-	-	-	258,848	8,968,049
Special Assessments	-	-	-	-	-	73,875	73,875
Charges for Services	494,282	-	-	-	-	1,325,299	1,819,581
Recreation	229,686	-	-	-	-	-	229,686
Licenses and Permits	1,174,424	-	-	-	-	-	1,174,424
Fines and Forfeitures	998,575	-	-	-	-	155,008	1,153,583
Interest	532,175	138,028	279,236	316,803	203,830	387,605	1,857,677
Intergovernmental	301,696	189,943	-	-	-	409,030	900,669
Administrative	1,546,945	-	-	-	-	-	1,546,945
Miscellaneous	426,670	-	287	-	-	188,720	615,677
Total Revenue	<u>28,651,707</u>	<u>6,448,199</u>	<u>279,523</u>	<u>316,803</u>	<u>203,830</u>	<u>2,798,385</u>	<u>38,698,447</u>
Expenditures:							
Current:							
General Administration	1,340,903	-	-	-	1,043,900	1,198,350	3,583,153
Public Safety	13,492,943	-	-	-	-	1,006,817	14,499,760
Development Services	2,919,036	-	-	-	-	998,593	3,917,629
Parks and Leisure Services	2,152,349	-	-	146	-	798,824	2,951,319
Public Library	799,329	-	-	-	-	15,273	814,602
Non-Departmental	1,053,341	-	-	-	-	-	1,053,341
Human Resources	334,416	-	-	-	-	-	334,416
Finance	1,150,263	-	-	-	-	33,342	1,183,605
Information Technology	570,323	-	-	-	-	-	570,323
Capital Outlay	251,768	-	2,345,583	2,259,931	832,410	3,690,985	9,380,677
Debt Service:							
Principal Retirement	-	3,879,772	-	-	-	305,715	4,185,487
Interest and Service Charges	-	3,201,687	-	105,726	462,243	91,984	3,861,640
Total Expenditures	<u>24,064,671</u>	<u>7,081,459</u>	<u>2,345,583</u>	<u>2,365,803</u>	<u>2,338,553</u>	<u>8,139,883</u>	<u>46,335,952</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,587,036</u>	<u>(633,260)</u>	<u>(2,066,060)</u>	<u>(2,049,000)</u>	<u>(2,134,723)</u>	<u>(5,341,498)</u>	<u>(7,637,505)</u>
Other Financing Sources (Uses):							
Proceeds from Long Term Debt	-	-	-	2,170,000	13,080,000	260,000	15,510,000
Transfers In	24,410	1,030,283	-	150,000	-	5,784,121	6,988,814
Transfers Out	(4,900,089)	-	-	-	-	(380,640)	(5,280,729)
Bond Premium	-	-	-	3,556	25,707	1,010	30,273
Total Other Financing Sources (Uses)	<u>(4,875,679)</u>	<u>1,030,283</u>	<u>-</u>	<u>2,323,556</u>	<u>13,105,707</u>	<u>5,664,491</u>	<u>17,248,358</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(288,643)</u>	<u>397,023</u>	<u>(2,066,060)</u>	<u>274,556</u>	<u>10,970,984</u>	<u>322,993</u>	<u>9,610,853</u>
Fund Balances, Beginning of Year	7,103,500	1,323,212	5,467,126	6,039,553	-	5,738,296	25,671,687
Prior Period Adjustment	-	-	-	-	-	(171,477)	(171,477)
Fund Balances, End of Year	<u>\$ 6,814,857</u>	<u>\$ 1,720,235</u>	<u>\$ 3,401,066</u>	<u>\$ 6,314,109</u>	<u>\$ 10,970,984</u>	<u>\$ 5,889,812</u>	<u>\$ 35,111,063</u>

The notes to the financial statements are an integral part of this statement.

City of DeSoto
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2007

Net change in fund balances--total governmental funds \$ 9,610,853

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 as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures	9,394,547	
Depreciation expense	<u>(6,057,325)</u>	
Net adjustment	<u>3,337,222</u>	3,337,222

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred revenue		111,978
Change in equity interest in joint venture		298,104
Contributions of capital assets		1,948,526

The issuance of long-term debt (e.g., bonds, tax anticipation notes) provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued:		
GO bonds	\$ (6,150,000)	
CO bonds	(9,360,000)	
Bond premium	<u>(30,273)</u>	
Total proceeds	<u>(15,540,273)</u>	
Additional amount--GO bond issue costs	620,783	
Repayments:		
To note payable	184,200	
To bondholders	<u>3,879,772</u>	
Total repayments and GO bond issue costs	<u>4,684,755</u>	
Net adjustment	<u>\$ (10,855,518)</u>	(10,855,518)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued interest on general obligation bonds & tax	\$ (78,555)	
Loss on disposal of assets	(25,144)	
Capital leases	121,515	
Accrued compensated absences	<u>(139,028)</u>	
Total adjustment	<u>\$ (121,212)</u>	(121,212)

Bond discounts, premiums and issue costs are recognized upon issuance of bonds in governmental funds. Such items are deferred and amortized over future periods in the Statement of Activities

Amortization of bond issue costs	\$ (79,355)	
Amortization of bond premium	110,694	
Amortization of bond refunding loss	(66,407)	
Accreted interest on bonds payable	<u>(9,232)</u>	
Total adjustment	<u>\$ (44,300)</u>	(44,300)

Change in net assets of governmental activities \$ 4,285,652

The notes to the financial statements are an integral part of this statement.

City of DeSoto
General Fund
Statement of Revenues, Expenditures and Changes in General Fund Balance-Budget and Actual
For the Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with
	(GAAP Basis)			Final Budget--
	Original	Final		Positive (Negative)
Revenues:				
General Property Taxes	\$ 13,685,972	\$ 14,008,472	\$ 14,238,053	\$ 229,581
Other Local Taxes	8,541,913	8,541,913	8,709,201	167,288
Charges for Services	411,585	411,585	494,282	82,697
Recreation	224,155	224,155	229,686	5,531
Licenses and Permits	872,500	872,500	1,174,424	301,924
Fines and Forfeitures	1,011,184	1,011,184	998,575	(12,609)
Interest	252,000	252,000	532,175	280,175
Intergovernmental	200,000	200,000	301,696	101,696
Administrative	1,546,945	1,546,945	1,546,945	-
Other	372,000	372,000	426,670	54,670
Total Revenue	<u>27,118,254</u>	<u>27,440,754</u>	<u>28,651,707</u>	<u>1,210,953</u>
Expenditures:				
Current:				
General Administration	1,361,019	1,361,019	1,340,903	20,116
Public Safety	13,647,117	13,771,828	13,492,943	278,885
Development Services	3,050,466	3,050,466	2,919,036	131,430
Parks and Leisure Services	2,152,404	2,152,404	2,152,349	55
Public Library	805,672	805,672	799,329	6,343
Non-Departmental	973,600	1,363,600	1,053,341	310,259
Human Resources	346,107	346,107	334,416	11,691
Finance	1,163,096	1,163,096	1,150,263	12,833
Information Technology	567,918	570,418	570,323	95
Capital Outlay	-	790,000	251,768	538,232
Total Expenditures	<u>24,067,399</u>	<u>25,374,610</u>	<u>24,064,671</u>	<u>1,309,939</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,050,855</u>	<u>2,066,144</u>	<u>4,587,036</u>	<u>2,520,892</u>
Other Financing Sources (Uses):				
Transfers In - Other Funds	-	-	24,410	24,410
Transfers Out - Other Funds	<u>(3,323,871)</u>	<u>(4,657,639)</u>	<u>(4,900,089)</u>	<u>(242,450)</u>
Total Other Financing Sources (Uses)	<u>(3,323,871)</u>	<u>(4,657,639)</u>	<u>(4,875,679)</u>	<u>(218,040)</u>
Deficiency of Revenues and Other Financing Sources Under Expenditures and Other Sources Under Expenditures and Other Uses				
	(273,016)	(2,591,495)	(288,643)	2,302,852
Fund Balances (Deficit), Beginning of Year	<u>7,103,500</u>	<u>7,103,500</u>	<u>7,103,500</u>	<u>-</u>
Fund Balances (Deficit), End of Year	<u>\$ 6,830,484</u>	<u>\$ 4,512,005</u>	<u>\$ 6,814,857</u>	<u>\$ 2,302,852</u>

The notes to the financial statements are an integral part of this statement.

City of DeSoto
Statement of Net Assets
Proprietary Funds
As of September 30, 2007

	Enterprise Funds			
	Water and Sewer	Drainage	Sanitation	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,301,337	\$ 2,556,788	\$ 887,624	\$ 4,745,749
Accounts and Other Receivables (net)	2,424,506	109,252	244,478	2,778,236
Inventories, at cost	2,715	-	-	2,715
Total Current Assets	<u>3,728,558</u>	<u>2,666,040</u>	<u>1,132,102</u>	<u>7,526,700</u>
Noncurrent assets:				
Property, Plant and Equipment (at cost):				
Land	283,902	341,197	320,087	945,186
Improvements	-	-	8,950	8,950
Equipment acquired under capital lease	-	-	111,425	111,425
Water line replacements	8,715,897	4,825,200	-	13,541,097
Water and sewer system	66,503,793	-	-	66,503,793
Machinery and Equipment	1,063,818	70,944	22,674	1,157,436
Drainage Systems	-	7,052,353	-	7,052,353
Construction in progress	4,546,150	1,917,248	4,035	6,467,433
Accumulated Depreciation	<u>(30,484,865)</u>	<u>(1,745,154)</u>	<u>(51,775)</u>	<u>(32,281,794)</u>
Net Property, Plant and Equipment	50,628,695	12,461,788	415,396	63,505,879
Deferred Bond Issue Costs	<u>-</u>	<u>170,156</u>	<u>-</u>	<u>170,156</u>
Total Noncurrent Assets	50,628,695	12,631,944	415,396	63,676,035
Total Assets	<u>\$ 54,357,253</u>	<u>\$ 15,297,984</u>	<u>\$ 1,547,498</u>	<u>\$ 71,202,735</u>
LIABILITIES				
Current liabilities:				
Accounts and Contracts Payable	\$ 604,635	\$ 1,464	\$ 132,822	\$ 738,921
Accrued Liabilities	258,257	143,759	6,630	408,646
Due to Other Funds	-	-	72,425	72,425
Current Portion of Certificates of Obligation	-	220,000	-	220,000
Water Meter Deposits	982,083	-	-	982,083
Total Current Liabilities	<u>1,844,975</u>	<u>365,223</u>	<u>211,877</u>	<u>2,422,075</u>
Long-Term Liabilities:				
Bond Premium	-	15,638	-	15,638
Compensated Absences	85,996	1,651	21,305	108,952
Certificate of Obligation Bonds Payable	-	4,920,000	-	4,920,000
Total Long-Term Liabilities	<u>85,996</u>	<u>4,937,289</u>	<u>21,305</u>	<u>5,044,590</u>
Total Liabilities	<u>\$ 1,930,971</u>	<u>\$ 5,302,512</u>	<u>\$ 233,182</u>	<u>\$ 7,466,665</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 50,628,695	\$ 7,476,306	\$ 415,396	\$ 58,520,397
Unrestricted	1,797,587	2,519,166	898,920	5,215,673
Total Net Assets	<u>\$ 52,426,282</u>	<u>\$ 9,995,472</u>	<u>\$ 1,314,316</u>	<u>\$ 63,736,070</u>

The notes to the financial statements are an integral part of this statement.

City of DeSoto
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2007

	Business-type Activities--			
	Enterprise Funds			
	Water and Sewer	Drainage	Sanitation	Total
OPERATING REVENUES				
Charges for services	\$ 12,579,614	\$ 1,389,414	\$ 3,029,504	\$ 16,998,532
Total operating revenues	<u>12,579,614</u>	<u>1,389,414</u>	<u>3,029,504</u>	<u>16,998,532</u>
OPERATING EXPENSES				
Financial services	690,847	-	-	690,847
Parks and Leisure services	-	-	310,435	310,435
General administration	-	-	46,906	46,906
Development services	7,179,997	76,851	73,661	7,330,509
Nondepartmental	2,322,128	109,935	2,454,997	4,887,060
Depreciation	1,992,430	388,693	30,042	2,411,165
Total operating expenses	<u>12,185,402</u>	<u>575,479</u>	<u>2,916,041</u>	<u>15,676,922</u>
Operating income	<u>394,212</u>	<u>813,935</u>	<u>113,463</u>	<u>1,321,610</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	173,603	148,990	40,389	362,982
Interest and Service charges	-	(227,565)	-	(227,565)
Total Nonoperating Revenues (Expenses)	<u>173,603</u>	<u>(78,575)</u>	<u>40,389</u>	<u>135,417</u>
Income Before Transfers and Contributions	567,815	735,360	153,852	1,457,027
Transfers In	214,715	27,413	-	242,128
Transfers Out	(1,770,536)	(140,677)	(39,000)	(1,950,213)
Capital Contributions	1,452,946	946,834	-	2,399,780
Change in net assets	464,940	1,568,930	114,852	2,148,722
Total net assets - beginning	52,161,733	8,327,976	1,097,639	61,587,348
Prior period adjustment	(200,391)	98,566	101,825	-
Total net assets - ending	<u>\$ 52,426,282</u>	<u>\$ 9,995,472</u>	<u>\$ 1,314,316</u>	<u>\$ 63,736,070</u>

The notes to the financial statements are an integral part of this statement.

City of DeSoto
Combining Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2007

	Business-type Activities--			
	Enterprise Funds			
	Water and Sewer	Drainage	Sanitation	Total
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 12,974,846	\$ 1,389,469	\$ 3,036,077	\$ 17,400,392
Payments to Suppliers	(8,706,875)	(92,483)	(2,734,087)	(11,533,445)
Payments to Employees	(1,220,485)	(53,920)	(242,687)	(1,517,091)
Net Cash Provided by Operating Activities	3,047,486	1,243,066	59,303	4,349,855
Cash Flows from Noncapital Financing Activities:				
Operating Transfers In from Other Funds	214,715	27,413	-	242,128
Operating Transfers Out to Other Funds	(1,770,536)	(140,677)	(39,000)	(1,950,213)
Net Cash Used for Noncapital Financing Activities	(1,555,821)	(113,264)	(39,000)	(1,708,085)
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Property, Plant and Equipment	(4,788,442)	(1,889,855)	(111,425)	(6,789,722)
Principal Paid on Long-Term Debt	-	(210,000)	-	(210,000)
Interest Paid on Long-Term Obligations	-	(227,565)	-	(227,565)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(4,788,442)	(2,327,420)	(111,425)	(7,227,287)
Cash Flows from Investing Activities:				
Interest Income Received	173,603	148,990	40,389	362,982
Net Cash Provided by Investing Activities	173,603	148,990	40,389	362,982
Net Increase (Decrease) in Cash and Cash Equivalents	(3,123,174)	(1,048,628)	(50,733)	(4,222,535)
Cash and Cash Equivalents, Beginning of Year	4,424,511	3,605,416	938,357	8,968,284
Cash and Cash Equivalents, End of Year	\$ 1,301,337	\$ 2,556,788	\$ 887,624	\$ 4,745,749
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income	\$ 394,212	\$ 813,935	\$ 113,463	\$ 1,321,610
Adjustments Not Affecting Cash:				
Depreciation & Amortization	1,992,430	398,558	30,042	2,421,030
Change in Assets and Liabilities:				
Decrease in Grants, Accounts and Other Receivables	353,691	55	6,572	360,318
(Increase) in Inventory	(1,599)	-	-	(1,599)
Increase (Decrease) in Accounts and Contracts Payable	183,941	(52,718)	(164,564)	(33,341)
Increase in Due to Other Funds	-	-	72,425	72,425
Increase in Water Meter Deposits	41,540	-	-	41,540
Increase in Accrued Liabilities	76,832	81,585	1,589	160,006
Increase in Compensated Absences	6,439	1,651	(224)	7,866
Total Adjustments	2,653,274	429,131	(54,160)	3,028,245
Net Cash Provided by Operating Activities	\$ 3,047,486	\$ 1,243,066	\$ 59,303	\$ 4,349,855

During the year, various developers made non-cash contributions of water, sewer and drainage infrastructure to the City of \$2,399,780. This amount was determined from developers at the time of application to the city.

The notes to the financial statements are an integral part of this statement.

CITY OF DESOTO, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of DeSoto (the "City") was incorporated in 1949. The City operates as a home-rule City under a council-manager form of government with a mayor and six City Council members elected at large. The City provides the following services as authorized by its charter: public safety (police and fire), streets, water, sewer and drainage utilities, solid waste operations, public library, parks and recreation, public improvements, planning, zoning and code enforcement, and general administrative services.

The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America for 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). 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 to its business-type activities and enterprise funds. The following is a summary of the more significant accounting and reporting policies:

Reporting Entity

In defining the scope of the City for financial reporting purposes, the City conforms with the criteria of GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement 39, "Determining Whether Certain Organizations Are Component Units". This report includes the financial statements of the City's primary government, which covers all funds or organizations that are part of the City's legal entity.

Additionally, the City's primary government also includes blended component units. These are legally separate entities for which the City is financially accountable and the governing board of the City is essentially the same as that of the entities. Based on these criteria, the Health Facilities Development Corporation, the Housing Finance Corporation and the Industrial Development Authority, Inc. are included as Special Revenue Funds of the primary government.

Health Facilities Development Corporation - The City created the corporation to assist the maintenance of public health within the City. The Corporation's governing body is the same as the governing body of the City. The Corporation is authorized to sell bonds. Upon dissolution of the Corporation, the assets of the Corporation shall be distributed to the City.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (continued)

Housing Finance Corporation – The City created the corporation to carry out the purposes of the Texas Housing Finance Corporations Act within the City. The Corporation’s governing body is the same as the governing body of the City. There are seven directors. The Corporation is authorized to sell bonds. Upon dissolution of the Corporation, title to or other interests in any real or personal property owned by the Corporation shall vest in the City.

Industrial Development Authority, Inc. – The City created the corporation for the purposes of promoting and developing commercial, industrial, manufacturing and medical research enterprises to promote and encourage employment, public health and public welfare within the City. The Corporation’s governing body is the same as the governing body of the City. The Corporation is authorized to sell bonds. Upon dissolution of the Corporation, the assets of the Corporation shall be distributed to the City.

The City’s reporting entity also includes the accounts of the DeSoto Economic Development Corporation (“DEDC”) and the DeSoto Park Development Corporation (“DPDC”) as discretely presented component units, entities for which the City is financially accountable. The City Council appoints the Board of Directors of the DEDC and the DPDC, and is able to impose its will on the organizations.

DeSoto Economic Development Corporation – The Corporation was created for the purpose of promoting economic development within the City. There are five directors, all appointed by the City Council. All directors are residents of the City. Each director serves a three year staggered term. The Corporation is authorized to borrow funds and issue bonds with City Council approval.

DeSoto Parks Development Corporation - The Corporation was created for the purpose of promoting parks within the City. There are seven directors, all appointed by the City Council. All directors are residents of the City. Each director serves a two year staggered term. The Corporation is authorized to issue bonds for public parks and park facilities projects with City Council approval.

Separate financial statements are not issued for the DPDC, the Health Facilities Development Corporation, the Housing Finance Corporation and the Industrial Development Authority. Complete financial statements are issued by the DEDC and can be obtained from:

DeSoto Economic Development Corporation
211 E. Pleasant Run Road
DeSoto, Texas 75115

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and fund financial statements (continued)

activities) report information on all of the nonfiduciary activities of the primary government and its component units.

The effect of interfund activity between governmental activities and business-type activities has been removed from these statements.

Governmental activities, which are normally supported by property, sales and franchise taxes, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Significant revenues generated from business-type activities include: charges to customers for water and wastewater services, municipal drainage services and charges for solid waste services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of net assets presents information on all 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.

The statement of activities reports the change in the City's net assets from October 1, 2006 to September 30, 2007. This statement demonstrates the degree to which the direct expenses of a given function of government are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function of City government. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues* in the statement of activities.

In addition to the government-wide financial statements, the City also reports separate financial statements for major governmental funds and proprietary funds; these statements are classified as *fund financial statements*. The fund financial statements are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Funds are ordered into two distinct categories: governmental and proprietary. Information in the fund financial statements is reported on a major fund basis. The calculation of major funds is conducted by the City each year under the methods outlined in GASB Statement No. 34.

Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and fund financial statements (continued)

The City reports the following major governmental funds at September 30, 2007:

General Fund: The General Fund is the primary operating fund of the City. This fund is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund: This fund accounts for the accumulation of resources (primarily property tax levies) for the payment of principal, interest and related costs of general long term debt.

2005 Bonds Fund: This fund accounts for the financing and construction costs of various projects within the City. General obligation bonds provide the financing.

2006 Bonds Fund: This fund accounts for the financing and construction costs of various projects within the City. General obligation bonds provide the financing.

2007 Bonds Fund: This fund accounts for the financing and construction costs of various projects within the City. General obligation and certificate of obligation bonds provide the financing.

The City reports the following major proprietary funds at September 30, 2007:

Water and Sewer Fund: This fund accounts for water and wastewater system services provided for residents and businesses of the City, including administration, operations, maintenance, debt service, billing and collection.

Storm Drainage Fund: This fund accounts for the operation of the Storm Water Utility and provides funding for storm drainage capital improvements and enhanced maintenance of the storm drainage system.

Sanitation Fund: This fund accounts for revenues and expenses of solid waste operations. Revenues are generated through user charges. This fund also funds additional services for litter control and median beautification, street sweeping and household hazardous waste collection.

Measurement Focus/Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. With the economic resources measurement focus, all assets and liabilities (whether current or noncurrent) are reported on the statement of net assets.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes measurable and available. Measurable means the amount of the transaction can be determined. Available means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the fiscal year-end. Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, with the exception of principal and interest on general long-term debt, and liabilities for accrued compensated absences and arbitrage rebate, which are recognized when due.

Property taxes, sales tax revenue, franchise taxes, grants and interest income are considered to be susceptible to accrual. Licenses and permits, charges for services, and fines and forfeitures are recorded as revenue when received in cash, because they are generally not measurable and available until actually received. The deferred revenues account is utilized in governmental funds to record earned amounts which are unavailable to liquidate liabilities of the current period (i.e., not collectible within 60 days). When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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. The principal operating revenues of the City's proprietary operations are charges to customers for sales and services. All revenues and expenses that do not meet this definition are reported as non-operating revenues and expenses. Unbilled receivables for water and sewer services are recorded at year-end.

Property Taxes

Ad valorem taxes are levied from valuations assessed as of January 1 and are recognized as revenue beginning on the date of levy, October 1, when they become available. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. Taxes not expected to be collected within 60 days of the fiscal year are recorded as deferred revenue and is recognized when it becomes available. Taxes collected prior to the levy date to which they apply are recorded as deferred revenue and recognized as revenue of the period to which they apply. Current taxes are due on October 1, and become delinquent if unpaid on February 1 and are turned over to City Attorney for collection July 1. Property taxes attach as an enforceable lien on property as of January 1. For the year ended September 30, 2007, the City had a tax rate of \$.69835 per \$100, of which \$.48592 was allocated for general government, and \$.21243 was allocated for payment of principal and interest on general long-term debt.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Accounting Policy

The City follows the provisions of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" ("Statement"). Those provisions require that certain investments be reported at fair value, rather than at cost or amortized cost, and that the changes in the fair value of investments be recognized as investment revenue. The Statement further provides that the City has the option of continuing to report certain investments at cost or amortized cost but must disclose its policy in this regard. In accordance with GASB Statement No. 31, the City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value.

All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Non-negotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act") Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Receivables

Taxes and accounts receivable are shown net of an allowance for uncollectible. Accounts receivable in excess of 90 days comprise the allowance for uncollectible. The property tax receivable allowance is equal to 10 percent of outstanding property taxes at September 30, 2007.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventories are valued at cost, using the first-in, first-out method. The City utilizes the consumption method to recognize inventory usage. Under the consumption method, inventories are recorded as expenses when used rather than when purchased.

Capital Assets

Capital assets, which include land, buildings, infrastructure, improvements, equipment and construction in progress, 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 recorded at historical cost or estimated historical cost. Donated capital assets are valued at their fair value on the date donated. Repairs and maintenance are recorded as expenses. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Infrastructure, water and sewer system and water line replacements	10-50 years
Buildings	32 years
Equipment and furniture	3-10 years
Capital lease equipment	Shorter of 5 years or lease term

Compensated Absences

The City permits employees to accumulate to certain limits unused vacation, sick leave and compensatory time. For civilian and police employees, unused vacation leave may be accumulated to a maximum of 320 hours and unused sick leave may be accumulated to a maximum of 720 hours. For firefighters, unused vacation leave may be accumulated to a maximum of 480 hours and unused sick leave may be accumulated to a maximum of 1,080 hours. GASB Interpretation No. 6 indicates that liabilities for compensated absences are normally expected to be liquidated with expendable available financial resources and should be recognized as governmental fund liabilities to the extent that they mature each period. Accrued compensated absences are reported in the respective columns in the government-wide financial statements and in the proprietary fund financial statements when earned. The estimated vacation liability expected to be satisfied with available financial resources is included in accrued liabilities in the General Fund. Compensated absences are reported in governmental funds only if they have matured.

Long-Term Debt

In the government-wide financial statements, and the proprietary fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Debt (Continued)

well as issuance costs, are deferred and amortized over the life of the bonds if material in amount. In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs are recognized during the current period. The face amount of debt is recorded as other financing sources. Bond premiums and discounts are recorded as other financing sources and uses. Issuance costs are reported as expenditures in the funds receiving the bond proceeds.

Transactions Between Funds

Inter-fund 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 inter fund transactions, except inter fund services provided and used, are recorded as transfers.

Fund Balance Reserves

Reserves represent those portions of fund balance not appropriable for expenditure or legally segregated for a specific use.

Fund balance reservations consist of the following:

	General Fund	Debt Service Funds	2005 Bonds	2006 Bonds	2007 Bonds	Nonmajor Governmental Funds
Reserves for inventory and prepaid expenditures	\$ 34,432	\$ -	\$ -	\$ -	\$ -	\$ -
Reserves for debt service	-	1,720,235	-	-	-	-
Reserves for capital projects	-	-	3,401,066	6,314,109	10,970,984	4,845,084
Reserves for public safety	-	-	-	-	-	615,648
Reserves for community development	-	-	-	-	-	159,553
Reserves for recreation and tourism	-	-	-	-	-	425,343
	<u>\$ 34,432</u>	<u>\$ 1,720,235</u>	<u>\$ 3,401,066</u>	<u>\$ 6,314,109</u>	<u>\$ 10,970,984</u>	<u>\$ 6,045,628</u>

Reserve for inventory and prepaid expenditures indicates those items do not represent available spendable resources. Reserve for debt service is for amounts for the payment of principal and interest on the City's debt obligations. Reserves for capital projects is for payment for the construction of capital assets. Reserves for public safety is for amounts for expenditure for the City's police and fire services. Reserves for community development is for the enhancement of library, parks and leisure services, housing and health facilities. Reserves for recreation and tourism is to promote cultural and recreational initiatives.

(continued)

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The City follows these procedures in establishing its annual budget:

- 1) Prior to August 1, the City Manager submits 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 for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Enterprise Fund, on the modified accrual basis of accounting.
- 2) A public hearing is conducted to obtain taxpayer comments.
- 3) The budget is legally enacted by the City Council through passage of an ordinance prior to October 1.
- 4) Any revisions that alter the total expenditures of the Enterprise Funds or any department for Governmental Fund Type budgeted funds must be approved by the City Council.
- 5) Formal budgetary integration is employed as a management control device during the year for the General Fund.
- 6) Unused appropriations lapse at fiscal year-end and may not be carried over to the following fiscal year.
- 7) Budgeted amounts are as originally adopted or as amended by the City Council. There were not significant budgetary amendments made during the year.
- 8) The City Manager is authorized to adjust budget amounts; however, such revisions may not result in total expenditures (appropriations) in excess of budgeted revenues at the fund level without the approval of City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Deficit Fund Equity

The Fire Training special revenue fund had a deficit fund balance of \$10,859 as of September 30, 2007. The fund contributed resources to the construction of the Fire Training facility. The City anticipates future training academy tuition revenue to cover the deficit. Additionally, the Energy Management special revenue fund had a deficit fund balance of \$144,957. This occurred because electricity and water utility expenditures were greater than expected. The City anticipates transferring resources from other funds to cover the deficit.

(continued)

3. CASH AND INVESTMENTS

Deposits: The City maintains a cash and investment pool that combines cash of the various funds in order to maximize investment opportunities. State statutes require that all deposits in financial institutions be insured by the Federal Depository Insurance Corporation (FDIC) or fully collateralized as per the Public Funds Collateral Act. The City's deposits were fully insured or collateralized as required by state statutes as of September 30, 2007. At year-end, the carrying amount of the City's deposits was a balance of \$102,162 primarily consisting of outstanding deposits and the respective bank balances totaled \$1,550,071. Of the total bank balance, \$100,000 was covered by the FDIC. The remainder was covered by collateral with a value of \$2,498,657. The collateral is held by Amegy Bank of Texas in the name of First National Bank in Edinburg pledged to the City of DeSoto.

The City maintains petty cash funds in the amount of \$5,550.

Investments: The City's investments at September 30, 2007 are

Description	Carrying Amount	Fair Value	Less than 1 Year	1 -2 Years	Weighted Average Maturity (Years)
U.S Government Sponsored					
Enterprise Securities (Aaa)	\$ 3,481,820	\$ 3,484,525	\$ 1,986,060	\$ 1,495,760	0.46
U.S. Treasury Bonds	7,170,699	7,170,933	743,241	6,427,692	1.11
MBIA (AAAm, 2a-7 like pool)	21,625,458	21,625,458	21,625,458	-	0.54
Texpool (AAAm, 2a-7 like pool)	9,277,510	9,277,510	9,277,510	-	0.21
Total	<u>\$ 41,555,487</u>	<u>\$ 41,558,426</u>	<u>\$ 33,632,269</u>	<u>\$ 7,923,452</u>	

Component Units: The DEDC's deposits were fully insured or collateralized as required by state statutes as of September 30, 2007. At year-end, the carrying amount of the DEDC's deposits was a balance of \$1,364,221 and the respective bank balances totaled \$1,397,425. Of the total bank balance, \$100,000 was covered by the FDIC. The remainder was covered by collateral with a value of \$5,000,000. The collateral is held by Compass Bank of Texas under a safekeeping agreement with the Bank of DeSoto in the name of the DeSoto Economic Development Corporation.

The DEDC maintains a petty cash fund of \$200.

Investments: The DEDC's investments at September 30, 2007 are

	Fair Value	Less Than 1 Year	Weighted Average Maturity (Years)
Bank Certificates of Deposit	\$1,477,495	\$1,477,495	0.37

(continued)

3. CASH AND INVESTMENTS (continued)

All the DEDC’s investment at September 30, 2007 have maturities of less than one year and therefore there is no difference between the carrying amount and fair value.

Investments: The DPDC’s investments at September 30, 2007 are

	Fair Value	Less Than 1 Year	Weighted Average Maturity (Years)
Texpool (AAAm, 2a-7 like pool)	\$236,459	\$236,459	0.21

All the DPDC’s investment at September 30, 2007 is maturing in less than one year and therefore there is no difference between the carrying amount and fair value.

Interest Rate Risk: In order to minimize risk of loss due to interest rate fluctuations, the City’s Investment Policy states investment maturities will not exceed the anticipated cash flow requirement of the funds as follows:

Operating Funds – The dollar weighted average maturity of 365 days or less will be calculated using the stated final maturity of each security and the maximum allowable maturity shall be three years.

Debt Service Fund – The maximum maturity for securities purchased shall not exceed the corresponding debt service payment date.

Special Purpose Funds – Maximum maturity shall not exceed five years and each fund’s weighted average life shall not exceed three years.

Credit Risk: In compliance with the City’s Investment Policy as of September 30, 2007, the City minimized credit risk losses due to default of a security issuer or backer by limiting investments to the safest types of securities, pre-qualifying financial institutions, brokers/dealers, and advisors with which the City does business, and diversifying the investment portfolio so that potential losses on individual securities are minimized.

4. RECEIVABLES

Receivables at September 30, 2007 for the City’s individual major and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

(continued)

4. RECEIVABLES (continued)

	<u>General</u>	<u>Debt Service</u>	<u>Water and Sewer</u>	<u>Drainage</u>	<u>Sanitation</u>	<u>Non-Major Funds</u>	<u>Total</u>
Receivables:							
Taxes	\$ 865,165	\$ 378,952	\$ -	\$ -	\$ -	\$ -	\$ 1,244,117
Grants and Other Governments	-	-	-	-	-	2,444	2,444
Interest	29,490	1,030	-	-	-	-	30,520
Accounts and Other	<u>3,307,994</u>	<u>-</u>	<u>2,801,955</u>	<u>139,849</u>	<u>307,804</u>	<u>116,494</u>	<u>6,674,096</u>
Gross receivables	4,202,649	379,982	2,801,955	139,849	307,804	118,938	7,951,177
Less allowance for uncollectibles	<u>(2,062,419)</u>	<u>(37,363)</u>	<u>(377,449)</u>	<u>(30,597)</u>	<u>(63,326)</u>	<u>-</u>	<u>(2,571,154)</u>
Net total receivables	<u>\$ 2,140,230</u>	<u>\$ 342,619</u>	<u>\$ 2,424,506</u>	<u>\$ 109,252</u>	<u>\$ 244,478</u>	<u>\$ 118,938</u>	<u>\$ 5,380,023</u>

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the fiscal year, the various components of deferred revenues reported in the governmental funds were as follows:

General fund-ad valorem tax receivable	\$ 778,649
General fund-fire	20,686
General fund-civic center and animal trap deposits	21,825
General fund-development fees	10,470
Debt service fund-ad valorem tax receivable	336,264
Public Works fund-note from component unit	390,304
Public Works fund-construction advances	35,183
Non-major government fund-Police Operations-asset seizure	7,581
Non-major government fund-Hotel/Motel-deposits	2,725
Total deferred revenues for governmental funds	<u>\$ 1,603,687</u>

(continued)

5. CAPITAL ASSETS

A summary of the changes in capital assets for the fiscal year ended September 30, 2007 is as follows:

	Beginning Balance	Increases	Transfers/Decreases	Ending Balance
Governmental Activities:				
Capital assets-not being depreciated:				
Land	\$ 3,703,301	\$ -	\$ -	\$ 3,703,301
Street/Alley ROW	13,829,130	243,819	-	14,072,949
Construction in progress	7,196,842	8,054,848	(3,146,733)	12,104,957
Total capital assets-not being depreciated	24,729,273	8,298,667	(3,146,733)	29,881,207
Capital assets-being depreciated				
Buildings	24,504,333	2,167,413	(13,870)	26,657,876
Infrastructure	127,776,617	3,027,489	(6,421)	130,797,685
Equipment and furniture	5,269,911	996,233	(254,894)	6,011,250
Capitalized leases	2,299,244	-	-	2,299,244
Total capital assets- being depreciated	159,850,105	6,191,135	(275,185)	165,766,055
Less accumulated depreciation:				
Buildings	5,534,221	597,054	-	6,131,275
Infrastructure	35,788,698	4,624,611	(4,283)	40,409,026
Equipment and furniture	3,745,071	630,261	(245,758)	4,129,574
Capitalized leases	1,410,466	205,399	-	1,615,865
Total accumulated depreciation	46,478,456	6,057,325	(250,041)	52,285,740
Total capital assets- being depreciated-net	113,371,649	133,810	(25,144)	113,480,315
Governmental activities capital assets-net	\$ 138,100,922	\$ 8,432,477	\$(3,171,877)	\$ 143,361,522

(continued)

5. CAPITAL ASSETS (continued)

	Beginning Balance	Increases	Transfers/Decreases	Ending Balance
Total Business-type Activities:				
Capital assets-not being depreciated:				
Land	\$ 812,461	\$ 132,725	\$ -	\$ 945,186
Construction in progress	<u>7,102,147</u>	<u>1,123,483</u>	<u>1,758,197</u>	<u>6,467,433</u>
Total capital assets-not being depreciated	7,914,608	1,256,208	1,758,197	7,412,619
Capital assets-being depreciated				
Water line replacements	13,263,227	277,870	-	13,541,097
Drainage system	4,206,990	2,845,363	-	7,052,353
Water and sewer system	60,292,119	6,223,103	11,429	66,503,793
Improvements	8,950	-	-	8,950
Equipment acquired under capital lease	94,986	111,425	94,986	111,425
Equipment and furniture	<u>912,275</u>	<u>245,161</u>	<u>-</u>	<u>1,157,436</u>
Total capital assets- being depreciated	<u>78,778,547</u>	<u>9,702,922</u>	<u>106,415</u>	<u>88,375,054</u>
Less accumulated depreciation:				
Water line replacements	3,929,895	514,728	(281,075)	4,725,698
Drainage system	156,217	2,618	-	158,835
Water and sewer system	25,215,037	1,587,767	281,075	26,521,729
Improvements	3,582	895	-	4,477
Equipment acquired under capital lease	94,986	24,625	94,986	24,625
Equipment and furniture	<u>565,898</u>	<u>280,532</u>	<u>-</u>	<u>846,430</u>
Total accumulated depreciation	<u>29,965,615</u>	<u>2,411,165</u>	<u>94,986</u>	<u>32,281,794</u>
Total capital assets- being depreciated-net	<u>48,812,932</u>	<u>7,291,757</u>	<u>11,429</u>	<u>56,093,260</u>
Total Business-type Activities capital assets-net	<u>\$ 56,727,540</u>	<u>\$ 8,547,965</u>	<u>\$ 1,769,626</u>	<u>\$ 63,505,879</u>

(continued)

5. CAPITAL ASSETS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Water and Sewer Fund				
Capital assets-not being depreciated:				
Land	\$ 283,902	\$ -	\$ -	\$ 283,902
Construction in progress	5,037,922	-	491,772	4,546,150
Total capital assets-not being depreciated	<u>5,321,824</u>	<u>-</u>	<u>491,772</u>	<u>4,830,052</u>
Capital assets-being depreciated				
Water line replacements	8,439,570	276,327	-	8,715,897
Water and sewer system	60,292,119	6,223,103	11,429	66,503,793
Equipment and furniture	818,657	245,161	-	1,063,818
Total capital assets- being depreciated	<u>69,550,346</u>	<u>6,744,591</u>	<u>11,429</u>	<u>76,283,508</u>
Less accumulated depreciation:				
Water line replacements	2,788,825	310,095	(281,075)	3,379,996
Water and sewer system	25,215,037	1,587,767	281,075	26,521,728
Equipment and furniture	488,573	94,568	-	583,141
Total accumulated depreciation	<u>28,492,435</u>	<u>1,992,430</u>	<u>-</u>	<u>30,484,865</u>
Total capital assets- being depreciated-net	<u>41,057,911</u>	<u>4,752,161</u>	<u>11,429</u>	<u>45,798,643</u>
Water and sewer capital assets-net	<u>\$ 46,379,735</u>	<u>\$ 4,752,160</u>	<u>\$ 503,201</u>	<u>\$ 50,628,695</u>

(continued)

5. CAPITAL ASSETS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Storm Drainage				
Capital assets-not being depreciated:				
Land	\$ 337,172	\$ 4,025	\$ -	\$ 341,197
Construction in progress	1,931,490	1,123,483	1,137,725	1,917,248
Total capital assets-not being depreciated	<u>2,268,662</u>	<u>1,127,508</u>	<u>1,137,725</u>	<u>2,258,445</u>
Capital assets-being depreciated				
Water line replacements	4,823,657	1,543	-	4,825,200
Drainage systems	4,206,990	2,845,363	-	7,052,353
Equipment and furniture	70,944	-	-	70,944
Total capital assets- being depreciated	<u>9,101,591</u>	<u>2,846,906</u>	<u>-</u>	<u>11,948,497</u>
Less accumulated depreciation:				
Water line replacements	1,141,070	204,633	-	1,345,703
Drainage systems	156,217	2,618	-	158,835
Equipment and furniture	59,174	181,442	-	240,616
Total accumulated depreciation	<u>1,356,461</u>	<u>388,693</u>	<u>-</u>	<u>1,745,154</u>
Total capital assets- being depreciated-net	<u>7,745,130</u>	<u>2,458,213</u>	<u>-</u>	<u>10,203,343</u>
Storm Drainage capital assets-net	<u>\$ 10,013,792</u>	<u>\$ 3,585,721</u>	<u>\$ 1,137,725</u>	<u>\$ 12,461,788</u>

(continued)

5. CAPITAL ASSETS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Sanitation Fund				
Capital assets-not being depreciated:				
Land	\$ 191,387	\$ 128,700	\$ -	\$ 320,087
Construction in progress	<u>132,735</u>	<u>-</u>	<u>128,700</u>	<u>4,035</u>
Total capital assets-not being depreciated	<u>324,122</u>	<u>128,700</u>	<u>128,700</u>	<u>324,122</u>
Capital assets-being depreciated				
Equipment acquired under capital lease	94,986	111,425	94,986	111,425
Improvements	8,950	-	-	8,950
Equipment and furniture	<u>22,674</u>	<u>-</u>	<u>-</u>	<u>22,674</u>
Total capital assets- being depreciated	<u>126,610</u>	<u>111,425</u>	<u>94,986</u>	<u>143,049</u>
Less accumulated depreciation:				
Equipment acquired under capital lease	94,986	24,625	94,986	24,625
Improvements	3,582	895	-	4,477
Equipment and furniture	<u>18,151</u>	<u>4,522</u>	<u>-</u>	<u>22,673</u>
Total accumulated depreciation	<u>116,719</u>	<u>30,042</u>	<u>94,986</u>	<u>51,775</u>
Total capital assets- being depreciated-net	<u>9,891</u>	<u>81,383</u>	<u>-</u>	<u>91,274</u>
Sanitation Fund capital assets-net	<u>\$ 334,013</u>	<u>\$ 210,083</u>	<u>\$ 128,700</u>	<u>\$ 415,396</u>

(continued)

5. CAPITAL ASSETS (continued)

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

Governmental activities:		Business-type activities	
General administration	\$ 461,956	Water and sewer	\$ 1,992,430
Public safety	796,082	Storm Drainage	388,693
Development services	4,452,204	Sanitation	<u>30,042</u>
Parks and leisure services	285,347		
Library	28,824	Total business-type	\$ <u>2,411,165</u>
Finance	3,321		
Information Technology	<u>29,591</u>		
Total governmental	<u>\$ 6,057,325</u>		

Future expenditures for capital projects will be funded from unexpended and undrawn bond proceeds. In 2003, \$32,275,000 of various General Obligation Bonds were authorized and \$23,740,000 have been issued as of September 30, 2007.

Discretely Presented Component Units

A summary of changes in capital assets for the DeSoto Park Development Corporation (DPDC) follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets-not being depreciated:				
Land	\$ <u>11,250</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>11,250</u>
Total capital assets- not being depreciated	<u>11,250</u>	<u>-</u>	<u>-</u>	<u>11,250</u>
Capital assets-being depreciated				
Improvements	<u>5,324,529</u>	<u>-</u>	<u>-</u>	<u>5,324,529</u>
Total capital assets- being depreciated	<u>5,324,529</u>	<u>-</u>	<u>-</u>	<u>5,324,529</u>
Less accumulated depreciation:				
Improvements	<u>1,782,864</u>	<u>35,184</u>	<u>-</u>	<u>1,818,048</u>
Total accumulated depreciation	<u>1,782,864</u>	<u>35,184</u>	<u>-</u>	<u>1,818,048</u>
Total capital assets- being depreciated- net	<u>3,541,665</u>	<u>(35,184)</u>	<u>-</u>	<u>3,506,481</u>
Capital assets-net	<u>\$ 3,552,915</u>	<u>\$ (35,184)</u>	<u>\$ -</u>	<u>\$ 3,517,731</u>

Depreciation expense was \$35,184.

(continued)

5. CAPITAL ASSETS (continued)

Discretely Presented Component Units (continued)

A summary of changes in capital assets for the DeSoto Economic Development Corporation (DEDC) follows:

	Beginning Balance as Restated	Increases	Decreases	Ending Balance
Capital assets-not being depreciated:				
Land	\$ 67,005	\$ -	\$ 67,005	\$ -
Total capital assets-not being depreciated	<u>67,005</u>	<u>-</u>	<u>67,005</u>	<u>-</u>
Capital assets-being depreciated				
Furniture, Fixture and Equipment	<u>137,163</u>	<u>-</u>	<u>67,284</u>	<u>69,879</u>
Total capital assets-being depreciated	<u>137,163</u>	<u>-</u>	<u>67,284</u>	<u>69,879</u>
Less accumulated depreciation:				
Furniture, Fixture and Equipment	<u>137,163</u>	<u>-</u>	<u>67,284</u>	<u>69,879</u>
Total accumulated depreciation	<u>137,163</u>	<u>-</u>	<u>67,284</u>	<u>69,879</u>
Total capital assets-being depreciated-net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets-net	<u>\$ 67,005</u>	<u>\$ -</u>	<u>\$ 67,005</u>	<u>\$ -</u>

Depreciation expense was \$-0-, as all depreciable assets were fully depreciated during the fiscal year ending September 30, 2006.

Construction Commitments

The City has active construction projects as of September 30, 2007. At year-end the government's commitments with contractors for specific projects are as follows:

Facilities	\$ 448,023
Street Improvements	3,349,899

6. LONG-TERM LIABILITIES

The following is a summary of transactions affecting long-term liabilities for the year ended September 30, 2007:

(continued)

6. LONG-TERM LIABILITIES (Continued)

Governmental activities	<u>October 1, 2006</u>	<u>Increase</u>	<u>Decrease</u>	<u>September 30, 2007</u>	<u>Within One Year</u>
General obligation bonds	\$ 58,923,028	\$ 6,150,000	\$ 3,124,772	\$ 61,948,256	\$ 3,130,000
Certificates of obligation	11,243,460	9,360,000	755,000	19,848,460	730,000
Accreted Interest	266,296	49,459	40,227	275,528	-
Note Payable	1,855,989	-	184,200	1,671,789	189,100
Loss on Bond Refunding	(1,222,745)	-	(66,407)	(1,156,338)	(66,407)
Bond Premium	1,665,177	30,273	110,694	1,584,756	-
Capital leases	634,262	-	121,515	512,747	127,676
Compensated absences	<u>3,663,724</u>	<u>602,002</u>	<u>462,974</u>	<u>3,802,752</u>	<u>240,000</u>
Total	\$ <u>77,029,191</u>	\$ <u>16,191,734</u>	\$ <u>4,732,974</u>	\$ <u>88,487,950</u>	\$ <u>4,350,369</u>

Total Business-type activities	<u>Balance October 1, 2006</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance September 30, 2007</u>	<u>Due Within One Year</u>
Certificates of obligation	\$ 5,350,000	\$ -	\$ 210,000	\$ 5,140,000	\$ 220,000
Bond premium	16,517	-	879	15,638	-
Compensated absences	<u>101,086</u>	<u>30,686</u>	<u>22,820</u>	<u>108,952</u>	<u>-</u>
Total	\$ <u>5,467,603</u>	\$ <u>30,686</u>	\$ <u>233,699</u>	\$ <u>5,264,590</u>	\$ <u>220,000</u>

The increase in business-type activities certificates of obligation represents debt issuances during 2007.

Water and Sewer Fund	<u>Balance October 1, 2006</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance September 30, 2007</u>	<u>Due Within One Year</u>
Compensated absences	\$ <u>79,557</u>	\$ <u>28,956</u>	\$ <u>22,517</u>	\$ <u>85,996</u>	\$ <u>-</u>
Total	\$ <u>79,557</u>	\$ <u>28,956</u>	\$ <u>22,517</u>	\$ <u>85,996</u>	\$ <u>-</u>

Storm Drainage Fund	<u>Balance October 1, 2006</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance September 30, 2007</u>	<u>Due Within One Year</u>
Certificates of obligation	\$ 5,350,000	\$ -	\$ 210,000	\$ 5,140,000	\$ 220,000
Bond premium	16,517	-	879	15,638	-
Compensated absences	<u>-</u>	<u>1,651</u>	<u>-</u>	<u>1,651</u>	<u>-</u>
Total	\$ <u>5,366,517</u>	\$ <u>1,651</u>	\$ <u>210,879</u>	\$ <u>5,157,289</u>	\$ <u>220,000</u>

(continued)

6. LONG-TERM LIABILITIES (Continued)

Sanitation Fund	Balance October 1, 2006	Increase	Decrease	Balance September 30, 2007	Due Within One Year
Compensated absences	\$ 21,529	\$ 79	\$ 308	\$ 21,305	\$ -
Total	\$ 21,529	\$ 79	\$ 308	\$ 21,305	\$ -

Component Units	Balance October 1, 2006	Increase	Decrease	Balance September 30, 2007	Due Within One Year
DPDC					
Sales tax revenue bonds	\$ 2,365,000	\$ -	\$ 95,000	\$ 2,270,000	\$ 100,000
DEDC					
Sales tax revenue bonds	\$ 3,340,000	\$ -	\$ 125,000	\$ 3,215,000	\$ 130,000
Note to City of DeSoto	399,753	-	9,449	390,304	9,860
Total	\$ 3,739,753	\$ -	\$ 134,449	\$ 3,605,304	\$ 139,860

(continued)

6. LONG-TERM LIABILITIES (Continued)

General obligation bonds, revenue bonds and certificates of obligation outstanding at September 30, 2007, consist of the following individual issues:

Governmental Activities:	Interest Rate	Maturity Date	Outstanding	Due Within One Year
<u>General Obligation Bonds</u>				
1996 General Obligation	5% -7%	2/15/2009	\$ 670,000	\$ 325,000
1999 Improvement	4.85% -5.0%	2/15/2019	5,515,000	355,000
1999 Refunding	4.85% -5.0%	2/15/2019	2,290,000	315,000
2000 General Obligation	4.375% -6.07%	2/15/2020	168,256	-
2001 General Obligation	5.125% -6.375%	2/15/2021	2,965,000	-
2002 General Obligation	4.25% -6.25%	2/15/2022	1,910,000	95,000
2003 Refunding	3.0% -3.625%	2/15/2011	4,350,000	1,450,000
2004 General Obligation	3.0% -4.50%	2/15/2024	3,530,000	165,000
2005 Refunding and Improvement	3.0% -5%	2/15/2025	27,245,000	30,000
2006 General Obligation	3.750% -4.25%	2/15/2026	7,155,000	190,000
2007 General Obligation	4.0% -4.375%	2/15/2027	6,150,000	205,000
			<u>61,948,256</u>	<u>3,130,000</u>
<u>Certificate of Obligation</u>				
1998 General Certificate	3.6% -4.6%	2/15/2019	1,310,000	85,000
1999 Tax and Revenue	4.0% -4.85%	2/15/2019	560,000	40,000
2000 Tax and Revenue	4.375% -6.07%	2/15/2020	423,460	-
2001 Tax and Revenue	4.55 -5.50%	2/15/2022	2,975,000	120,000
2002 Tax and Revenue	4.25% -5.25%	2/15/2022	3,660,000	185,000
2003 Tax and Revenue	3.0% -4.75%	2/15/2023	580,000	30,000
2005 Tax and Revenue	3.0% -4.5%	2/15/2025	470,000	20,000
2006 Tax and Revenue	3.750% -4.25%	2/15/2027	510,000	20,000
2007 Tax and Revenue	4.0% -4.375%	2/15/2027	2,170,000	70,000
2007A Tax and Revenue (Tax Exempt)	4.0% -4.5%	2/15/2027	4,120,000	105,000
2007A Tax and Revenue (Taxable)	5.4% -6.0%	2/15/2027	3,070,000	55,000
			<u>19,848,460</u>	<u>730,000</u>
Total Governmental Activities			<u>\$ 81,796,716</u>	<u>\$ 3,860,000</u>
Business-type Activities:				
Storm Drainage				
<u>Certificate of Obligation</u>				
2002 Tax and Revenue	4.25% -5.25%	2/15/2022	860,000	40,000
2003 Tax and Revenue	3.0% -4.75%	2/15/2023	895,000	40,000
2004 Tax and Revenue	3.0% -4.50%	2/15/2024	930,000	40,000
2005 Tax and Revenue	3.0% -4.50%	2/15/2025	955,000	40,000
2005 Meadows Bridge	3.0% -4.50%	2/15/2025	475,000	20,000
2006 Tax and Revenue	3.750% -4.25%	2/15/2027	1,025,000	40,000
Total Business-type Activities			<u>\$5,140,000</u>	<u>\$220,000</u>

(continued)

6. LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize the long-term debt as of September 30, 2007, are as follows:

Fiscal Year	Governmental Activities		Business Type Activities		Note Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 3,860,000	\$ 3,692,056	\$ 220,000	\$ 210,588	\$ 189,100	\$ 48,237
2009	4,100,000	3,463,668	220,000	203,163	190,837	46,656
2010	4,175,000	3,300,657	240,000	195,097	196,748	40,744
2011	4,320,009	3,159,227	240,000	186,134	203,064	33,754
2012	4,528,141	3,113,181	250,000	176,548	213,114	24,379
2013-2017	25,603,566	11,746,761	1,430,000	716,744	678,926	33,551
2018-2022	25,490,000	5,170,198	1,700,000	379,230	-	-
2023-2027	9,720,000	963,703	840,000	56,109	-	-
Total	<u>\$ 81,796,716</u>	<u>\$ 34,609,451</u>	<u>\$ 5,140,000</u>	<u>\$ 2,123,613</u>	<u>\$ 1,671,789</u>	<u>\$ 227,321</u>

The annual requirements to amortize the long-term debt for component units as of September 30, 2007 are as follows:

Fiscal Year	DPDC		DEDC	
	Principal	Interest	Principal	Interest
2008	\$ 100,000	115,233	\$ 139,860	163,407
2009	105,000	110,363	145,271	157,489
2010	110,000	105,148	150,682	151,266
2011	115,000	99,578	177,938	144,177
2012	120,000	93,703	226,076	135,063
2013-2017	735,000	363,055	1,140,477	507,828
2018-2022	985,000	137,809	1,105,000	259,159
2023-2027	-	-	520,000	25,136
Total	<u>\$ 2,270,000</u>	<u>\$ 1,024,889</u>	<u>\$ 3,605,304</u>	<u>\$ 1,543,525</u>

DEDC grant commitments are scheduled as follows:

Fiscal Year	Amount
2008	\$ 1,303,546
2009	554,746
2010	372,800
2011	232,800
2012	200,000
2013-2018	800,000
Total	<u>\$ 3,463,892</u>

(continued)

6. LONG-TERM LIABILITIES (Continued)

In 2007 the City issued \$4,120,000 in tax exempt certificates of obligation bonds (series 2007A), with interest rates ranging from 4.00% to 4.5%. These bonds are recorded as general government debt. The proceeds from the sale of the tax exempt certificates of obligation will be used to construct a municipal parking garage, including equipment; constructing and improving streets within the city, including landscaping; improving and extending the city's waterworks and sewer system and acquiring, constructing and installing a public safety radio system for the Southwest Regional Communication Center (SWRCC). The City also issued \$3,070,000 in taxable certificates of obligation bonds (series 2007A), with interest rates ranging from 5.4% to 6%. These bonds are recorded as general government debt. The proceeds from the sale of the tax exempt certificates of obligation will be used to construct a municipal parking garage, including equipment; constructing and improving streets within the city, including landscaping; improving and extending the city's waterworks and sewer system and acquiring, constructing and installing a public safety radio system for the Southwest Regional Communication Center (SWRCC). Additionally, the City issued \$6,150,000 in general obligation bonds (series 2007), with interest rates ranging from 4.00% to 4.375% which fund the construction of streets, fire fighting facilities and park improvements, and \$2,170,000 in certificate of obligation bonds (series 2007) with interest rates ranging from 4.00% to 4.375% which fund improvements to streets within the city including related traffic signalization, signage, sidewalks, landscaping and drainage improvements, and acquisition of land and right of way. The 2007 series general obligation and certificates of obligation bonds are recorded as general government debt.

Prior Year Bond Refundings

In prior years, the City legally defeased certain general obligation and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and defeased bonds are not included in the City's financial statements. At September 30, 2007, \$31,000,000 of general obligation bonds originally defeased remain outstanding.

Payments on the Series 1984 bonds are subordinated payments to the Trinity River Authority (see Note 12).

Authorized, but Unissued

At September 30, 2007, the City had authorized, but unissued \$8,535,000 of general obligation bonds.

7. CAPITAL LEASES

The City has entered into lease agreements as lessee for financing the acquisition of various equipment. These leases qualify as capital leases and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

(continued)

7. CAPITAL LEASES (continued)

Governmental Activities

The cost of equipment is \$2,299,244, accumulated depreciation is \$1,615,865 and carrying value is \$683,379 as of September 30, 2007.

The following is a schedule of the future minimum lease payments under these agreements and the present value of the net minimum lease payments at September 30, 2007:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>
2008	151,796
2009	143,774
2010	103,515
2011	60,448
2012	60,448
2013-2017	<u>60,448</u>
Minimum lease payments	580,429
Less amount representing interest	<u>67,682</u>
Total Principal	<u>\$ 512,747</u>

8. INTERFUND PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2007, is as follows:

Receivable Fund	Payable Fund	<u>Amount</u>
General	FEMA Firefighters Grant (Non-major governmental fund)	\$ 2,444
General	Energy Management (Non-major governmental fund)	9,998
General	Fire Training Fund (Non-major governmental fund)	85,000
Replacement & Maintenance	Sanitation Fund (Major enterprise fund)	<u>72,425</u>
Total		<u>\$ 169,867</u>

The receivables to the General Fund from the FEMA Firefighters grant and Energy Management funds is for a temporary cash overdraft.

The receivable from the Fire Training Fund was for the funding for the construction of a Fire training facility.

The receivable for the Replacement and Maintenance fund is for the acquisition of a vehicle.

(continued)

8. INTERFUND PAYABLES AND TRANSFERS (continued)

Interfund transfers:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Debt Service Fund	\$ 1,030,283	\$ -
2005 Bonds	-	-
2006 Bonds	150,000	-
Nonmajor Governmental Funds	5,784,121	380,640
General Fund	24,410	4,900,089
Sanitation Fund	-	39,000
Water and Sewer Fund	214,715	1,770,536
Drainage Fund	<u>27,413</u>	<u>140,677</u>
 Total	 \$ <u><u>7,230,942</u></u>	 \$ <u><u>7,230,942</u></u>

The transfers were for the following purposes:

Transfer from Fund/Purpose	Transfer to Fund	Amount
General fund:		
To fund utility expenditures	Energy Management	\$ 1,474,791
To fund improvements to city hall facility	Town Center Landscaping	1,000,000
To fund capital improvements	General Capital Improvements	403,767
Funding for maintenance and equipment replacement	Replacement and Maintenance	1,285,819
To fund various street maintenance projects	Public Works	735,712
Utility fund:		
To fund general government improvements	2004 Bond Issuances	250,000
To fund general government improvements	2006 Bond Issuances	150,000
To acquire replacement vehicles and equipment	Replacement and Maintenance	263,627
To fund utility expenditures	Energy Management	331,404
Funding for debt service expenditures	Debt Service	748,092
Funding for Drainage capital projects	Drainage	27,413
Sanitation fund:		
Funding for maintenance and equipment replacement	Replacement and Maintenance	39,000
Storm Drainage fund:		
Funding for debt service expenditures	Debt Service	140,677
Non-major governmental funds:		
Community Service Fund-to close out funds	General	24,410
Hotel/Motel tax fund-funding for debt service expenditures	Debt Service	141,515
Repair/maintenance funds for acquisition of vehicles	Water and Sewer	<u>214,715</u>
 Total		 \$ <u><u>7,230,942</u></u>

(continued)

9. RETIREMENT PLAN

Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System ("TMRS"), one of 821 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employees' contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions.

In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percentage had always been in existence and if the employee's salary had always been the average of his/her salary for the last three years that are one year before the effective date.

At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions, with interest, and the employer-financed monetary credits, with interest, were used to purchase an annuity. Members can retire at ages 60 and above with five or more years of service or with 20 years of service regardless of age. A member is vested after five years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within actuarial constraints also in the statutes.

Contributions

The current contribution rate for the employees is 7%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary 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 normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly.

Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2006, valuation is effective for rates beginning January 2008).

(continued)

9. RETIREMENT PLAN (Continued)

The following assumptions were used in calculating actuarial liabilities and funding progress:

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

Trend information for the past three years for TMRS is as follows:

<u>Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2005	3,122,325	100%	-
2006	3,119,155	100%	-
2007	3,337,259	100%	-

The City of DeSoto is one of 821 municipalities having the benefit plan administered by TMRS. Each of the 821 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2006, valuations are contained in the 2006 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P. O. Box 149153, Austin, Texas 78714-9153.

10. POSTRETIREMENT BENEFITS

In addition to providing pension benefits, retired employees are entitled to elect continuation coverage under the City's group accident and health insurance plan. Retired employees are responsible for payment of premiums. There are no other significant postretirement benefits or costs related to the coverage continuation.

11. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with IRC 457. The plan, available to all permanent City employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the participants. Participants' rights under the plan are in an amount equal to the fair market value of the deferred account for each participant. Investments that are held by an outside trustee in the deferred compensation plan are not reported in the City's financial statements as the City maintains no fiduciary responsibility for such assets.

(continued)

12. COMMITMENTS AND CONTINGENCIES

Trinity River Authority of Texas

In November 1983, the City and other area municipalities entered into a contract with the Trinity River Authority (the "Authority") for utilization of the Authority's sewer transmission and treatment facilities. Under the contract, the City is required to pay a portion of the annual cash requirement to operate the facility determined by dividing the actual number of gallons discharged into the system by the City by the total number of gallons discharged by all of the participating cities. Accordingly, the future obligations of the City in connection with the contract cannot be estimated since payment varies in direct relationship to gallons discharged. The City has no ownership interest in the Authority or in conjunction with other participating cities.

Total payments made by the City under the contract amounted to \$2,634,742 for 2007. The payments are reflected in the accompanying statement of revenues, expenses and changes in fund net assets of the Water and Sewer Fund. Under the terms of the contract, the City is obligated to make payments for the use of the facilities for the life of the facilities. Further, revenue of the Water and Sewer Fund are pledged to support payments due the Authority in accordance with the terms of the contract. Such payments are considered operating expenses and, therefore, have priority over principal and interest due on revenue bonds.

State and Federal Programs

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. In the opinion of management of the City, disallowed costs, if any, would not be material.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2007, the City purchased commercial insurance to cover these general liabilities from the Texas Municipal League Risk Pool ("TML"). The City pays an annual premium to TML for such coverage. TML purchases reinsurance and the City does not retain the risk of losses. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage in each of the past three fiscal years.

Conduit Debt Obligations

In prior years, the DeSoto Health Facilities Development Corporation, DeSoto Housing Finance Corporation and DeSoto Industrial Development Authority, Inc. issued revenue bonds to provide financial assistance to private sector entities for the acquisition and construction of health facilities, housing facilities and industrial development projects, respectively, deemed to be in the public interest. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not recorded as liabilities in the accompanying financial statements.

A summary of outstanding conduit bonds by component unit at September 30, 2007, follows:

(continued)

12. COMMITMENTS AND CONTINGENCIES (continued)

<u>Series</u>	DeSoto Housing Finance <u>Corporation</u>	DeSoto Industrial Development <u>Authority</u>
1998	\$ 9,825,000	\$ -
2000	-	7,050,000
2001	1,677,016	-
Total	<u>\$ 11,502,016</u>	<u>\$ 7,050,000</u>

DEDC

The DEDC signed an agreement with the City in fiscal year 1995 to pay semi-annual service installments to the City over a 20-year period when the City issues certain certificates of obligation (the "Certificates"). The City issued the Certificates in fiscal year 1996. The DEDC's portion of the Certificates is \$509,609 (\$390,304 principal and \$119,305 interest). The DEDC paid principal and interest totaling \$30,879 to the City in fiscal year 2007.

As of September 30, 2007, the DEDC had approved several grants totaling approximately \$3,463,892 payable in subsequent years, to certain businesses in the City. The payments of the grants are contingent on the business remaining in the City.

Other Contingencies

There are other claims and pending actions incident to normal operations of the City. In the opinion of the City management based on consultation with the City's attorney, the City's potential liability in these matters will not have a material impact on the financial statements.

13. SPECIAL ASSESSMENTS

During the year ended September 30, 1986, the City initiated an assessment program for the financing of public improvements to benefit the properties against which the assessments are levied. The special assessments are levied and collected in total prior to property development and are recorded in the Capital Projects Funds.

(continued)

14. JOINT VENTURES

The Regional Dispatch Center (the Center) provides police, fire, medical aid and emergency service communications to participating cities. The Center's Management Committee is comprised of each of the participating cities' City Manager or their designee. During fiscal year 2007, the City contributed \$888,456 to the operations of the Center. Additionally, the City made an equipment contribution to the Center in the amount of \$347,728. The City has a one-third share in the equity of the Center, accounted for in the government wide statement of net assets. The value of the City's share in the equity of the facility as of September 30, 2007 is \$1,127,468.

The Center issues separate financial statements available from the City's Financial Department.

The City entered into an annually renewable Interlocal Cooperation agreement with the cities of Cedar Hill and Duncanville on September 3, 1991 to establish a Regional Animal Control Shelter facility ("facility"). The facility's Management Committee is comprised of each of the participating cities' City Manager or their designee. During the fiscal year 2007, the City contributed \$134,853 to the operations of the facility. The City has a one-third share in the equity of the facility, accounted for in the government wide statement of net assets. The value of the City's share in the equity of the facility as of September 30, 2007 is \$358,016.

The financial statements of the facility can be obtained by contacting: City of Cedar Hill Finance Department, P. O. Box 96, Cedar Hill, TX 75106-0096.

15. PRIOR PERIOD ADJUSTMENTS

The City did not apply the drainage and sanitation portion of the customers' final bill from the deposits held in the Water and Sewer fund. This resulted in the overstatement of Water and Sewer net assets with a corresponding understatement of net assets for the Drainage and Sanitation funds. The effect of restating to reflect the adjustment decreased beginning net assets in the Water and Sewer fund by \$200,391 and increased the beginning net assets in the Drainage fund by \$98,566 and in the Sanitation fund by \$101,825.

The Candle Meadow Public Improvement District was removed from the financials because it was determined not to be within the City reporting entity. This results in a reduction to beginning net assets in the amount of \$171,477.

(continued)

City of DeSoto
Required Supplementary Information
Schedule of Funding Progress for Participation in Texas Municipal Retirement System
Year Ended September 30, 2007
(Unaudited)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Percentage Funded</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll</u>
12/31/04	\$ 35,044,030	\$ 43,085,141	81.30%	\$ 8,041,111	\$ 13,153,707	61.10%
12/31/05	\$ 37,835,572	\$ 46,346,967	81.60%	\$ 8,511,395	\$ 14,410,404	59.10%
12/31/06	\$ 40,551,377	\$ 49,984,693	81.13%	\$ 9,433,316	\$ 14,885,217	63.37%

DESOTO

DEBT SERVICE

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED SEPTEMBER 30, 2007

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUE			
General property taxes	\$ 5,724,135	\$ 6,120,228	\$ 396,093
Intergovernmental	189,943	189,943	-
Miscellaneous	40,145	-	(40,145)
Interest	<u>80,000</u>	<u>138,028</u>	<u>58,028</u>
Total Revenue	<u>6,034,223</u>	<u>6,448,199</u>	<u>413,976</u>
 EXPENDITURES			
Debt Service:			
Principal retirement	4,104,773	3,879,772	225,001
Interest and Service charges	<u>3,387,551</u>	<u>3,201,687</u>	<u>185,864</u>
Total Expenditures	<u>7,492,324</u>	<u>7,081,459</u>	<u>410,865</u>
 EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	 (1,458,101)	 (633,260)	 824,841
 OTHER FINANCING SOURCES (USES)			
Transfers In	<u>1,458,101</u>	<u>1,030,283</u>	<u>(427,818)</u>
 EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES	 -	 397,023	 397,023
 FUND BALANCE, BEGINNING OF YEAR	 <u>1,323,212</u>	 <u>1,323,212</u>	 <u>-</u>
 FUND BALANCE, END OF YEAR	 <u>\$ 1,323,212</u>	 <u>\$ 1,720,235</u>	 <u>\$ 397,023</u>

DESOTO

2005 BOND ISSUANCES

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUNDS -
2005 BOND ISSUANCES
YEAR ENDED SEPTEMBER 30, 2007

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE			
Miscellaneous	\$ -	\$ 287	\$ 287
Interest	<u>80,000</u>	<u>279,236</u>	<u>199,236</u>
Total Revenue	<u>80,000</u>	<u>279,523</u>	<u>199,523</u>
EXPENDITURES			
Capital outlay	<u>3,424,100</u>	<u>2,345,583</u>	<u>1,078,517</u>
Total Expenditures	<u>3,424,100</u>	<u>2,345,583</u>	<u>1,078,517</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(3,344,100)	(2,066,060)	1,278,040
FUND BALANCE, BEGINNING OF YEAR	<u>5,467,126</u>	<u>5,467,126</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,123,026</u>	<u>\$ 3,401,066</u>	<u>\$ 1,278,040</u>

DESOTO

2006 BOND ISSUANCES

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUNDS -
2006 BOND ISSUANCES
YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUE				
Interest	\$ 115,000	\$ 115,000	\$ 316,803	\$ 201,803
Total Revenue	<u>115,000</u>	<u>115,000</u>	<u>316,803</u>	<u>201,803</u>
EXPENDITURES				
Parks and leisure services	-	150	146	4
Debt service	-	-	105,726	(105,726)
Capital outlay	<u>3,536,500</u>	<u>3,536,350</u>	<u>2,259,931</u>	<u>1,276,419</u>
Total Expenditures	<u>3,536,500</u>	<u>3,536,500</u>	<u>2,365,803</u>	<u>1,170,697</u>
EXCESS (DEFICIENCY) OF REVENUE				
OVER EXPENDITURES	<u>(3,421,500)</u>	<u>(3,421,500)</u>	<u>(2,049,000)</u>	<u>1,372,500</u>
OTHER FINANCING SOURCES				
Proceeds from long term debt	1,000,000	1,000,000	2,170,000	1,170,000
Bond premium	-	-	3,556	3,556
Operating transfers in	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>150,000</u>
Total Other Financing Sources	<u>1,000,000</u>	<u>1,000,000</u>	<u>2,323,556</u>	<u>1,323,556</u>
EXCESS (DEFICIENCY) OF REVENUE				
AND OTHER FINANCING SOURCES				
OVER EXPENDITURES	<u>(2,421,500)</u>	<u>(2,421,500)</u>	<u>274,556</u>	<u>2,696,056</u>
FUND BALANCE, BEGINNING OF YEAR	<u>6,039,553</u>	<u>6,039,553</u>	<u>6,039,553</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 3,618,053</u>	<u>\$ 3,618,053</u>	<u>\$ 6,314,109</u>	<u>\$ 2,696,056</u>

DESOTO

2007 BOND ISSUANCES

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUNDS -
2007 BOND ISSUANCES
YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Interest	\$ 23,479	\$ 23,479	\$ 203,830	\$ 180,351
Total Revenue	<u>23,479</u>	<u>23,479</u>	<u>203,830</u>	<u>180,351</u>
EXPENDITURES				
General administration	-	1,043,900	1,043,900	-
Debt service	-	-	462,243	(462,243)
Capital outlay	<u>5,635,000</u>	<u>4,591,100</u>	<u>832,410</u>	<u>3,758,690</u>
Total Expenditures	<u>5,635,000</u>	<u>5,635,000</u>	<u>2,338,553</u>	<u>3,296,447</u>
EXCESS (DEFICIENCY) OF REVENUE				
OVER EXPENDITURES	(5,611,521)	(5,611,521)	(2,134,723)	<u>3,476,798</u>
OTHER FINANCING SOURCES				
Proceeds from long term debt	5,635,000	5,635,000	13,080,000	7,445,000
Bond premium	-	-	25,707	25,707
Total Other Financing Sources	<u>5,635,000</u>	<u>5,635,000</u>	<u>13,105,707</u>	<u>7,470,707</u>
EXCESS (DEFICIENCY) OF REVENUE				
AND OTHER FINANCING SOURCES	23,479	23,479	10,970,984	10,947,505
FUND BALANCE, BEGINNING OF YEAR				
	-	-	-	-
FUND BALANCE, END OF YEAR				
	<u>\$ 23,479</u>	<u>\$ 23,479</u>	<u>\$ 10,970,984</u>	<u>\$ 10,947,505</u>

DESOTO

NON MAJOR GOVERNMENTAL FUNDS

DESOTO

City of DeSoto
Combining Balance Sheet
Nonmajor Governmental Funds
As of September 30, 2007

	Special Revenue Funds											Total Special Revenue Funds				
	Police Community Operations	Hotel/ Motel Tax	Municipal Court	Community Services	FEMA Firefighter Grants	Lone Star Library Grant	Jail	Recreation Revolving	Fire Training	Police Grants	Energy Management		Health Facilities Development Corporation	Housing Finance Corporation	Industrial Development Authority	Library Trust
ASSETS																
Cash and cash equivalents	\$ 100,689	\$ 17,269	\$ 269,259	\$ 20,257	\$ -	\$ 2,360	\$ 220,090	\$ 347,261	\$ 58,642	\$ 36,002	\$ -	\$ 17,547	\$ 55,056	\$ 24,306	\$ 43,717	\$ 1,212,455
Receivables:																
Grants and Other Governments	-	-	-	-	2,444	-	-	-	-	-	-	-	-	-	-	2,444
Accounts and Other	-	71,674	-	-	-	-	17,402	1,434	25,000	-	-	-	-	-	-	115,510
Total Assets	\$ 100,689	\$ 88,943	\$ 269,259	\$ 20,257	\$ 2,444	\$ 2,360	\$ 237,492	\$ 348,695	\$ 83,642	\$ 36,002	\$ -	\$ 17,547	\$ 55,056	\$ 24,306	\$ 43,717	\$ 1,330,409
LIABILITIES AND FUND BALANCES																
Liabilities:																
Accounts and Contracts Payable	\$ 4,852	\$ 3,569	\$ 76	\$ 3,690	\$ -	\$ -	\$ 1,215	\$ 6,001	\$ 3,068	\$ 184	\$ 134,959	\$ -	\$ -	\$ -	\$ -	\$ 157,614
Accrued Compensation	-	-	653	-	-	-	13,233	-	6,433	-	-	-	-	-	-	20,319
Due To Other Funds	-	-	-	-	2,444	-	-	-	85,000	-	9,998	-	-	-	-	97,442
Deferred Revenue	7,581	2,725	-	-	-	-	-	-	-	-	-	-	-	-	-	10,306
Total Liabilities	12,433	6,294	729	3,690	2,444	-	14,448	6,001	94,501	184	144,957	-	-	-	-	285,681
Fund balances:																
Reserved for Public Safety	88,256	-	268,530	-	-	-	223,044	-	-	35,818	-	-	-	-	-	615,648
Reserved for Recreation and Tourism	-	82,649	-	-	-	-	-	342,694	-	-	-	-	-	-	-	425,343
Reserved for Community Development	-	-	-	16,567	-	2,360	-	-	-	-	-	17,547	55,056	24,306	43,717	159,553
Unreserved:																
Undesignated	-	-	-	-	-	-	-	-	(10,859)	-	(144,957)	-	-	-	-	(155,816)
Total Fund Balances(Deficit)	88,256	82,649	268,530	16,567	-	2,360	223,044	342,694	(10,859)	35,818	(144,957)	17,547	55,056	24,306	43,717	1,044,728
Total Liabilities and Fund Balances	\$ 100,689	\$ 88,943	\$ 269,259	\$ 20,257	\$ 2,444	\$ 2,360	\$ 237,492	\$ 348,695	\$ 83,642	\$ 36,002	\$ -	\$ 17,547	\$ 55,056	\$ 24,306	\$ 43,717	\$ 1,330,409

City of DeSoto
 Combining Balance Sheet
 Nonmajor Governmental Funds
 As of September 30, 2007

	Capital Projects Funds											Total Nonmajor Governmental Funds		
	Park Land Dedication	Recycling	Maintenance	Replacement and Service Center	Police Facility	1998 Bond Issuances	2001 Bonds Issuances	2002 Bonds Streets	2004 Bonds Issuances	Public Works	Clock Tower		Town Center Landscaping	General Capital Improvements
ASSETS														
Cash and cash equivalents	\$ 174,013	\$ 468	\$ 1,259,953	\$ 368,409	\$ 43,659	\$ 33,728	\$ 233,520	\$ 360,180	\$ 678,888	\$ 552,233	\$ 22,654	\$ 1,000,000	\$ 403,768	\$ 5,131,473
Receivables:														
Grants and Other Governments	-	-	-	-	-	-	-	-	-	-	-	-	-	2,444
Accounts and Other	-	-	72,425	-	-	-	-	-	-	-	-	-	-	115,510
Due From Other Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	72,425
Note Receivable from Component Unit	-	-	-	-	-	-	-	-	-	390,304	-	-	-	390,304
Total Assets	\$ 174,013	\$ 468	\$ 1,332,378	\$ 368,409	\$ 43,659	\$ 33,728	\$ 233,520	\$ 360,180	\$ 678,888	\$ 942,537	\$ 22,654	\$ 1,000,000	\$ 403,768	\$ 5,594,202
LIABILITIES AND FUND BALANCES														
Liabilities:														
Accounts and Contracts Payable	\$ 33,709	\$ -	\$ 99,446	\$ 40,299	\$ -	\$ 3,187	\$ -	\$ 2,463	\$ 4,280	\$ 140,247	\$ -	\$ -	\$ -	\$ 481,245
Accrued Compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	20,319
Due To Other Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	97,442
Deferred Revenue	-	-	-	-	-	-	-	-	-	425,487	-	-	-	435,793
Total Liabilities	33,709	-	99,446	40,299	-	3,187	-	2,463	4,280	565,734	-	-	-	1,034,799
Fund balances (Deficit):														
Reserved for Public Safety	-	-	-	-	-	-	-	-	-	-	-	-	-	615,648
Reserved for Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	425,343
Reserved for Community Development	-	-	-	-	-	-	-	-	-	-	-	-	-	159,553
Reserved for Capital Projects	140,304	468	1,232,932	328,110	43,659	30,541	233,520	357,717	674,608	376,803	22,654	1,000,000	403,768	4,845,084
Unreserved:														
Undesignated	-	-	-	-	-	-	-	-	-	-	-	-	-	(155,816)
Total fund balances	140,304	468	1,232,932	328,110	43,659	30,541	233,520	357,717	674,608	376,803	22,654	1,000,000	403,768	4,845,084
Total Liabilities and Fund Balances (Deficit)	\$ 174,013	\$ 468	\$ 1,332,378	\$ 368,409	\$ 43,659	\$ 33,728	\$ 233,520	\$ 360,180	\$ 678,888	\$ 942,537	\$ 22,654	\$ 1,000,000	\$ 403,768	\$ 5,594,202

City of DeSoto
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
As of September 30, 2007

	Special Revenue Funds														Total Special Revenue Funds		
	Police Community Operations	Hotel/ Motel Tax	Municipal Court	Community Service	FEMA Firefighter Grant	Lone Star Library Grant	Jail	Recreation Revolving	Fire Training	Police Grants	Energy Management	Health Facilities Development Corporation	Housing Finance Corporation	Industrial Development Authority		Candle Meadow PID	Library Trust
Revenues:																	
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,706	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Local Taxes	-	258,848	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special Assessments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	479,852	218,969	-	-	-	-	-	-	-	-	-
Fines and Forfeitures	81,001	-	74,007	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	2,946	951	13,179	7	-	478	17,092	2,627	2,001	47,108	739	2,509	1,121	-	2,478	103,652	
Miscellaneous	11,030	37,009	-	36,786	-	29,406	-	-	-	-	-	-	-	-	4,976	119,207	
Total Revenue	94,977	296,808	87,186	36,793	-	5,025	495,944	221,596	25,707	47,108	739	2,509	1,121	-	7,454	1,990,267	
Expenditures:																	
Financial Services	-	-	31,905	-	-	-	-	-	-	-	-	-	-	-	-	-	31,905
General Administration	-	130,482	-	-	-	-	-	197,461	24,765	441,022	-	21,101	-	-	-	-	592,605
Public Safety	46,361	-	-	-	-	590,527	-	-	-	-	-	-	-	-	-	-	859,114
Developmental Services	-	-	-	-	-	-	-	-	-	944,929	-	-	-	-	-	-	944,929
Parks and Leisure Services	-	-	-	33,910	-	-	420,211	-	-	262,439	-	-	-	-	-	-	716,560
Public Library	-	-	-	-	-	9,157	-	-	-	-	-	-	-	-	6,116	15,273	
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,463	6,463	
Debt Service	-	-	-	-	-	-	-	-	-	184,200	-	-	-	-	-	-	184,200
Principal Retirement	-	-	-	-	-	-	-	-	-	53,292	-	-	-	-	-	-	53,292
Interest and Service Charges	-	-	-	-	-	-	-	-	-	1,885,882	-	-	-	-	-	-	1,885,882
Total Expenditures	46,361	130,482	31,905	33,910	-	9,157	420,211	197,461	24,765	1,885,882	-	21,101	-	-	12,579	3,404,341	
Excess (Deficiency) of Revenues Over (Under) Expenditures	48,616	166,326	55,281	2,883	-	(4,132)	75,733	24,135	942	(1,838,774)	739	(18,592)	1,121	-	(5,125)	(1,414,074)	
Other Financing Sources (Uses):																	
Proceeds from Long Term Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Premium	-	-	-	-	-	-	-	-	-	1,806,195	-	-	-	-	-	-	1,806,195
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers Out	-	(141,515)	-	(24,410)	-	-	-	-	-	(1,806,195)	-	-	-	-	-	-	(1,650,270)
Total Other Financing Sources (Uses)	-	(141,515)	-	(24,410)	-	-	-	-	-	(1,806,195)	-	-	-	-	-	-	(1,650,270)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	48,616	24,811	55,281	(21,527)	-	(4,132)	75,733	24,135	942	(32,579)	739	(18,592)	1,121	-	(5,125)	226,196	
Fund Balances (Deficit), Beginning of Year	39,640	57,838	213,249	38,094	-	6,892	147,271	265,961	34,876	(112,378)	16,808	75,648	23,185	171,477	48,842	990,009	
Prior Period Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	(171,477)	-	-	(171,477)
Fund Balances (Deficit), End of Year	\$ 88,256	\$ 82,649	\$ 268,530	\$ 16,567	\$ 0	\$ 2,360	\$ 223,043	\$ 342,694	\$ 35,818	\$ (144,957)	\$ 17,547	\$ 55,056	\$ 24,306	\$ -	\$ 43,717	\$ 1,044,728	

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City of DeSoto
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 As of September 30, 2007

	Capital Projects Funds											Total Nonmajor Governmental Funds		
	Park Land Dedication	Recycling	Replacement and Maintenance	Service Center	Police Facility	1998 Bond Issuances	2001 Bonds Issuances	2002 Bonds Streets	2004 Bonds Issuances	Public Works	Clock Tower		Town Center Landscaping	General Capital Improvements
Revenues:														
Intergovernmental	\$ -	\$ -	\$ 349,898	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,879	\$ -	\$ -	\$ -	\$ 380,777
Other Local Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	258,848
Special Assessments	73,875	-	-	-	-	-	-	-	-	-	-	-	-	73,875
Charges for Services	-	-	-	-	-	-	-	-	-	-	-	-	-	1,325,299
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-	-	-	155,008
Interest	12,545	24	110,912	29,567	2,288	2,206	12,070	24,922	52,588	35,643	1,188	-	-	387,605
Miscellaneous	400	-	50,988	-	-	-	-	-	18,125	-	-	-	-	69,513
Total Revenue	86,420	424	511,798	29,567	2,288	2,206	12,070	24,922	70,713	66,522	1,188	-	-	2,798,385
Expenditures:														
Financial Services	-	-	1,437	-	-	-	-	-	-	-	-	-	-	1,437
General Administration	-	-	605,745	-	-	-	-	-	-	-	-	-	-	1,198,350
Public Safety	-	-	147,703	-	-	-	-	-	-	-	-	-	-	1,006,817
Developmental Services	-	-	43,908	-	-	5,892	1,400	2,463	-	-	-	-	-	998,593
Parks and Leisure Services	58,033	-	24,231	-	-	-	-	-	-	-	-	-	-	798,824
Public Library	-	-	-	-	-	-	-	-	-	-	-	-	-	15,273
Capital Outlay	225,473	-	1,004,306	412,063	-	8,250	-	341,251	748,709	944,471	-	-	-	3,690,985
Debt Service	-	-	-	-	-	-	-	-	-	-	-	-	-	305,715
Principal Retirement	-	-	121,515	-	-	-	-	-	-	-	-	-	-	121,515
Interest and Service Charges	-	-	30,682	-	-	-	-	8,010	-	-	-	-	-	38,692
Total Expenditures	283,506	-	1,979,527	412,063	-	14,142	1,400	351,724	748,709	944,471	-	-	-	8,139,883
Excess (Deficiency) of Revenues Over (Under) Expenditures	(197,086)	424	(1,467,729)	(382,496)	2,288	(11,936)	10,670	(326,802)	(677,996)	(877,949)	1,188	-	-	(5,341,498)
Other Financing Sources (Uses):														
Proceeds from Long-Term Debt	-	-	-	-	-	-	-	260,000	-	-	-	-	-	260,000
Bond Premium	-	-	-	-	-	-	-	1,010	-	-	-	-	-	1,010
Transfers In	-	-	1,588,446	-	-	-	-	-	250,000	735,712	-	1,000,000	403,768	5,784,121
Transfers Out	-	-	(214,715)	-	-	-	-	-	-	-	-	-	-	(380,640)
Total Other Financing Sources (Uses)	-	-	1,373,731	-	-	-	-	261,010	250,000	735,712	-	1,000,000	403,768	5,664,491
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(197,086)	424	(93,998)	(382,496)	2,288	(11,936)	10,670	(65,792)	(427,996)	(142,237)	1,188	1,000,000	403,768	322,993
Fund Balances (Deficit), Beginning of Year	337,390	44	1,326,930	710,606	41,371	42,477	222,850	423,509	1,102,604	519,040	21,466	-	-	5,738,296
Prior Period Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	(171,477)
Fund Balances (Deficit), End of Year	\$ 140,304	\$ 468	\$ 1,232,932	\$ 328,110	\$ 43,659	\$ 30,541	\$ 233,520	\$ 357,717	\$ 674,608	\$ 376,803	\$ 22,654	\$ 1,000,000	\$ 403,768	\$ 5,889,812

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DESOTO

SPECIAL REVENUE FUNDS

The *Special Revenue Funds* are used to account for specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Police Community Operations – To account for awards of monies or property by the courts or federal government to the Police Department or donated from private entities. The funds are expended for specified Police Department purposes.

Hotel/Motel Tax Fund – To account for tax revenue collected as a percentage of gross receipts for all temporary room rentals in all hotel and motel establishments within the City. The funds are expended to promote tourism and culture in the City.

Municipal Court Fund – To account for municipal court fees collected through the court to provide for various municipal court security features or to enhance existing operations through technology.

Community Service – To account for revenues and related expenditures to reduce repeat juvenile offenders.

Lone Star Library Grant – To account for grant funding and related expenditures to support general library purposes.

Jail – To account for facilities provided to house arrested persons for a maximum of 72 hours.

Recreation Revolving – To account for recreation revenue that will provide for specific programs to be funded and expanded as funds become available.

Fire Training – To account for tuition paid by third-parties for fire training and to pay for the expenses in providing this service. This fund will be self-supporting with the revenue paying for all training costs.

Police Grant – To account for grants from the federal government to pay for police related expenses.

Energy Management – To account for revenues and expenditures of the City's energy management efforts.

Health Facilities Development Corporation – Blended component unit whose purpose is to assist with the development of health care facilities for the maintenance of the public health in the City.

Housing Finance Corporation – Blended component unit whose purpose is to assist with the financing of residential developments in the City.

Industrial Development Authority, Inc. – Blended component unit whose purpose is to promote and develop commercial, industrial, manufacturing and medical research enterprises in the City.

Library Trust – To account for donations and fund raisers utilized for general operating purposes of the City's library.

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS -
POLICE COMMUNITY OPERATIONS FUND
YEAR ENDED SEPTEMBER 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
REVENUE				
Fines and forfeitures	\$ 17,200	\$ 51,300	\$ 81,001	\$ 29,701
Interest	100	100	2,946	2,846
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>11,030</u>	<u>10,030</u>
Total Revenue	<u>18,300</u>	<u>52,400</u>	<u>94,977</u>	<u>42,577</u>
EXPENDITURES				
Public safety	<u>12,280</u>	<u>46,380</u>	<u>46,361</u>	<u>19</u>
Total Expenditures	<u>12,280</u>	<u>46,380</u>	<u>46,361</u>	<u>19</u>
EXCESS OF REVENUE OVER EXPENDITURES	6,020	6,020	48,616	42,596
FUND BALANCE, BEGINNING OF YEAR	<u>39,640</u>	<u>39,640</u>	<u>39,640</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 45,660</u>	<u>\$ 45,660</u>	<u>\$ 88,256</u>	<u>\$ 42,596</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS -
HOTEL/MOTEL TAX FUND
YEAR ENDED SEPTEMBER 30, 2007

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUE			
Other local taxes	\$ 245,000	\$ 258,848	\$ 13,848
Interest	-	951	951
Miscellaneous	<u>35,446</u>	<u>37,009</u>	<u>1,563</u>
Total Revenue	<u>280,446</u>	<u>296,808</u>	<u>16,362</u>
 EXPENDITURES			
General administration	<u>133,750</u>	<u>130,482</u>	<u>3,268</u>
Total Expenditures	<u>133,750</u>	<u>130,482</u>	<u>3,268</u>
 EXCESS OF REVENUE OVER EXPENDITURES	146,696	166,326	19,630
 OTHER FINANCING USES			
Operating transfers (out)	<u>(141,515)</u>	<u>(141,515)</u>	<u>-</u>
 EXCESS OF REVENUE OVER EXPENDITURES AND OTHER FINANCING USES	5,181	24,811	19,630
 FUND BALANCE, BEGINNING OF YEAR	<u>57,838</u>	<u>57,838</u>	<u>-</u>
 FUND BALANCE, END OF YEAR	<u>\$ 63,019</u>	<u>\$ 82,649</u>	<u>\$ 19,630</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS -
MUNICIPAL COURT
YEAR ENDED SEPTEMBER 30, 2007

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE			
Fines and forfeitures	\$ 63,298	\$ 74,007	\$ 10,709
Interest	<u>5,050</u>	<u>13,179</u>	<u>8,129</u>
Total Revenue	<u>68,348</u>	<u>87,186</u>	<u>18,838</u>
EXPENDITURES			
Financial services	51,139	31,905	19,234
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>51,139</u>	<u>31,905</u>	<u>19,234</u>
EXCESS OF REVENUE OVER EXPENDITURES	17,209	55,281	38,072
FUND BALANCE, BEGINNING OF YEAR	<u>213,249</u>	<u>213,249</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 230,458</u>	<u>\$ 268,530</u>	<u>\$ 38,072</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS -
COMMUNITY SERVICES
YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Miscellaneous	\$ 8,850	37,850	\$ 36,786	\$(1,064)
Interest	<u>225</u>	<u>225</u>	<u>7</u>	<u>(218)</u>
Total Revenue	<u>9,075</u>	<u>38,075</u>	<u>36,793</u>	<u>(1,282)</u>
EXPENDITURES				
Parks and Leisure services	<u>5,050</u>	<u>34,000</u>	<u>33,910</u>	<u>90</u>
Total Expenditures	<u>5,050</u>	<u>34,000</u>	<u>33,910</u>	<u>90</u>
EXCESS OF REVENUE OVER EXPENDITURES				
	4,025	4,075	2,883	(1,192)
OTHER FINANCING USES				
Operating transfers (out)	<u>-</u>	<u>-</u>	<u>(24,410)</u>	<u>(24,410)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES				
	4,025	4,075	(21,527)	(25,602)
FUND BALANCE, BEGINNING OF YEAR				
	<u>38,094</u>	<u>38,094</u>	<u>38,094</u>	<u>-</u>
FUND BALANCE, END OF YEAR				
	<u>\$ 42,119</u>	<u>\$ 42,169</u>	<u>\$ 16,567</u>	<u>\$(25,602)</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS -
LONE STAR LIBRARY GRANT
YEAR ENDED SEPTEMBER 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Budget</u>	<u>Final</u>		Final Budget Positive (Negative)
REVENUE				
Intergovernmental	\$ 4,000	\$ 4,000	\$ 4,547	\$ 547
Miscellaneous	18	18	-	(18)
Interest	<u>100</u>	<u>100</u>	<u>478</u>	<u>378</u>
Total Revenue	<u>4,118</u>	<u>4,118</u>	<u>5,025</u>	<u>907</u>
EXPENDITURES				
Public library	<u>4,000</u>	<u>9,200</u>	<u>9,157</u>	<u>43</u>
Total Expenditures	<u>4,000</u>	<u>9,200</u>	<u>9,157</u>	<u>43</u>
(DEFICIENCY) OF REVENUE OVER EXPENDITURES	118	(5,082)	(4,132)	950
FUND BALANCE, BEGINNING OF YEAR	<u>6,492</u>	<u>6,492</u>	<u>6,492</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 6,610</u>	<u>\$ 1,410</u>	<u>\$ 2,360</u>	<u>\$ 950</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS -
JAIL FUND
YEAR ENDED SEPTEMBER 30, 2007

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUE			
Charges for Services	\$ 626,478	\$ 626,478	\$ -
Miscellaneous	25,000	29,406	4,406
Interest	<u>1,500</u>	<u>10,416</u>	<u>8,916</u>
Total Revenue	<u>652,978</u>	<u>666,300</u>	<u>13,322</u>
EXPENDITURES			
Public safety	<u>626,478</u>	<u>590,527</u>	<u>35,951</u>
Total Expenditures	<u>626,478</u>	<u>590,527</u>	<u>35,951</u>
EXCESS OF REVENUE OVER EXPENDITURES			
	26,500	75,773	49,273
FUND BALANCE, BEGINNING OF YEAR			
	<u>147,271</u>	<u>147,271</u>	<u>-</u>
FUND BALANCE, END OF YEAR			
	<u>\$ 173,771</u>	<u>\$ 223,044</u>	<u>\$ 49,273</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS -
RECREATION REVOLVING FUND
YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Charges for services	\$ 389,600	\$ 469,600	\$ 479,852	\$ 10,252
Interest	<u>5,000</u>	<u>5,000</u>	<u>17,092</u>	<u>12,092</u>
Total Revenue	<u>394,600</u>	<u>474,600</u>	<u>496,944</u>	<u>22,344</u>
EXPENDITURES				
Parks and Leisure services	<u>350,675</u>	<u>430,675</u>	<u>420,211</u>	<u>10,464</u>
Total Expenditures	<u>350,675</u>	<u>430,675</u>	<u>420,211</u>	<u>10,464</u>
EXCESS OF REVENUE OVER EXPENDITURES	43,925	43,925	76,733	32,808
FUND BALANCE, BEGINNING OF YEAR	<u>265,961</u>	<u>265,961</u>	<u>265,961</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 309,886</u>	<u>\$ 309,886</u>	<u>\$ 342,694</u>	<u>\$ 32,808</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS -
FIRE TRAINING FUND
YEAR ENDED SEPTEMBER 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUE				
Charges for services	\$ 226,118	\$ 226,118	\$ 218,969	\$(7,149)
Interest	<u>1,500</u>	<u>1,500</u>	<u>2,627</u>	<u>1,127</u>
Total Revenue	<u>227,618</u>	<u>227,618</u>	<u>221,596</u>	<u>(6,022)</u>
EXPENDITURES				
Public safety	<u>186,260</u>	<u>197,510</u>	<u>197,461</u>	<u>49</u>
Total Expenditures	<u>186,260</u>	<u>197,510</u>	<u>197,461</u>	<u>49</u>
EXCESS OF REVENUE OVER EXPENDITURES	41,358	30,108	24,135	(5,973)
FUND BALANCE, BEGINNING OF YEAR	(34,994)	(34,994)	(34,994)	-
FUND BALANCE, END OF YEAR	<u>\$ 6,364</u>	<u>\$(4,886)</u>	<u>\$(10,859)</u>	<u>\$(5,973)</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS -
POLICE GRANTS FUND
YEAR ENDED SEPTEMBER 30, 2007

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUE			
Intergovernmental	\$ 40,000	\$ 23,706	\$(16,294)
Interest	<u>750</u>	<u>2,001</u>	<u>1,251</u>
Total Revenue	<u>40,750</u>	<u>25,707</u>	<u>(15,043)</u>
 EXPENDITURES			
Public safety	<u>42,089</u>	<u>24,765</u>	<u>17,324</u>
Total Expenditures	<u>42,089</u>	<u>24,765</u>	<u>17,324</u>
 EXCESS OF REVENUE OVER EXPENDITURES	 (1,339)	 942	 2,281
 FUND BALANCE, BEGINNING OF YEAR	 <u>34,876</u>	 <u>34,876</u>	 <u>-</u>
 FUND BALANCE, END OF YEAR	 <u>\$ 33,537</u>	 <u>\$ 35,818</u>	 <u>\$ 2,281</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS -
ENERGY MANAGEMENT FUND
YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Interest	\$ 30,000	\$ 66,232	\$ 47,108	\$(19,124)
Total Revenue	<u>30,000</u>	<u>66,232</u>	<u>47,108</u>	<u>(19,124)</u>
EXPENDITURES				
General administration	584,894	441,894	441,022	872
Developmental services	758,120	944,945	944,929	16
Parks and Leisure services	273,575	262,450	262,439	11
Debt service	<u>233,968</u>	<u>237,500</u>	<u>237,492</u>	<u>8</u>
Total Expenditures	<u>1,850,557</u>	<u>1,886,789</u>	<u>1,885,882</u>	<u>907</u>
(DEFICIENCY) OF REVENUE OVER EXPENDITURES	(1,820,557)	(1,820,557)	(1,838,774)	(18,217)
OTHER FINANCING SOURCES				
Operating transfers in	<u>1,806,195</u>	<u>1,806,195</u>	<u>1,806,195</u>	<u>-</u>
(DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES	(14,362)	(14,362)	(32,579)	(18,217)
FUND BALANCE, BEGINNING OF YEAR	<u>(112,378)</u>	<u>(112,378)</u>	<u>(112,378)</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$(126,740)</u>	<u>\$(126,740)</u>	<u>\$(144,957)</u>	<u>\$(18,217)</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS -
HEALTH FACILITIES DEVELOPMENT CORPORATION
YEAR ENDED SEPTEMBER 30, 2007

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUE			
Interest	\$ 330	\$ 739	\$ 409
Total Revenue	<u>330</u>	<u>739</u>	<u>409</u>
 EXPENDITURES			
General administration	<u>10,100</u>	<u>-</u>	<u>10,100</u>
Total Expenditures	<u>10,100</u>	<u>-</u>	<u>10,100</u>
 EXCESS OF REVENUE OVER EXPENDITURES	 (9,770)	 739	 10,509
 FUND BALANCE, BEGINNING OF YEAR	 <u>16,808</u>	 <u>16,808</u>	 <u>-</u>
 FUND BALANCE, END OF YEAR	 <u>\$ 7,038</u>	 <u>\$ 17,547</u>	 <u>\$ 10,509</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS -
HOUSING FINANCE CORPORATION
YEAR ENDED SEPTEMBER 30, 2007

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE			
Interest	\$ 1,000	\$ 2,509	\$ 1,509
Miscellaneous	<u>5,260</u>	<u>-</u>	<u>(5,260)</u>
Total Revenue	<u>6,260</u>	<u>2,509</u>	<u>(3,751)</u>
EXPENDITURES			
General administration	<u>28,000</u>	<u>21,101</u>	<u>6,899</u>
Total Expenditures	<u>28,000</u>	<u>21,101</u>	<u>6,899</u>
(DEFICIENCY) OF REVENUE OVER EXPENDITURES	(21,740)	(18,592)	3,148
FUND BALANCE, BEGINNING OF YEAR	<u>73,648</u>	<u>73,648</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 51,908</u>	<u>\$ 55,056</u>	<u>\$ 3,148</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS -
INDUSTRIAL DEVELOPMENT AUTHORITY, INC.
YEAR ENDED SEPTEMBER 30, 2007

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE			
Interest	\$ 500	\$ 1,121	\$ 621
Total Revenue	<u>500</u>	<u>1,121</u>	<u>621</u>
EXPENDITURES			
General administration	<u>250</u>	<u>-</u>	<u>250</u>
Total Expenditures	<u>250</u>	<u>-</u>	<u>250</u>
EXCESS OF REVENUE OVER EXPENDITURES			
	250	1,121	871
FUND BALANCE, BEGINNING OF YEAR			
	<u>23,185</u>	<u>23,185</u>	<u>-</u>
FUND BALANCE, END OF YEAR			
	<u>\$ 23,435</u>	<u>\$ 24,306</u>	<u>\$ 871</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS -
LIBRARY TRUST FUND
YEAR ENDED SEPTEMBER 30, 2007

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUE			
Interest	\$ 1,500	\$ 2,478	\$ 978
Miscellaneous	<u>7,525</u>	<u>4,976</u>	<u>(2,549)</u>
Total Revenue	<u>9,025</u>	<u>7,454</u>	<u>(1,571)</u>
EXPENDITURES			
Public library	6,500	6,116	384
Capital outlay	<u>-</u>	<u>6,463</u>	<u>(6,463)</u>
Total Expenditures	<u>6,500</u>	<u>12,579</u>	<u>(6,079)</u>
(DEFICIENCY) OF REVENUE OVER EXPENDITURES	2,525	(5,125)	(7,650)
FUND BALANCE, BEGINNING OF YEAR	<u>48,842</u>	<u>48,842</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 51,367</u>	<u>\$ 43,717</u>	<u>\$(7,650)</u>

CAPITAL PROJECT FUNDS

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

Park Land Dedication – To account for the financing and capital improvements in the City's parks. Financing is provided by General Obligation Bonds and intergovernmental revenues.

Recycling – To account for the financing and construction costs of various projects within the City. Financing is provided by contributions.

Replacement and Maintenance – To account for acquisition of replacement and computer equipment for various City departments, as well as facility maintenance for City buildings.

Service Center – To account for financing and construction costs of reconstructing the City's service center. Financing is provided by tax and revenue certificates of obligation.

Police Facility – To account for financing and construction costs of the police facility. Financing is provided by general obligation bonds

1998 Bond Issuances – To account for the proceeds of the series 1998 tax and revenue certificates of obligation issued for the purpose of construction and improving streets within the City.

2001 Bond Issuances – To account for the proceeds of the series 2001 general obligation bonds issued for the purposes of expansion of Polk Street and to account for the proceeds of the Series 2001 tax and revenue certificates of obligation issued for the purpose of constructing and improving park and leisure facilities within the City.

2002 Bonds Streets – To account for the proceeds of the series 2002 tax and revenue certificates of obligation issued for the purposes of reconstruction of streets within the City.

2004 Bond Issuances – To account for the proceeds of the series 2004 general obligation bonds issued for the purposes of constructing and improving park and leisure facilities, streets and sidewalks and public facilities within the City.

Public Works Fund – To account for the financing and construction costs of various projects within the City. General obligation bonds and impact fees provide the financing.

Clock Tower – To account for donations received relating to the purchase or construction of a clock tower.

Town Center Landscaping – To account for the expenditures relating to the renovation of the east side façade of the City Hall facility.

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUNDS -
PARK LAND DEDICATION FUND
YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUE				
Special assessments	\$ 80,000	\$ 80,000	\$ 73,875	\$(6,125)
Interest	<u>10,000</u>	<u>10,000</u>	<u>12,545</u>	<u>2,545</u>
Total Revenue	<u>90,000</u>	<u>90,000</u>	<u>86,420</u>	<u>(3,580)</u>
EXPENDITURES				
Parks and Leisure services	25,000	58,100	58,033	67
Capital outlay	<u>100,000</u>	<u>225,500</u>	<u>225,473</u>	<u>27</u>
Total Expenditures	<u>125,000</u>	<u>283,600</u>	<u>283,506</u>	<u>94</u>
DEFICIENCY OF REVENUE				
UNDER EXPENDITURES	(35,000)	(193,600)	(197,086)	(3,486)
FUND BALANCE, BEGINNING OF YEAR				
	<u>337,390</u>	<u>337,390</u>	<u>337,390</u>	<u>-</u>
FUND BALANCE, END OF YEAR				
	<u>\$ 302,390</u>	<u>\$ 143,790</u>	<u>\$ 140,304</u>	<u>\$(3,486)</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUNDS -
RECYCLING FUND
YEAR ENDED SEPTEMBER 30, 2007

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE			
Miscellaneous	\$ -	\$ 400	\$ 400
Interest	<u>-</u>	<u>24</u>	<u>24</u>
Total Revenue	<u>-</u>	<u>424</u>	<u>424</u>
 EXCESS OF REVENUE OVER EXPENDITURES	 -	 424	 424
 FUND BALANCE, BEGINNING OF YEAR	 <u>44</u>	 <u>44</u>	 <u>-</u>
 FUND BALANCE, END OF YEAR	 <u>\$ 44</u>	 <u>\$ 468</u>	 <u>\$ 424</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

CAPITAL PROJECTS FUNDS -
REPLACEMENT AND MAINTENANCE FUND
YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUE				
Intergovernmental	\$ -	\$ 350,000	\$ 349,898	\$ (102)
Miscellaneous	-	-	50,988	50,988
Interest	<u>34,700</u>	<u>34,700</u>	<u>110,912</u>	<u>76,212</u>
 Total Revenue	 <u>34,700</u>	 <u>384,700</u>	 <u>511,798</u>	 <u>127,098</u>
 EXPENDITURES				
General administration	417,882	526,182	605,745	(79,563)
Public safety	102,925	147,925	147,703	222
Developmental services	-	44,000	43,908	92
Financial services	-	1,450	1,437	13
Parks and Leisure services	5,000	24,300	24,231	69
Debt service	233,100	233,100	152,197	80,903
Capital outlay	<u>700,600</u>	<u>700,600</u>	<u>1,004,306</u>	<u>(303,706)</u>
Total Expenditures	<u>1,459,507</u>	<u>1,677,557</u>	<u>1,979,527</u>	<u>(301,970)</u>
 DEFICIENCY OF REVENUE				
OVER EXPENDITURES	<u>(1,424,807)</u>	<u>(1,292,857)</u>	<u>(1,467,729)</u>	<u>(174,872)</u>
 OTHER FINANCING SOURCES				
Operating transfers in	1,491,446	1,491,446	1,588,446	97,000
Operating transfers out	<u>-</u>	<u>-</u>	<u>(214,715)</u>	<u>(214,715)</u>
Total Other Financing Sources	<u>1,491,446</u>	<u>1,491,446</u>	<u>1,373,731</u>	<u>(117,715)</u>
 EXCESS (DEFICIENCY) OF REVENUE				
AND OTHER FINANCING SOURCES				
OVER (UNDER) EXPENDITURES	66,639	198,589	(93,998)	(292,587)
 FUND BALANCE, BEGINNING OF YEAR	<u>1,326,930</u>	<u>1,326,930</u>	<u>1,326,930</u>	<u>-</u>
 FUND BALANCE, END OF YEAR	<u>\$ 1,393,569</u>	<u>\$ 1,525,519</u>	<u>\$ 1,232,932</u>	<u>\$(292,587)</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUNDS -
SERVICE CENTER
YEAR ENDED SEPTEMBER 30, 2007

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUE			
Interest	\$ 16,200	\$ 29,567	\$ 13,367
Total Revenue	<u>16,200</u>	<u>29,567</u>	<u>13,367</u>
EXPENDITURES			
Capital outlay	<u>-</u>	<u>412,063</u>	<u>(412,063)</u>
Total Expenditures	<u>-</u>	<u>412,063</u>	<u>(412,063)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	16,200	(382,496)	(398,696)
FUND BALANCE, BEGINNING OF YEAR	<u>710,606</u>	<u>710,606</u>	<u>-</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 726,806</u>	<u>\$ 328,110</u>	<u>\$(398,696)</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUNDS -
POLICE FACILITY FUND
YEAR ENDED SEPTEMBER 30, 2007

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE			
Interest	\$ <u>1,675</u>	\$ <u>2,288</u>	\$ <u>613</u>
Total Revenue	<u>1,675</u>	<u>2,288</u>	<u>613</u>
EXCESS OF REVENUE OVER EXPENDITURES	1,675	2,288	613
FUND BALANCE, BEGINNING OF YEAR	<u>41,371</u>	<u>41,371</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 43,046</u>	<u>\$ 43,659</u>	<u>\$ 613</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUNDS -
1998 BOND ISSUANCES
YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Interest	\$ -	\$ -	\$ 2,206	\$ 2,206
Total Revenue	<u>-</u>	<u>-</u>	<u>2,206</u>	<u>2,206</u>
EXPENDITURES				
Development services	-	6,000	5,892	108
Capital outlay	41,932	35,932	8,250	27,682
Total Expenditures	<u>41,932</u>	<u>41,932</u>	<u>14,142</u>	<u>27,790</u>
DEFICIENCY OF REVENUE				
 UNDER EXPENDITURES	(41,932)	(41,932)	(11,936)	29,996
FUND BALANCE, BEGINNING OF YEAR				
	<u>42,477</u>	<u>42,477</u>	<u>42,477</u>	<u>-</u>
FUND BALANCE, END OF YEAR				
	<u>\$ 545</u>	<u>\$ 545</u>	<u>\$ 30,541</u>	<u>\$ 29,996</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUNDS -
2001 BOND ISSUANCES
YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts			Variance with
	Original	Budget	Actual	Final Budget
				Positive
				(Negative)
REVENUE				
Interest	\$ 7,000	\$ 7,000	\$ 12,070	\$ 5,070
Total Revenue	<u>7,000</u>	<u>7,000</u>	<u>12,070</u>	<u>5,070</u>
EXPENDITURES				
Development services	-	1,400	1,400	-
Capital outlay	<u>173,615</u>	<u>172,215</u>	<u>-</u>	<u>172,215</u>
Total Expenditures	<u>173,615</u>	<u>173,615</u>	<u>1,400</u>	<u>172,215</u>
EXCESS (DEFICIENCY) OF REVENUE				
OVER (UNDER) EXPENDITURES	(166,615)	(166,615)	10,670	177,285
FUND BALANCE, BEGINNING OF YEAR				
	<u>222,850</u>	<u>222,850</u>	<u>222,850</u>	<u>-</u>
FUND BALANCE, END OF YEAR				
	\$ <u>56,235</u>	\$ <u>56,235</u>	\$ <u>233,520</u>	\$ <u>177,285</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUNDS -
2002 BONDS STREETS
YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Interest	\$ 1,250	\$ 3,750	\$ 24,922	\$ 21,172
Total Revenue	<u>1,250</u>	<u>3,750</u>	<u>24,922</u>	<u>21,172</u>
EXPENDITURES				
Developmental services	-	2,500	2,463	37
Debt service	-	-	8,010	(8,010)
Capital outlay	<u>250,000</u>	<u>250,000</u>	<u>341,251</u>	<u>(91,251)</u>
Total Expenditures	<u>250,000</u>	<u>252,500</u>	<u>351,724</u>	<u>(99,224)</u>
DEFICIENCY OF REVENUE				
UNDER EXPENDITURES	<u>(248,750)</u>	<u>(248,750)</u>	<u>(326,802)</u>	<u>(78,052)</u>
OTHER FINANCING SOURCES				
Proceeds from long term debt	250,000	250,000	260,000	10,000
Bond premium	<u>-</u>	<u>-</u>	<u>1,010</u>	<u>1,010</u>
Total Other Financing Sources	<u>250,000</u>	<u>250,000</u>	<u>261,010</u>	<u>11,010</u>
EXCESS (DEFICIENCY) OF REVENUE				
OVER (UNDER) EXPENDITURES AND OTHER	1,250	1,250	(65,792)	(67,042)
FINANCING SOURCES				
FUND BALANCE, BEGINNING OF YEAR	<u>423,509</u>	<u>423,509</u>	<u>423,509</u>	<u>-</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 424,759</u>	<u>\$ 424,759</u>	<u>\$ 357,717</u>	<u>\$ (67,042)</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUNDS -
2004 BOND ISSUANCES
YEAR ENDED SEPTEMBER 30, 2007

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE			
Miscellaneous	\$ -	\$ 18,125	\$ 18,125
Interest	<u>13,650</u>	<u>52,588</u>	<u>38,938</u>
Total Revenue	<u>13,650</u>	<u>70,713</u>	<u>57,063</u>
EXPENDITURES			
Capital outlay	<u>1,513,725</u>	<u>748,709</u>	<u>765,016</u>
Total Expenditures	<u>1,513,725</u>	<u>748,709</u>	<u>765,016</u>
DEFICIENCY OF REVENUE UNDER EXPENDITURES	(1,500,075)	(677,996)	822,079
OTHER FINANCING SOURCES			
Operating transfers in	<u>-</u>	<u>250,000</u>	<u>250,000</u>
DEFICIENCY OF REVENUE AND OTHER FINANCING SOURCES UNDER EXPENDITURES	(1,500,075)	(427,996)	1,072,079
FUND BALANCE, BEGINNING OF YEAR	<u>1,102,604</u>	<u>1,102,604</u>	<u>-</u>
FUND BALANCE (DEFICIT), END OF YEAR	\$ <u><u>(397,471)</u></u>	\$ <u><u>674,608</u></u>	\$ <u><u>1,072,079</u></u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUNDS -
PUBLIC WORKS FUND
YEAR ENDED SEPTEMBER 30, 2007

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE			
Intergovernmental	\$ 30,879	\$ 30,879	\$ -
Interest	<u>8,915</u>	<u>35,643</u>	<u>26,728</u>
Total Revenue	<u>39,794</u>	<u>66,522</u>	<u>26,728</u>
EXPENDITURES			
Capital outlay	<u>603,000</u>	<u>944,471</u>	(341,471)
Total Expenditures	<u>603,000</u>	<u>944,471</u>	(341,471)
DEFICIENCY OF REVENUE UNDER EXPENDITURES	(563,206)	(877,950)	(314,743)
OTHER FINANCING SOURCES			
Operating transfers in	<u>599,263</u>	<u>735,712</u>	<u>136,449</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	36,057	(142,237)	(178,294)
FUND BALANCE, BEGINNING OF YEAR	<u>519,040</u>	<u>519,040</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 555,097</u>	<u>\$ 376,803</u>	<u>\$ (178,294)</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUNDS -
CLOCK TOWER FUND
YEAR ENDED SEPTEMBER 30, 2007

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE			
Interest	\$ <u>450</u>	\$ <u>1,188</u>	\$ <u>738</u>
Total Revenue	<u>450</u>	<u>1,188</u>	<u>738</u>
EXCESS OF REVENUE OVER EXPENDITURES	450	1,188	738
FUND BALANCE, BEGINNING OF YEAR	<u>21,466</u>	<u>21,466</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 21,916</u>	<u>\$ 22,654</u>	<u>\$ 738</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUNDS -
TOWN CENTER LANDSCAPING
YEAR ENDED SEPTEMBER 30, 2007

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
OTHER FINANCING SOURCES			
Operating transfers in	\$ <u> -</u>	\$ <u> 1,000,000</u>	\$ <u> 1,000,000</u>
EXCESS OF OTHER FINANCING SOURCES	<u> -</u>	<u> 1,000,000</u>	<u> 1,000,000</u>
FUND BALANCE, BEGINNING OF YEAR	<u> -</u>	<u> -</u>	<u> -</u>
FUND BALANCE, END OF YEAR	\$ <u> -</u>	\$ <u> 1,000,000</u>	\$ <u> 1,000,000</u>

CITY OF DESOTO, TEXAS
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUNDS -
GENERAL CAPITAL IMPROVEMENTS
YEAR ENDED SEPTEMBER 30, 2007

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
OTHER FINANCING SOURCES			
Operating transfers in	\$ -	\$ 403,768	\$ 403,768
EXCESS OF OTHER FINANCING SOURCES	<u> -</u>	<u> 403,768</u>	<u> 403,768</u>
FUND BALANCE, BEGINNING OF YEAR	<u> -</u>	<u> -</u>	<u> -</u>
FUND BALANCE, END OF YEAR	\$ <u> -</u>	\$ <u> 403,768</u>	\$ <u> 403,768</u>

DESOTO

COMPONENT UNIT FUND

DeSoto Park Development Corporation
Balance Sheet
Governmental Funds
As of September 30, 2007

Assets

Cash and cash equivalents	\$	236,459
Receivables:		
Taxes		<u>78,947</u>
Total Assets	\$	<u><u>315,406</u></u>

Fund balances

Unreserved, reported in:		
Designated for Debt Service	\$	59,858
General Fund		<u>255,548</u>
Total Fund Balances	\$	<u><u>315,406</u></u>

DeSoto Park Development Corporation
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
As of September 30, 2007

Total fund balances--governmental funds \$ 315,406

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$	11,250	
Improvements Other than Buildings		5,324,529	
Accumulated depreciation		<u>(1,818,048)</u>	
Total capital assets	\$	<u>3,517,731</u>	3,517,731

Some long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Accrued interest	\$	14,700	
Long-term debt		<u>2,270,000</u>	
Total long-term liabilities	\$	<u>2,284,700</u>	(2,284,700)

Net assets of governmental activities \$ 1,548,437

DeSoto Park Development Corporation
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2007

Revenues:

Other Local Taxes	\$	420,574
Interest		11,417
Total Revenue		<u>431,991</u>

Expenditures:

Current:

Parks and Leisure services		189,943
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Debt Service:

Principal retirement		95,000
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Interest and Service charges		119,791
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Total Expenditures		<u>404,734</u>
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Deficiency of Revenues Under Expenditures		27,257
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Fund Balances, Beginning of Year		<u>288,149</u>
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Fund Balances, End of Year	\$	<u><u>315,406</u></u>
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DeSoto Park Development Corporation
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2007

Net change in fund balances--total governmental funds	\$ 27,257
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 as depreciation expense. This is the amount of depreciation in the current period.	(35,184)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	95,000
Accrued interest reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>552</u>
Change in net assets of governmental activities	<u><u>\$ 87,625</u></u>

STATISTICAL SECTION

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

Contents	Page
Financial Trends.....	105-111
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	112-119
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity.....	120-123
These schedules present information to help the reader assess the affordability of the government's current levels of ourstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information.....	124-124
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information.....	125-128
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

CITY OF DESOTO, TEXAS
NET ASSETS BY COMPONENT - LAST FIVE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)
SEPTEMBER 30, 2007

	<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	\$ 53,474,880	\$ 70,653,054	\$ 72,273,595	\$ 72,469,145	\$ 82,336,139
Restricted	3,139,563	3,735,804	3,632,028	8,641,086	2,723,392
Unrestricted	<u>3,940,470</u>	<u>1,541,787</u>	<u>5,775,203</u>	<u>8,680,251</u>	<u>9,085,126</u>
Total governmental activities net assets	<u>60,554,913</u>	<u>75,930,645</u>	<u>81,680,826</u>	<u>89,790,482</u>	<u>94,144,657</u>
Business-type activities					
Invested in capital assets, net of related debt	39,299,841	40,854,522	45,250,643	51,541,923	58,520,397
Restricted	-	-	-	-	-
Unrestricted	<u>8,793,448</u>	<u>8,908,479</u>	<u>8,284,326</u>	<u>10,045,425</u>	<u>5,215,673</u>
Total business-type activities net assets	<u>48,093,289</u>	<u>49,763,001</u>	<u>53,534,969</u>	<u>61,587,348</u>	<u>63,736,070</u>
Primary government					
Invested in capital assets, net of related debt	92,774,721	111,507,576	117,524,238	124,011,068	140,856,536
Restricted	3,139,563	3,735,804	3,632,028	8,641,086	2,723,392
Unrestricted	<u>12,733,918</u>	<u>10,450,266</u>	<u>14,059,530</u>	<u>18,725,676</u>	<u>14,300,799</u>
Total primary government net assets	<u>\$ 108,648,202</u>	<u>\$ 125,693,646</u>	<u>\$ 135,215,796</u>	<u>\$ 151,377,830</u>	<u>\$ 157,880,727</u>

Data compiled from the City's first implementation year as required by GASB - FY 2003.

CITY OF DESOTO, TEXAS
CHANGES IN NET ASSETS - LAST FIVE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

(UNAUDITED)

SEPTEMBER 30, 2007

Expenses	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities:					
General Administration	\$ 1,149,638	\$ 2,462,626	\$ 3,015,728	\$ 3,680,576	\$ 5,116,336
Public Safety	12,002,866	12,867,055	13,303,331	14,206,475	15,368,212
Development Services	5,743,011	6,158,295	6,237,838	6,657,838	8,389,388
Parks and Leisure Services	2,193,790	2,811,670	3,169,717	4,198,907	3,262,673
Library	784,290	707,025	709,381	761,034	847,492
Management Services	1,872,482	-	-	-	-
Nondepartmental	1,046,154	-	-	-	-
Human Resources	216,056	260,880	318,279	310,097	336,085
Finance	981,009	1,190,736	1,247,847	1,208,137	1,192,832
Information Technology	531,258	522,981	535,177	569,664	602,759
Interest on long term debt	2,964,088	3,243,056	3,067,496	3,262,049	3,363,716
Total governmental activities expenses	29,484,642	30,224,324	31,604,794	34,854,777	38,479,493
Business-type activities:					
Water and sewer	10,462,141	10,680,755	11,127,247	12,034,001	12,185,402
Drainage	394,227	476,515	545,047	775,309	803,044
Sanitation	2,286,592	2,394,357	2,566,594	2,641,575	2,916,041
Total business-type activities expenses	13,142,960	13,551,627	14,238,888	15,450,885	15,904,487
Total primary government expenses	42,627,602	43,775,951	45,843,682	50,305,662	54,383,980
Program Revenues					
Governmental activities:					
Charges for services:					
General Administration	1,518,649	1,639,957	1,649,883	1,604,188	1,619,187
Public Safety	2,194,992	2,473,235	2,831,249	2,823,888	3,354,155
Development Services	684,164	1,071,045	1,121,560	940,001	1,086,307
Parks and Leisure Services	357,215	394,195	551,543	726,053	709,537
Library	-	36,034	40,966	45,753	45,023
Finance	-	-	3,150	4,749	-
Operating grants and contributions	85,877	587,439	1,093,302	1,462,364	896,598
Capital grants and contributions	209,505	2,178,920	3,822,649	5,157,461	2,040,813
Total governmental activities program revenues	5,050,402	8,380,825	11,114,302	12,764,457	9,751,620
Business-type activities:					
Charges for services:					
Water and sewer	11,964,719	12,033,005	12,565,490	16,350,648	12,579,614
Drainage	1,053,210	1,092,471	1,284,077	1,235,750	1,389,414
Sanitation	2,866,494	2,607,559	2,811,408	2,772,209	3,029,504
Capital grants and contributions	-	-	2,033,231	4,281,581	2,399,780
Total business-type activities program revenues	15,884,423	15,733,035	18,694,206	24,640,188	19,398,312
Total primary government program revenues	\$ 20,934,825	\$ 24,113,860	\$ 29,808,508	\$ 37,404,645	\$ 29,149,932
Net (expense)/revenue					
Governmental activities	\$ (24,434,240)	\$ (21,843,499)	\$ (20,490,492)	\$ (22,090,320)	\$ (28,727,873)
Business-type activities	2,741,463	2,181,408	4,455,318	9,189,303	3,493,825
Total primary government net expense	(21,692,777)	(19,662,091)	(16,035,174)	(12,901,017)	(25,234,048)
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
General property taxes	15,415,889	15,915,124	16,971,307	18,748,137	20,479,714
Other local taxes	7,954,201	7,888,477	7,994,954	8,944,583	8,968,049
Interest income	227,096	175,044	523,957	1,259,291	1,857,677
Gain (loss) on sales of assets	-	-	178,272	-	-
Other	808,921	341,489	-	-	-
Transfers	533,990	596,064	572,183	1,487,965	1,708,085
Total governmental activities	24,940,097	24,916,198	26,240,673	30,439,976	33,013,525
Business-type activities:					
Interest income	132,088	84,368	186,284	351,041	362,982
Gain (loss) on sales of assets	-	-	(37,461)	-	-
Transfers	(533,990)	(596,064)	(572,183)	(1,487,965)	(1,708,085)
Total business-type activities	(401,902)	(511,696)	(423,360)	(1,136,924)	(1,345,103)
Total primary government	24,538,195	24,404,502	25,817,313	29,303,052	31,668,422
Change in Net Assets					
Governmental activities	505,857	3,072,699	5,750,181	8,349,656	4,285,652
Business-type activities	2,339,561	1,669,712	4,031,958	8,052,379	2,148,722
Total primary government net expense	\$ 2,845,418	\$ 4,742,411	\$ 9,782,139	\$ 16,402,035	\$ 6,434,374

Data compiled from the City's first implementation year as required by GASB - FY 2003.

CITY OF DESOTO, TEXAS
GOVERNMENT ACTIVITIES TAX REVENUES BY SOURCE
LAST FIVE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

Fiscal Year		General Property Taxes		Other Local Taxes		Total
2003	\$	15,415,889	\$	7,954,201		23,370,090
2004	\$	15,915,124	\$	7,888,477	\$	23,803,601
2005	\$	16,971,307	\$	7,994,954	\$	24,966,261
2006	\$	18,748,137	\$	8,944,583	\$	27,692,720
2007	\$	20,479,714	\$	8,968,049	\$	29,447,763

Data compiled from the City's first implementation year as required by GASB - FY 2003.

CITY OF DESOTO, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
General Fund:						
Reserved	\$ 28,279	\$ 43,124	\$ 44,857	\$ 46,997	\$ 50,674	\$ 62,552
Unreserved	<u>3,272,894</u>	<u>3,794,702</u>	<u>3,727,534</u>	<u>4,181,804</u>	<u>4,755,789</u>	<u>4,665,093</u>
Total General Fund	<u><u>3,301,173</u></u>	<u><u>3,837,826</u></u>	<u><u>3,772,391</u></u>	<u><u>4,228,801</u></u>	<u><u>4,806,463</u></u>	<u><u>4,727,645</u></u>
All Other Governmental Funds:						
Reserved	10,392,680	2,403,560	2,468,995	13,649,500	10,559,600	7,817,595
Unreserved, reported in						
Special revenue funds	-	-	-	-	-	(18,891)
Total all other governmental funds	<u><u>\$ 10,392,680</u></u>	<u><u>\$ 2,403,560</u></u>	<u><u>\$ 2,468,995</u></u>	<u><u>\$ 13,649,500</u></u>	<u><u>\$ 10,559,600</u></u>	<u><u>\$ 7,798,704</u></u>

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 52,164	\$ 268,351	\$ 36,619	\$ 34,432
<u>5,171,857</u>	<u>6,255,230</u>	<u>7,066,881</u>	<u>6,780,425</u>
<u><u>5,224,021</u></u>	<u><u>6,523,581</u></u>	<u><u>7,103,500</u></u>	<u><u>6,814,857</u></u>
8,664,063	13,633,702	18,715,559	28,452,022
-	20,261	(147,372)	(155,816)
<u><u>\$ 8,664,063</u></u>	<u><u>\$ 13,653,963</u></u>	<u><u>\$ 18,568,187</u></u>	<u><u>\$ 28,296,206</u></u>

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$	23,860,427	\$ 24,817,538	\$ 27,492,407	\$ 29,326,330
	182,124	144,900	254,725	73,875
	1,107,287	1,487,348	1,766,040	1,819,581
	190,640	239,278	243,027	229,686
	1,118,793	1,176,461	1,040,754	1,174,424
	917,481	1,011,588	1,110,188	1,153,583
	175,044	523,957	1,259,291	1,857,677
	573,336	991,055	1,338,761	900,669
	1,487,825	1,487,825	1,487,825	1,546,945
	886,443	858,620	1,603,733	615,677
	<u>30,499,400</u>	<u>32,738,570</u>	<u>37,596,751</u>	<u>38,698,447</u>
	1,900,330	2,103,346	2,406,010	3,583,153
	11,945,163	12,631,637	13,351,862	14,499,761
	3,453,256	3,355,538	3,508,849	3,917,629
	2,239,495	2,508,218	3,555,902	2,951,319
	674,788	674,453	731,986	814,602
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	481,358	867,069	958,652	1,053,341
	260,322	314,769	309,404	334,416
	-	-	-	-
	1,183,734	1,229,697	1,199,965	1,183,605
	475,104	490,368	528,544	570,323
	4,939,559	6,113,105	7,687,797	9,380,677
	2,665,000	3,065,000	3,674,198	4,185,487
	2,708,732	2,653,315	3,492,404	3,861,639
	1,305,298	-	-	-
	<u>34,232,139</u>	<u>36,006,515</u>	<u>41,405,573</u>	<u>46,335,952</u>
	<u>(3,732,739)</u>	<u>(3,267,945)</u>	<u>(3,808,822)</u>	<u>(7,637,505)</u>
	4,473,429	29,925,222	7,815,000	15,510,000
	24,981	1,623,874	-	30,273
	-	(22,563,874)	-	-
	4,814,323	3,559,037	5,769,465	6,988,814
	<u>(4,218,259)</u>	<u>(2,986,854)</u>	<u>(4,281,500)</u>	<u>(5,280,729)</u>
	<u>5,094,474</u>	<u>9,557,405</u>	<u>9,302,965</u>	<u>17,248,358</u>
	1,361,735	6,289,460	5,494,143	9,610,853
	12,526,349	13,888,084	20,177,544	25,671,687
	-	-	-	-
	-	-	-	(171,477)
\$	<u><u>13,888,084</u></u>	<u><u>20,177,544</u></u>	<u><u>25,671,687</u></u>	<u><u>35,111,063</u></u>
	24%	24%	27%	28%

CITY OF DESOTO, TEXAS
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Hotel/Motel Tax	Total
1998	\$ 9,405,660	\$ 3,714,472	\$ 2,535,422	\$ 302,880	\$ 15,958,434
1999	10,163,470	4,183,497	2,630,888	304,886	17,282,741
2000	10,819,447	4,606,770	2,294,725	310,267	18,031,209
2001	11,500,186	4,475,371	2,716,183	331,928	19,023,668
2002	13,234,187	4,502,347	2,586,648	265,855	20,589,037
2003	14,437,069	4,449,567	3,260,547	244,087	22,391,270
2004	15,971,951	4,479,320	3,182,732	226,424	23,860,427
2005	16,822,584	4,499,908	3,250,555	244,491	24,817,538
2006	18,715,056	4,680,468	3,848,098	248,785	27,492,407
2007	20,358,281	3,394,651	5,314,550	258,848	29,326,330

CITY OF DESOTO, TEXAS
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
(UNAUDITED)
LAST TEN FISCAL YEARS

	<u>Real Property</u>	<u>Personal Property</u>	<u>Total</u>
<u>Fiscal Year</u>	<u>Assessed Value</u>	<u>Assessed Value</u>	<u>Assessed Value</u>
1998	1,347,684,670	270,163,660	1,617,848,330
1999	1,415,631,375	310,561,758	1,726,193,133
2000	1,529,849,397	318,593,423	1,848,442,820
2001	1,638,691,820	336,097,090	1,974,788,910
2002	1,811,147,280	352,250,350	2,163,397,630
2003	1,900,562,860	342,966,010	2,243,528,870
2004	2,146,953,330	309,732,550	2,456,685,880
2005	2,357,730,310	308,085,090	2,665,815,400
2006	2,517,430,840	298,440,930	2,815,871,770
2007	2,683,144,134	276,411,696	2,959,555,830

Assessed values are established by the Dallas Central Appraisal District on the on the basis of 100% of appraised values.

CITY OF DESOTO, TEXAS
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$100 ASSESSED VALUE)
(UNAUDITED)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Dallas County</u>	<u>Dallas County Hospital</u>	<u>Dallas County Comm. College</u>
1998	\$ 0.426	\$ 0.185	\$ 0.611	\$ 0.197	\$ 0.180	\$ 0.050
1999	\$ 0.443	\$ 0.168	\$ 0.611	\$ 0.196	\$ 0.196	\$ 0.050
2000	\$ 0.443	\$ 0.168	\$ 0.611	\$ 0.196	\$ 0.154	\$ 0.050
2001	\$ 0.443	\$ 0.168	\$ 0.611	\$ 0.196	\$ 0.254	\$ 0.060
2002	\$ 0.453	\$ 0.183	\$ 0.636	\$ 0.196	\$ 0.254	\$ 0.060
2003	\$ 0.453	\$ 0.206	\$ 0.659	\$ 0.209	\$ 0.254	\$ 0.078
2004	\$ 0.466	\$ 0.193	\$ 0.659	\$ 0.209	\$ 0.254	\$ 0.078
2005	\$ 0.476	\$ 0.209	\$ 0.685	\$ 0.214	\$ 0.254	\$ 0.082
2006	\$ 0.486	\$ 0.212	\$ 0.698	\$ 0.219	\$ 0.254	\$ 0.081
2007	\$ 0.486	\$ 0.224	\$ 0.710	\$ 0.233	\$ 0.254	\$ 0.080

(1) Tax rate is at 100% of market value.

TABLE 5

<u>Total City , County, Hospital and College</u>	<u>DeSoto I.S.D.</u>	<u>Total City, County, Hospital, College and DeSoto I.S.D.</u>	<u>Dallas I.S.D.</u>	<u>Total City, County, Hospital College and Dallas I.S.D.</u>	<u>Duncanville I.S.D.</u>	<u>Total City, County, Hospital College and Duncanville I.S.D.</u>
\$ 1.038	\$ 1.690	\$ 2.728	\$ 1.460	\$ 2.498	\$ 1.640	\$ 2.678
\$ 1.053	\$ 1.660	\$ 2.713	\$ 1.460	\$ 2.513	\$ 1.640	\$ 2.693
\$ 1.011	\$ 1.660	\$ 2.671	\$ 1.550	\$ 2.561	\$ 1.680	\$ 2.691
\$ 1.121	\$ 1.660	\$ 2.781	\$ 1.550	\$ 2.671	\$ 1.670	\$ 2.791
\$ 1.146	\$ 1.680	\$ 2.826	\$ 1.587	\$ 2.733	\$ 1.750	\$ 2.896
\$ 1.200	\$ 1.710	\$ 2.910	\$ 1.640	\$ 2.840	\$ 1.855	\$ 3.055
\$ 1.200	\$ 1.710	\$ 2.910	\$ 1.640	\$ 2.840	\$ 1.855	\$ 3.055
\$ 1.235	\$ 1.790	\$ 3.025	\$ 1.688	\$ 2.923	\$ 1.866	\$ 3.101
\$ 1.252	\$ 1.760	\$ 3.012	\$ 1.503	\$ 2.755	\$ 1.736	\$ 2.988
\$ 1.277	\$ 1.490	\$ 2.767	\$ 1.200	\$ 2.477	\$ 1.418	\$ 2.695

CITY OF DESOTO, TEXAS
PRINCIPAL TAXPAYERS
CURRENT AND NINE YEARS AGO
(UNAUDITED)
YEAR ENDED SEPTEMBER 30, 2007

Taxpayer	2006 Assessed Valuation (1)	Rank	Percentage of Total Assessed Valuation	1998 Assessed Valuation (1)	Rank	Percentage of Total Assessed Valuation
Solar Tubines Inc	\$ 98,950,340	1	3.12%	117,724,580	1	7.28%
McGraw Hill/School	69,738,570	2	2.20%	64,138,260	2	3.96%
Texas Utilities Elec. Co.	25,340,910	4	0.80%	19,866,420	3	1.23%
Weingarten Realty Inv.	15,400,000	8	0.48%	-		
Eqyinvest Townsend	13,972,300	9	0.44%	-		
Tejas Family investments	16,000,000	7	0.50%	-		
DeSoto Apartments LTD	17,968,340	5	0.57%	-		
Albertsons Inc.	-			12,333,160	4	0.76%
WalMart Stores Texas LP	29,966,920	3	0.94%	-		
MaClay Carlin DeSoto LTD	16,144,790	6	0.51%	-		
Southwestern Bell Telephone	-			10,445,200	5	0.65%
WRH Properties/Mt. Vernon Inc	12,978,020	10	0.41%	10,065,710	6	0.62%
Spiegel Enterprises	-			7,690,470	8	0.48%
Colgate Palmolive Co.	-			7,477,520	10	0.46%
Townsend Square II Ltd.	-			7,517,200	9	0.47%
Stanley, Douglas	-			8,120,960	7	0.50%
Total	<u>\$ 316,460,190</u>		<u>9.97%</u>	<u>\$ 265,379,480</u>		<u>16.41%</u>

Note:

(1) Source - DeSoto Joint City and ISD tax collection office.

DESOTO

CITY OF DESOTO, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
(UNAUDITED)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>
1998	9,175,694	98.22%	103,242	9,115,471
1999	9,887,340	98.04%	137,549	9,831,460
2000	10,554,756	98.12%	274,447	10,621,369
2001	11,267,838	96.21%	439,175	11,279,847
2002	12,802,356	96.32%	664,833	12,996,403
2003	13,899,107	98.10%	564,010	14,199,645
2004	15,313,520	98.68%	439,679	15,705,410
2005	16,323,127	99.35%	505,918	16,723,085
2006	17,990,231	97.04%	489,116	18,330,091
2007	19,172,790	99.70%	612,552	20,118,163

<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes To Levy</u>
99.34%	474,136	5.17%
99.43%	636,665	6.44%
100.73%	629,606	5.97%
100.11%	726,903	6.45%
101.52%	685,082	5.35%
102.16%	769,609	5.53%
102.56%	706,472	4.61%
102.45%	881,307	5.40%
101.89%	1,103,571	6.13%
104.93%	1,238,792	6.46%

CITY OF DESOTO, TEXAS
RATIO OF OUTSTANDING DEBT BY TYPE
LAST FIVE FISCAL YEARS
(UNAUDITED)

Fiscal Year	Governmental Activities		Business - Type Activities		Total Primary Government	Per Capita
	General Obligation Bonds	Certificates of Obligation	General Obligation Bonds	Certificates of Obligation		
2003	42,719,247	18,420,792	2,160,000	2,030,000	65,330,039	1,557
2004	44,680,737	17,250,102	1,305,000	3,030,000	66,265,839	1,545
2005	54,617,226	11,408,460	395,000	4,460,000	70,880,686	1,557
2006	58,923,028	11,243,460	-	5,350,000	75,516,488	1,603
2007	61,948,256	19,848,460	-	5,140,000	86,936,716	1,826

Data compiled from the City's first implementation year as required by GASB - FY 2003.

CITY OF DESOTO, TEXAS
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA
(UNAUDITED)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value (1)</u>	<u>Total Bonded Debt (2)</u>	<u>Debt Services Monies Available</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1998	36,900	1,617,848,330	32,561,397	820,544	31,740,853	1.96%	860
1999	37,870	1,726,193,133	40,844,397	879,116	39,965,281	2.32%	1,055
2000	38,040	1,848,442,820	39,679,397	1,251,516	38,427,881	2.08%	1,010
2001	38,214	1,974,788,910	59,837,993	1,416,195	58,421,798	2.96%	1,529
2002	39,300	2,163,397,630	66,562,217	1,339,373	65,222,844	3.01%	1,660
2003	41,108	2,243,528,870	65,330,039	1,336,617	63,993,422	2.85%	1,557
2004	42,894	2,456,685,880	66,265,839	1,312,086	64,953,753	2.64%	1,514
2005	45,514	2,665,815,400	70,880,686	1,244,114	69,636,572	2.61%	1,530
2006	47,109	2,815,871,770	75,516,488	1,323,212	74,193,276	2.63%	1,575
2007	47,600	2,959,555,830	86,936,716	1,720,235	85,216,481	2.88%	1,790

Notes:

- (1) Beginning 1992, assessed values are determined by the Dallas Central Appraisal District.
- (2) Includes all long-term certificates of obligation and general obligation debt.

CITY OF DESOTO, TEXAS
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
(UNAUDITED)
SEPTEMBER 30, 2007

Taxing Jurisdiction	Total Tax Supported Debt (1)	Percent Applicable	Overlapping Debt
City of DeSoto	\$ 81,796,716	100.00%	\$ 81,796,716
Overlapping Debt			
DeSoto Independent School District	159,333,209 *	94.42%	150,442,416
Dallas County	186,401,552 *	1.89%	3,522,989
Dallas Independent School District	1,471,980,000 *	0.57%	8,390,286
Dallas County Community College District	93,485,000	1.89%	1,766,867
Duncanville Independent School District	<u>182,864,338 *</u>	7.41%	<u>13,550,247</u>
Subtotal Overlapping Debt	<u>2,094,064,099</u>		<u>177,672,805</u>
Total Direct and Overlapping Debt	<u>\$ 2,175,860,815</u>		<u>\$ 259,469,521</u>

Ratio of direct and overlapping bonded debt to taxable assessed valuation 10.56 %

Per capita direct and overlapping bonded debt \$ 5,451

* Source - First Southwest Company

(1) Does not include \$860,000 portion of \$5,415,000 2002 Combination Tax and Revenue Certificates of Obligation serviced by Municipal Drainage fund revenues. Does not include \$895,000 portion of \$1,700,000 2003 Combination Tax and Revenue Certificates of Obligation serviced by Municipal Drainage Fund revenues. Does not include \$930,000 portion of \$1,045,000 2004 Combination Tax and Revenue Fund revenues. Does not include \$475,000 portion of \$2,050,000 2005 Combination Tax and Revenue Certificates of Obligation serviced by Municipal Drainage Fund revenues. Does not include \$1,025,000 portion of the \$1,060,000 2006 Combination Tax and Revenue Certificates of Obligation serviced by Municipal Drainage Fund revenues.

CITY OF DESOTO, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
(UNAUDITED)
YEAR ENDED SEPTEMBER 30, 2007

Net Assessed Value		\$ 2,854,570,570
Plus: Exempt Property		<u>104,985,260</u>
Total Assessed Value		<u>\$ 2,959,555,830</u>
Debt limit - (10%) of total assessed value		\$ 295,955,583
Less: amount of debt applicable to debt limit:		
Total bonded debt (including special assessment bonds)	\$ 81,796,716	
Less: assets in debt service funds available for payment of principal	<u>1,720,235</u>	<u>80,076,481</u>
Legal Debt Margin		<u>\$ 215,879,102</u>

CITY OF DESOTO, TEXAS
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)

<u>Fiscal Year</u>	<u>Population</u>	<u>Estimated Median Family Household Income (1)</u>	<u>Median Age</u>	<u>Education Level in in Years of Formal Schooling</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate(3)</u>
1998	36,900	70,103	31	High School + 1 yr.	6,408	2.7%
1999	37,870	62,575	31	High School + 1 yr.	6,639	2.4%
2000	38,040	72,726	31	High School + 2 yrs.	6,956	2.3%
2001	38,214	78,511	34	High School + 2 yrs.	7,161	2.2%
2002	39,300	78,511	34	High School + 2 yrs.	6,806	4.8%
2003	41,108	76,359	37	High School + 2 yrs.	6,806	4.8%
2004	42,894	69,892	36	High School + 2 yrs.	7,299	5.9%
2005	45,514	77,844	36	High School + 2 yrs	7,915	5.7%
2006	47,109	72,726	36	High School + 2 yrs	7898	5.5%
2007	47,600	62,960	37	High School + 2 yrs	8,700	3.03%

Note: Unable to determine personal income data for the City of DeSoto.

- (1) DeSoto Economic Development Corporation (Claritas)
- (2) DeSoto Independent School District
- (3) Texas Labor Market Information

CITY OF DESOTO, TEXAS
PRINCIPAL EMPLOYERS
CURRENT AND NINE YEARS AGO
(UNAUDITED)
YEAR ENDED SEPTEMBER 30, 2007

<u>Employer</u>	<u>2007</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
DeSoto ISD	924	1	3.70%
City of DeSoto	367	2	1.47%
DIAB	325	3	1.30%
Solar Turbines	300	4	1.20%
Wal Mart Distribution	240	5	0.96%
Williamsburg Village	210	6	0.84%
McGraw-Hill	155	7	0.62%
Tom Thumb	150	8	0.60%
Albertsons Inc.	126	9	0.50%
Kroger	<u>125</u>	10	<u>0.50%</u>
Total	2,922		<u>11.69%</u>

Note:

(1) Source - DeSoto Economic Development Corporation
Information for 1998 not available.

CITY OF DESOTO, TEXAS
FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST FIVE FISCAL YEARS
(UNAUDITED)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General government	10	10	10	10	10
Public Safety	174	176	185	191	197
Development Services	32	29	27	28	26
Parks and Leisure Services	35	35	34	34	27
Finance	16	13	14	14	12
Library	11	11	11	11	7
Human Resources	2	2	3	3	3
Information Technology	2	2	2	2	2
W&S	25	24	24	24	27
Drainage	1	1	1	1	1
Sanitation	4	5	5	5	5

Data compiled from the City's first implementation year as required by GASB - FY 2003.

**CITY OF DESOTO, TEXAS
OPERATING INDICATORS BY FUNCTION
LAST FIVE FISCAL YEARS
(UNAUDITED)**

Function	2003	2004	2005	2006	2007
General government					
Number of public information requests processed	35	35	55	55	75
Public Safety					
Number of youth outreach programs held	34	39	53	40	40
Number of senior citizen symposiums held	12	8	44	8	10
Number of citizen police academies per year	3	2	3	2	2
Fire code inspections completed	412	479	466	445	450
Development Services					
Traffic signal inspections	192	194	194	168	168
Parks and Leisure Services					
Total fitness facility memberships	3,839	3,125	4,325	4,342	5,493
Total swimming pool attendance	18,873	15,266	18,873	15,306	
Library					
Total childrens' story time programs	31	32	43	47	35
Human Resources					
Number of salary surveys completed	8	8	8	14	8
Finance					
Municipal court cases filed	12,567	13,427	13,399	12,923	14,271
Information Technology					
Number of city computers replaced annually	43	43	49	67	77
Water and Sewer					
Number of touch read meters changed out	1,413	748	865	900	1,500
Number of meters read monthly	13,340	13,994	14,100	14,700	15,250
Drainage					
Number of easements acquired for project construction	7	5	4	4	4
Sanitation					
Number of existing intersection landscapes renovated annually	1	1	1	1	1

Data compiled from the City's first implementation year as required by GASB - FY 2003.

CITY OF DESOTO, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
LAST FIVE FISCAL YEARS
(UNAUDITED)

Function	2003	2004	2005	2006	2007
Public Safety					
Police Stations	1	1	1	1	1
Fire Stations	3	3	3	3	3
Development Services					
Lane Miles of Streets	432	443	443	452	466
Miles of Alleys	97	102	102	102	90
Traffic Signals	17	17	14	14	15
Parks and Leisure Services					
Number of Parks	17	17	19	19	19
Civic Centers	1	1	1	1	1
Swimming Pools	1	1	1	1	1
Theater Playhouses	1	1	1	1	1
Library					
Number of Libraries	1	1	1	1	1
Water and Sewer					
Water Pumping Capacity	18 mg/day	18 mg/day	18 mg/day	18 mg/day	35 mg/day
Elevated Water Storage	3 mg.	3 mg.	3 mg.	5mg.	5mg.
Ground Storage	13 mg.				

Data compiled from the City's first implementation year as required by GASB - FY 2003.