

City of

Mainstreet of the Midwest
MEXICO
MISSOURI

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2007**

CITY OF MEXICO, MISSOURI
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2007

Prepared By:
Administrative Services Department
Roger Haynes
Administrative Services Director

CITY OF MEXICO, MISSOURI
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

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INTRODUCTORY SECTION

All Missouri Certified City

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January 25, 2008



Tree City U.S.A.

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Honorable Mayor, City Council and City Manager
City of Mexico, Missouri

The Comprehensive Annual Financial Report of the City of Mexico, Missouri, for the fiscal year ended September 30, 2007, is submitted to you for review.

This report was prepared by the City's Administrative Service Department, which is responsible for both the accuracy of the presented data and the completeness and fairness of the presentation of financial statements, supporting schedules and statistical tables, including all disclosures. We believe the information, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

Statistics pertaining to the Mexico Public School District Number 59 and Audrain County are also contained in this report. However, it should be clearly noted these self-governed entities are not part of the City of Mexico, and are excluded from the Introductory and Financial Sections.

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. Our MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Mexico provides a full range of services including police and fire protection, construction and maintenance of streets and other infrastructure; and recreational and cultural activities through the parks system. The City also operates an airport, animal shelter, cemetery, wastewater treatment facility, and provides residential sanitation services. For financial reporting purposes, all funds and trusts involved in the provision of these services are included if the City is financially accountable.

Financial accountability is determined by several different factors including fiscal independence, ability to impose will upon the entity's governing body, and provision of specific financial burdens or benefits.

The Council is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City of Mexico's financial planning and control. The budget is prepared by fund, function (e.g., Parks and Recreation), and department (e.g., Recreation).

ECONOMIC CONDITION AND OUTLOOK

Through strong community effort, the local economy has improved over the past few years in the area of job creation, retail sales and assessed valuation. Since 2002, over 2,148 new jobs have been created with an

approximate annual payroll in excess of \$57 million and \$236 million in capital investment. New employment opportunities have been made possible through expansion of existing facilities and the attraction of new employers by virtue of consistent economic development efforts and strong community commitment.

Assessed real estate value in Mexico has shown an overall increase during the past ten years. The increase in valuation has been a blend of reassessing existing structures and the addition of new construction. A 10-year historical summary of property growth and the relation to assessed value is provided in the statistical section of this report.

During the past year, there is indication that growth in the local economy surpassed that of the State and national economy and is demonstrated by comparing respective unemployment data. In view of the broad based and local economic conditions, we anticipate continued growth in job creation, retail sales, capital investment and population through strong economic development efforts.

MAJOR INITIATIVES

Council and City management places on top of the City's agenda: expansion of arterial roads, new business development, residential development, airport runway and terminal improvements, and quality of life issues to meet the current and future needs of its' citizens and visitors.

The following summary is being provided so that the reader can get a quick overview of initiatives realized from year 2000 and forward.

In year 2000, the City entered into a three-lane expansion project agreement with the State Highway Department with the understanding that State funding would not be made available to pay the principal cost of the expansion until 2004. The City, in order to go ahead with the desired \$991,000 infrastructure improvement in 2000, rather than waiting until 2004, procured financing by establishing a TIF District and utilizing local banks. In 2004, earmarked funding provided by the State of Missouri, combined with City funds, paid off three of four loans related to the project (see Special Allocation TIF in this report). The fourth TIF loan paid off in February of 2006.

In late 2000, the City secured a Lease Purchase Agreement for \$1.2 million to move forward with additional improvements to infrastructure needs. The funds were designed to reconstruct one-half mile of Liberty Street from two lanes to three and place electric service underground. The lease purchase agreement also secured funds to make Wastewater Treatment Plant capacity improvements and allowed for the purchase of heavy equipment for the Public Works Department. Semiannual payments for the lease purchase were divided among three funds (Capital Projects, Wastewater, and Capital Improvement Sales Tax). The 2000 Lease Purchase Agreement, as it is known in this report, paid off in October of 2005.

The City has completed the fifteenth year of the Street Program. This comprehensive plan incorporates the street survey conducted in prior years and a course of action for improvement of the streets. Plans for street improvement range from maintenance to complete reconstruction. This will be an ongoing program, which will be continually updated. Approximately \$750,000 was spent this year.

In 2002, the City received approval for State and Federal grant funding to make major improvements to the Mexico Memorial Airport. The most notable improvements are the additions of a new 5,300-foot Parallel Taxiway and instrument landing system (ILS). In addition, an automated weather observation system (AWOS) was placed into operation at the Airport in 2003. It is estimated that the improvements have a total asset value of approximately \$4.40 million, with the City's cash match contribution being approximately at \$290,000. The improvements spanned over a five-year period with the final stages being completed in calendar year 2006. The City's share was funded through the transfer of money from Sales Tax and Capital Improvement Sales Tax Funds.

In August of 2002, the City of Mexico purchased a 100,080 square foot building from Consolidated Electric Company. The facility was purchased in shell form, and the City elected to acquire adequate financing to purchase the facility (speculative building) and make finishing improvements. A five-year balloon note was obtained for \$1,025,000.

On September 30, 2003, the City entered into a long-term lease agreement with a new company, Bentley Industries, which anticipated providing 100 or more new employment opportunities for the Mexico area. As part of the lease agreement, the City renegotiated its' speculative building bank loan balance plus an additional \$250,000 to make further improvements to the facility. The loan term was amortized for a 20-year term and Bentley Industries will pay a monthly lease payment sufficient to pay the debt service on the building. The agreement requires Bentley Industries to carry the cost of insurance and maintenance on the facility and provide an opportunity for Bentley Industries to purchase the facility for an amount equal to the outstanding balance on the loan.

During 2003, the City made additional improvements to the Wastewater Collection system, which included a new lift station and additional sewer lines. The new lift station, described as the "Rt. D Lift Station" in this report, was financed as a lease purchase in the amount of \$180,000, which is being amortized on a four-year term.

During the same fiscal year, the City of Mexico assisted Spartan Light Metals with obtaining a \$1,000,000 low interest rate financing agreement with the State of Missouri through a Community Development Block Grant Program. With the grant being approved, Spartan followed with a plant expansion entailing \$4,489,000 in capital improvements and created forty additional employment positions. Spartan produces parts for auto manufacturers such as General Motors, Ford, Toyota, Honda, and Nissan.

In 2004, the City of Mexico continued to meet major initiative challenges by assisting two companies with even further expansion. Bentley Industries, a manufacturer of pontoon boats, and Highway R-3 Doors, a manufacturer of residential doors, sought avenues to assist in their respective expansion plans. By utilizing an available economic development tool known as Chapter 100 Lease Purchase financing, the City of Mexico purchased two vacant buildings meeting the square footage needs of each employer and made the properties available for purchase to Bentley Industries and Highway R-3 Doors.

In 2005, the City of Mexico received a State Community Development Block Grant in the amount of \$245,250 to assist in the construction of a 1612-foot street in the Industrial Park. This new street provides additional access to both current and prospective industries.

On September 30, 2005, the City of Mexico received funding for two expansion projects that began in the latter part of 2005 and the projects have since completed. The first funding was in the amount of \$1.25 million from the State of Missouri as a low interest rate float loan to Spartan Light Metals to help facilitate a \$13.7 million dollar plant expansion. This expansion has created approximately fifty more employment opportunities for the community.

The second funding received on September 30, 2005, was in conjunction with the Advanced Technology Center expansion. This \$450,000 grant through the U.S. Department of Commerce played a major role in the recent 19,000 square foot expansion. This most recent grant funding paired up with two other A.T.C. construction grants: (1) \$250,000 from the State's Community Development Block Grant Program (2) \$447,075 from the U.S. Department of Education.

In continuance of the ATC expansion, the community was successful in the fall of 2006 in obtaining an additional \$247,500 from the U.S. Department of Education. At the close of fiscal year 2007, the City of Mexico had all but completed grant transactions related to the Advanced Technology Center expansion.

The most sizeable grant project for fiscal year 2007 entailed \$1,980,000 Federal pass through grant administered through the Missouri Department of Transportation for the reconstruction of twelve thousand feet of railroad for use by a new Mexico employer, Rapid Set Concrete, Inc. This grant will be referred to as the Arthur Branch Spur project within this report and this renovated rail system is not a City owned asset.

Another MoDot grant reporting cash transaction activity within this year's report includes the beginning phases of reconstructing an arterial road known as Clark Street. This grant covers approximately eighty percent of the reconstruction cost estimated at \$350,000. This project will be completed in fiscal year 2008.

These grants, along with other grant related expenditures in the 2007 fiscal year, can be found either under the Schedule of Expenditures of Federal Awards, if qualified, or within the MD&A of this year's report.

Two notable park improvement activities were completed during the current fiscal.

In May of 2006, members of the A. P. Green family, donated 145 acres of their former estate to the City of Mexico with the contingency that 95 acres remain as a parks trail and the remaining acreage be either retained for park purposes or developed for residential housing under certain covenants and restrictions. The donation was appraised at a value of \$1,235,000. The park and subdivision are known as A. P. Green Estate Park and A. P. Green Estates. The subdivision portion of the donation was divided into fifteen lots. As of fiscal year end 2007, all but two lots have been sold. Proceeds from lot sales have been utilized for park maintenance, a new 1.5 mile asphalt walking trail, paved parking, and infrastructure development for the subdivision.

In 2006, the City of Mexico received a TCSP grant of \$318,060 to construct a lighted 1.5-mile concrete walkway around Lakeview Lake Park located in the southwest quadrant of the City. This improvement broke ground in August of 2006 and was completed in June of 2007 with a total park improvement value of \$345,287.

During the course of 2007, the City of Mexico retained and assisted in the expansion of two local businesses by making Chapter 100 Financing available. The first business, Graf & Sons, Inc., which has been in the firearms reloading supplies distribution business for several years, elected to build a new distribution warehouse and expand their employment base. The City of Mexico, through incentives inherent with Chapter 100 Financing, was able to provide Graf & Sons \$900,000 to build the new facility.

A second business, Metro-Soft, Inc. elected to keep their presence in Mexico after being spun off through a business acquisition transaction. Retaining their presence in the community was due much in part to the excellent employment workforce combined with the availability of Chapter 100 financing. The company, which distributes upper scale household complements such as rugs, pillows, and clothing, acquired \$2,000,000 for the reconstruction of an existing building to make it a viable distribution facility. The Chapter 100 offer allowed the City of Mexico to retain more than one hundred jobs that might have been lost otherwise.

FINANCIAL INFORMATION

Internal Budgeting Controls

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the costs of control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the City's

internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The accounts of the City are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, equities, revenues and expenditures, or expenses, as appropriate. The various funds are grouped by type in the financial statements.

The City of Mexico is considered a Phase III government under GASB guidelines. As a phase III entity, the City began in fiscal year ending September 2004 to report all funds, both general and proprietary, on an accrual basis.

Budgetary control is maintained at the activity level by the encumbrance of purchase orders with material balances before the release to vendors. Purchase orders which result in an overrun of activity balances are not released until alternative sources of payment are made available.

Cash Management

The City's Finance Department strives to keep abreast of current trends and best practices of cash management and forecasting to insure efficient and profitable use of the City's cash resources. State statutes for third-class cities, however, do restrict the City's ability to incorporate as policy many investment methods.

All funds, except those restricted, constitute the pooled cash resources. Interest income is allocated to various funds based on their cash and investment balances. The pooled cash concept provides for investing larger amounts of funds to achieve more favorable interest rates and incorporates better liquidity for operational demands.

The City invested totally with local financial institutions in money market accounts. As of September 30, 2007, the City had pooled cash resources of \$4,194,219 consisting primarily of fully insured or security collateralized money market accounts. The City, during fiscal year 2007, earned \$201,208 in interest income on all fund types and account groups. For additional information regarding investments and cash deposits, see financial statement Note 3.

Risk Management

Because cities have been placed in the high-risk category in recent years, insurance has become more difficult to obtain and, in general, more expensive. The City carries a variety of insurance coverage such as worker's compensation, hospital and medical, auto, general liability, police liability, airport liability, error and omissions blanket bond and collector/administrator honesty bonds, with cost of approximately \$750,234 in 2007. All insurance coverage is periodically reviewed for cost and coverage.

Financial Trend Monitoring System

Through the assembly and compilation of this report, the City has developed a Financial Trend Monitoring System that is used as a valuable tool in discovering existing problems previously not recognized. The monitoring system also assists in identifying emerging problems before they reach serious proportions. This system has also been used to present a clear picture of the City's financial strengths and weaknesses. In addition, the administration staff has developed tables of historical trends to better facilitate the projection of future budgets in a more concise form.

Long-term Financial Planning

The City of Mexico is initiating a five-year capital improvement program to prioritize public projects, which will be scheduled over a number of years on a pay-as-you go basis, as financial resources are available. The City has utilized in the past Tax Increment Financing, General Obligation Bonds, Lease Purchase Agreements, and inter-governmental agreements to meet necessary community improvements in the past and will continue to use these financing options in the future. The City always looks for creative funding solutions such as grants, cost sharing with other area governmental agencies, public-private cooperative efforts, and any other source of funding for projects that becomes available.

OTHER INFORMATION

Independent Audit

Although not mandated by Missouri law, an annual audit of the City's financial statements has been performed since 1950 by certified public accountants. The firm of Williams-Keepers LLC was contracted to perform this audit. The audit was conducted in such a manner as to enable the auditors to form an opinion on the financial statements taken as a whole. Williams-Keepers have issued an unqualified ("clean") opinion on the City's financial statements. An unqualified opinion is the best an organization can receive on its financial statements from an independent certified public accountant. It indicates that the auditor's examination has disclosed no conditions which cause them to believe that the financial statements are not fairly stated in all material respects. Their audit was made in accordance with U.S. generally accepted auditing standards. The report of the auditors has been included as part of this document.

Certificates of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the City of Mexico for its comprehensive annual financial report for the fiscal year ended September 30, 2006. This was the eighteenth consecutive year the City received this award.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

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

Concluding Comments

The City's greatest areas of need continue to be capital improvements and equipment replacement. The community has many infrastructure and reconstruction demands. These needs can only be met through increased local funding. Funds available for City services continue to be more difficult than in previous years. The City has targeted cutbacks of operating expenditures and works diligently to seek improvements that hold potential of increasing revenues. Finding new resources to meet the continued demand for services continues to be the number one priority in Mexico.

Preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated service of the entire finance department staff. I would like to express my appreciation to all members of the department who assisted and contributed to its preparation. Special thanks must be extended

to the firm of Williams-Keepers, LLC for their thorough and competent service and cooperation in the conduct of the annual audit and assistance in making this report available.

Finally, I would like to express my thanks to you and the governing council for the interest and support displayed during the past fiscal year in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Roger D. Haynes
Administrative Services Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Mexico
Missouri

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.



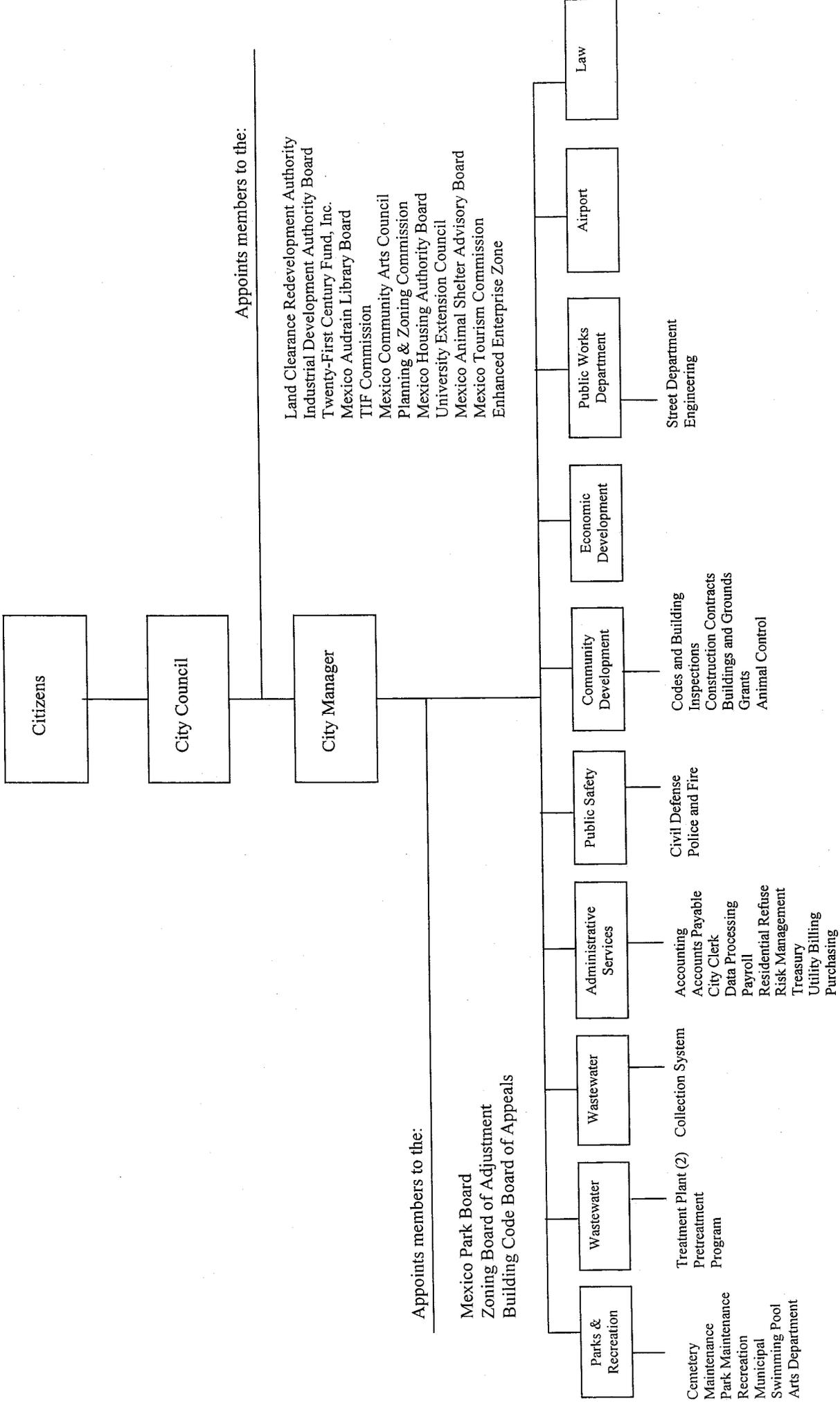
Oliver S. Cox

President

Jeffrey R. Emery

Executive Director

CITY OF MEXICO
ORGANIZATIONAL CHART



CITY OF MEXICO, MISSOURI

PRINCIPAL OFFICERS

CITY COUNCIL

Virginia Robertson, Mayor

Steve Nichols, Mayor Pro-tem

Dan Botts

Michael Myers

Ron Loesch

ADMINISTRATION

Todd Thompson – City Manager

Roger D. Haynes – Administrative Services Director

Mike Jerichow – Public Safety Director

Chad McCullough – Public Works Director

Rita Jackson – Community Development Director

Chad Shoemaker – Parks & Recreation Director

David Boone – Economic Development Director

Robert Fenlon – Municipal Court Judge

Jay Jacobi – Airport Manager

Doug Jennings – Wastewater

LEGAL COUNSEL

Lou Leonatti

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Williams-Keepers LLC

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Mexico, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Mexico, Missouri (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 accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mexico, Missouri as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 11, the budgetary comparison information on pages 39 through 43, and the modified approach to reporting infrastructure on pages 45 through 46 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We 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 performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. The supplementary information and the schedule of expenditures of federal awards listed in the table of contents are not a required part of the basic financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 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.

Williams Keepers LLC

January 25, 2008

CITY OF MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2007

As management of the City of Mexico, Missouri, we offer readers of the City of Mexico's financial statements this narrative overview and analysis of the financial activities of the City of Mexico for the fiscal year ended September 30, 2007. This is the fourth year the City of Mexico, Missouri has prepared financial statements in accordance with the guidelines prescribed in GASB Statement 34. This discussion and analysis is meant to provide an objective and easily readable analysis of the City's financial activities based on current facts and conditions. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i - vii of this report, and the accompanying basic financial statements.

Financial Highlights

- The assets of the City of Mexico exceeded its entity-wide liabilities at the close of the most recent fiscal year by \$53,107,301 on the entity-wide statements. Of this amount, \$49,305,531 represents investment in capital assets; \$362,367 is restricted and the remaining \$3,439,403 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$1,516,464. Of that total, \$1,074,753 is attributable to governmental activities, while business-type net assets increased \$441,711.
- As of the close of the current fiscal year, the City of Mexico's governmental activities reported net assets of \$42,985,893, an increase of \$1,074,753 in comparison with the prior year. Of this total amount, \$40,222,312 represents investment in capital assets and \$2,401,214 is available for spending at the government's discretion (unrestricted net assets).
- At the end of the current fiscal, unreserved fund balance for the General Fund was \$1,406,458, or 29.80% of the total General Fund expenditures.
- The City of Mexico's total debt decreased by \$169,737, or 7.27% during the current fiscal year. The key factor in this decrease was the required annual payments for the City's capital leases.
- The City of Mexico utilized a combination of six State and Federal grants during fiscal year 2007, with approximately \$2,300,000 being expended and \$2,200,000 being reimbursed during the twelve month period. Substantially all of the expenditures and reimbursements were for the Railroad Improvement project, which were both in the amount of \$1,754,264 per SEFA.
- In March of 2004, the City of Mexico entered into an agreement with Wal-Mart Stores to pay back a portion of Highway 54 infrastructure improvements that were necessary when Wal-Mart relocated and built a new Super Wal-Mart store. The agreement allowed Wal-Mart Real Estate Business Trust to pay upfront the construction cost of providing a highway expansion and turn lane in front of the new Super Store with the City of Mexico reimbursing the Real Estate Trust for a value not to exceed \$500,000 by remitting monthly one-half of the new sales tax revenue generated by the new store as compared to sales taxes generated through old store sales. The new Super Wal-Mart opened in May 2005 and one-half of the additional sales tax revenues are set aside under the City's Retail Rebate Fund. Reimbursements for the construction were not requested during the year ended September 30, 2007. Funds totaling approximately \$383,000 have accumulated in the Retail Rebate Fund to date.

Overview of the Financial Statements

This comprehensive annual financial report consists of four parts:

- Management's discussion and analysis (this part),
- The basic financial statements, which include the government-wide and the fund financial statements, along with the notes to the basic financial statements,
- Required supplementary information,
- Combining statements for non-major governmental funds.

This discussion and analysis are intended to serve as an introduction to the City of Mexico's basic financial statements. The City of Mexico'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 the readers with a broad overview of the City of Mexico's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Mexico'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 Mexico is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent 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 vacation leave).

The government-wide financial statements distinguish functions of the City of Mexico that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that attempt to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Mexico include general government and administration, public safety, public health, transportation, cultural, parks and recreation, and community development. The business-type activities of the City of Mexico include Sanitation and Wastewater operations.

The government-wide financial statements can be found on pages 12 - 13 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 Mexico, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Mexico 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 monetary resources, as well as on balances of monetary resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City of Mexico maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, parks and recreation, sales tax, public health, retail rebate and housing rehab funds, which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Mexico adopts an annual appropriated budget for its general fund. A budgetary comparison statement has also been provided for each governmental fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found on pages 14 - 17 of this report.

Proprietary funds - The City of Mexico maintains one type of proprietary fund, which contains two enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Mexico uses enterprise funds to account for its Sanitation and Wastewater 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 the Sanitation and Wastewater Funds which are considered to be major funds of the City of Mexico.

The basic proprietary fund financial statements can be found on pages 18 - 20 of the 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 21 - 38 of this report.

Other information - In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budgetary compliance. Required supplementary information can be found on page 39 - 44 of this report.

The City uses the modified approach for capitalization of infrastructure assets on the street systems and calculates straight-line depreciation on all other infrastructure systems. Currently the assessed condition level of the assets reported under the modified approach is graded as 81. The City's goal is that no street will fall below a condition index of 75. There were no significant differences between the estimated annual amount to maintain/preserve eligible infrastructure assets compared with the actual amounts spent during the year. Required supplementary information on the use of the modified approach can be found on pages 45 and 46 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 49-59 of this report.

Government-wide Financial Analysis

Statement of Net Assets

The following table reflects the condensed statement of net assets as of September 30:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 4,785,138	\$ 3,791,332	\$ 1,364,731	\$ 1,153,494	\$ 6,149,869	\$ 4,944,826
Capital assets	41,433,645	41,334,836	9,083,219	9,056,966	50,516,864	50,391,802
Total assets	46,218,783	45,126,168	10,447,950	10,210,460	56,666,733	55,336,628
Long-term obligations	1,883,762	1,783,503	282,183	375,467	2,165,945	2,158,970
Other liabilities	1,349,128	1,431,525	44,359	155,296	1,393,487	1,586,821
Total liabilities	3,232,890	3,215,028	326,542	530,763	3,559,432	3,745,791
Net assets						
Invested in capital assets, net of related debt	40,222,312	40,051,333	9,083,219	8,965,499	49,305,531	49,016,832
Restricted	362,367	372,656	-	-	362,367	372,656
Unrestricted	2,401,214	1,487,151	1,038,189	714,198	3,439,403	2,201,349
Total net assets	\$ 42,985,893	\$ 41,911,140	\$ 10,121,408	\$ 9,679,697	\$ 53,107,301	\$ 51,590,837

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Mexico, assets exceeded liabilities by \$53,107,301 at the close of the most recent fiscal year. Net assets increased by \$1,516,464 for the current fiscal year over the prior fiscal year. Assets exceed liabilities by \$51,590,837 at the close of the prior fiscal year and net assets for that year increased by \$2,741,077.

Governmental activities' assets constitute 81.56% of total assets and 80.94% of total net assets for the most recent fiscal year. Governmental activities' assets constituted 81.55% of total assets and 81.24% of total net assets in the prior fiscal year. The business-type activities constitute 18.44% of total assets, 9.17% of liabilities, and 19.06% of total net assets. The business-type activities constituted 18.45% of total assets, 14.17% of liabilities, and 18.72% of total net assets in the prior fiscal year.

By far the largest portion of the City of Mexico's net assets (\$49,305,531 or 92.84%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets, to provide services to citizens; consequently, these assets are not available for future spending. The City of Mexico's investment in capital assets in the prior year totaled \$49,016,832 or 95.01% of total net assets. Capital assets increased by \$288,699 for the current year over the prior fiscal year. Most of this increase is due to the development of the Green Estates Subdivision, which entailed \$118,000 in new sewer construction and \$88,000 in new street infrastructure. In addition, the City completed the 1.5 mile Lakeview Trail project which provided a park improvement valued at slightly over \$345,000. Although the City of Mexico'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 of Mexico's net assets (0.68%) represents resources that are subject to external restrictions on how they may be used. This portion of net assets was 0.72% in the prior fiscal year. The remaining balance of unrestricted net assets \$3,439,403 may be used to meet the government's ongoing obligations to citizens and creditors. This is an increase of \$1,238,054 over the prior fiscal year.

At the end of the current fiscal year, the City of Mexico is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Statement of Activities

The following table reflects the revenues and expenses for the City's activities for the year ended September 30:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 900,684	\$ 878,479	\$ 1,596,804	\$ 1,471,612	\$ 2,497,488	\$ 2,350,091
Grants and contributions:						
Operating	330,105	32,176	-	-	330,105	32,176
Capital	2,097,620	2,652,789	42,354	145,113	2,139,974	2,797,902
General revenues:						
Taxes	5,461,732	5,162,482	-	-	5,461,732	5,162,482
Investment revenue	146,461	87,949	54,746	51,532	201,207	139,481
Net transfers (out) in	(110,602)	-	110,602	-	-	-
Other	808,555	408,696	2,773	16,612	811,328	425,308
Total revenues	<u>9,634,555</u>	<u>9,222,571</u>	<u>1,807,279</u>	<u>1,684,869</u>	<u>11,441,834</u>	<u>10,907,440</u>
Expenses:						
General government	1,198,109	1,142,529	-	-	1,198,109	1,142,529
Public safety	2,411,185	2,334,216	-	-	2,411,185	2,334,216
Streets	1,084,270	942,616	-	-	1,084,270	942,616
Cemetery	64,100	86,997	-	-	64,100	86,997
Parks and recreation	772,521	619,299	-	-	772,521	619,299
Public health	264,344	258,891	-	-	264,344	258,891
Economic development	256,284	213,753	-	-	256,284	213,753
Airport	136,487	130,388	-	-	136,487	130,388
Community development	2,267,577	1,018,615	-	-	2,267,577	1,018,615
Interest expense	104,925	101,668	-	-	104,925	101,668
Wastewater utility	-	-	968,139	903,561	968,139	903,561
Sanitation	-	-	397,429	413,830	397,429	413,830
Total expenses	<u>8,559,802</u>	<u>6,848,972</u>	<u>1,365,568</u>	<u>1,317,391</u>	<u>9,925,370</u>	<u>8,166,363</u>
Increase in net assets	1,074,753	2,373,599	441,711	367,478	1,516,464	2,741,077
Net assets, beginning	41,911,140	39,537,541	9,679,697	9,312,219	51,590,837	48,849,760
Net assets, ending	<u>\$ 42,985,893</u>	<u>\$ 41,911,140</u>	<u>\$ 10,121,408</u>	<u>\$ 9,679,697</u>	<u>\$ 53,107,301</u>	<u>\$ 51,590,837</u>

Governmental activities: Governmental activities increased the City of Mexico's net assets by \$1,074,753, thereby accounting for 70.87% percent of the total growth in the net assets of the City of Mexico. Governmental activities increased the City of Mexico's net assets by \$2,373,599 in the prior fiscal year which was 86.59% of the total growth in net assets.

The following summarizes significant events or changes in governmental activities for the year ended September 30, 2007:

- Operating grants and contributions for governmental activities increased \$297,928 due to a \$318,060 grant received for the Lakeview Lake Park project to construct a lighted walkway around the park.
- Capital grants and contributions for governmental activities decreased by \$555,070. This was caused by an increase in grants received for the Arthur Spur Branch railroad improvement project of \$1,101,000 offset by decreases in grants received of \$1,656,000 for completion of the airport improvements, Industrial Park street improvements, and Advanced Technology Center.

The following summarizes significant events or changes in governmental activities for the year ended September 30, 2006:

- Operating grants and contributions for governmental activities decreased \$1,683,457 largely due to a \$1,250,000 grant received for the community development project for the Spartan Light Metals, Inc. plant expansion in the prior year, as noted below.
- Capital grants and contributions for governmental activities increased by \$347,286. This was caused by contributions of capital assets totaling \$1,551,118 offset by decreases in grants and contributions of \$1,203,833 related grants received for community development projects such as the Advanced Technology Center development and Smiley Drive project in the prior year. Grants for on-going airport projects and the Lakeview trail project are also included in capital grants in the current year.

For the most part, additional increases in expenses closely paralleled inflation and growth in the demand for services. In fiscal year 2007, street department expenditures increased by approximately \$151,972 which was largely due to improvements for Clark Street. Community development expenditures increased by \$1,244,056, largely due to the administration over a railway improvements grant for delivery of production materials to CTS, Inc. Parks and Recreation expenditures increased by \$271,284 due to walking trail improvements at three parks; Lakeview, Green Estate, and Teal Lake.

Business-type activities: Business type activities increased the City of Mexico's net assets by \$441,711, accounting for 29.13% percent of total growth in the City's net assets. Business type activities increased the City of Mexico's net assets by \$367,478, in the prior fiscal year accounting for 13.41% of total growth in the City's net assets.

The following summarizes significant events or changes in business-type activities for the year ended September 30, 2007:

- The City received increased fees of approximately \$125,000 for wastewater and sanitation services.

The following summarizes significant events or changes in business-type activities for the year ended September 30, 2006:

- The City received contributed streets and sewer lines for a new subdivision totaling approximately \$162,000.

Financial Analysis of the Government's Funds

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

Governmental Funds - The focus of the City of Mexico's governmental funds is to provide information on near-term inflows, outflows, and balances of available cash resources. Such information is useful in assessing the City of Mexico's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

At the end of the current fiscal year, the City of Mexico's governmental funds reported combined ending fund balances of \$2,879,928, an increase of \$715,784 in comparison with the prior year. Approximately 87.42% of this total amount (\$2,517,561) constitutes unreserved fund balance, which is available for spending at the government's discretion. Approximately 82.78 % (\$1,791,488) of the total governmental fund balance in the prior year constituted unreserved fund balance. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period, 2) to pay debt service, 3) to generate income to pay for the perpetual care of the municipal cemetery, or 4) for a variety of other restricted purposes.

The General Fund is the chief operating fund of the City of Mexico. At the end of the current fiscal year, total fund balance of the General Fund was \$1,406,458, all of which was unreserved. The fund balance of the City of Mexico's General Fund increased by \$336,101 compared to the prior year. The fund balance of the General Fund was \$1,070,357 in the prior fiscal year. The key factor in this change relates to an increase of Gross Receipts tax of approximately \$208,000 and an increase in investment earnings of \$57,460 and an increase in Real and Personal property tax collection of approximately \$55,000.

The Parks and Recreation Fund accounts for funds provided from charges for recreational programs and for the portion of City taxes designated and expended for maintenance of the City parks and playgrounds and operation of recreation programs. At the end of the current fiscal year, total fund balance of the Parks and Recreation Fund was \$280,287. The fund balance of the City of Mexico's Parks and Recreation Fund increased by \$366,062 from the prior year. The fund balance of the Parks and Recreation Fund was negative \$85,775 in the prior year. The key factor for this change was the increase in parks and recreation capital expenditures by approximately \$240,000 from the prior fiscal year due to the construction of the Lakeview and Green Estate Park Trails in the current year. This increase in expenditures was offset by trail grant funding and the sale of residential lots in the Green Estate Park subdivision.

The Sales Tax Fund is used to account for City sales tax collections and expenditures for designated operations. At the end of the current fiscal year, total fund balance of the Sales Tax Fund was \$345,775. The fund balance of the City of Mexico's Sales Tax Fund increased by \$100,954 compared to the prior year. The fund balance of the Sales Tax Fund was \$244,821 in the prior year. The key factor in this change was an increase in sales tax revenue of approximately nine percent from the prior fiscal year.

The Public Health Fund accounts for funds provided from the City property taxes and expended for animal control, public health, nursing, and environmental sanitation. At the end of the current fiscal year, total fund balance of the Public Health Fund was \$137,924. The fund balance of the City of Mexico's Public Health Fund increased by \$37,977 compared to the prior year. The fund balance of the Public Health Fund was \$99,947 in the prior year. The key factors in this change was the increase in Real and Personal property taxes collected of approximately \$27,000 plus an \$7,000 increase in donations.

The Retail Rebate Fund is used to account for City sales tax collections and expenditures in compliance with the Wal-Mart developer agreement. At the end of the current fiscal year, total fund balance of the Retail Rebate Fund was \$0. This is due to the increased sales tax revenues collected from the new Wal-Mart store offset by the payable to Wal-Mart for the improvements made to Highway 54 in the prior year.

The Housing Rehab Fund accounts for City financial resources and expenditures related to construction and rehabilitation capital projects that were typically supported by State and federal grants. At the end of the current fiscal year, total fund balance of the Housing Rehab Fund was (\$156,224) as a result of grant expenditures not yet reimbursed.

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

Net assets including investment in capital assets of the Wastewater Fund at the end of the year amounted to \$10,164,672, and the deficit for Sanitation Fund amounted to \$43,264. The increase in net assets for the Wastewater Fund was \$388,083 and \$53,628 for the Sanitation Fund. The net assets in the Wastewater Fund amounted to \$9,776,589, and deficit for the Sanitation Fund amounted to \$96,892 in the prior fiscal year. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Mexico's business-type activities.

General Fund Budgetary Highlights

Revisions of the original expenditure budget were relatively minor and done to reflect changes in original budgeting assumptions. Such revisions included reallocation of salary and benefit expenses (\$124,200 decrease in appropriations) as well as smaller changes. Salary and benefit expenses resulted from temporary vacancies within the departments of City Manager, Public Safety, and Joint Communications.

Revisions of the original revenue budget were also relatively minor, but played a positive roll in the City's ability to improve cash reserves as compared to fiscal year 2006. Such revisions included an upward revenue estimate of \$164,076 in gross receipts tax revenue.

Capital Asset and Debt Administration

Capital Assets - The City of Mexico's investment in capital assets for its governmental and business type activities includes land, buildings, system improvements, and infrastructure. The following schedule provides a breakdown of capital assets as of September 30:

	2007	2006
Capital assets, not being depreciated:		
Land	\$ 4,092,427	\$ 4,140,795
Infrastructure	29,490,987	29,372,048
Construction in progress	24,387	96,229
Total capital assets, not being depreciated	<u>33,607,801</u>	<u>33,609,072</u>
Capital assets, being depreciated:		
Buildings	11,178,361	11,207,423
Structures other than buildings	11,563,170	11,066,048
Equipment	4,019,673	3,845,205
Infrastructure	1,505,913	1,505,913
Total capital assets, being depreciated	<u>28,267,117</u>	<u>27,624,589</u>
Less accumulated depreciation	<u>(11,358,054)</u>	<u>(10,841,859)</u>
Total capital assets being depreciated, net	<u>16,909,063</u>	<u>16,782,730</u>
Capital assets, net	<u>\$ 50,516,864</u>	<u>\$ 50,391,802</u>

The major capital asset events in the current year included the \$ 345,000 in walking trail improvements at Lakeview Park and contributed assets from three subdivision developments totaling \$ 132,000.

Major capital asset events during the prior fiscal year included the donation of approximately 143 acres of prime real estate by the Green Estates LLC, which is being used for parkland and subdivision development. The estimated fair value of the land was approximately \$1.2 million and was recorded as a capital contribution on the City's books. Other capital asset events in the prior year included construction of the Green Estate Park Trail and other improvements to the Green Estate Park for approximately \$125,000.

The City uses the modified approach to account for its highway system as permitted by GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. Under the modified approach, depreciation is not reported and certain preservation and maintenance costs are expensed. In addition, the City is required to perform condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale in order to document that the eligible infrastructure assets are being preserved approximately at (or above) the condition level established and disclosed by the government.

The City's goal is that by 2008 no street will fall below a condition index of 75 and to achieve an average condition index of 82 or greater.

For the current year and two prior years, the results of the condition assessments are as follows:

<u>Year</u>	<u>Assessed Condition</u>
2007	81
2006	80
2005	79

Additional information regarding the City's capital assets can be found in Note 7 on pages 29 through 30 of this report.

Long-term debt - At the end of the current fiscal year, the City of Mexico did not have any bonded debt, but did have obligations relating to capital leases for purchase and improvement of capital assets. Additional information regarding the City's long-term debt can be found in Note 8 on pages 31 through 32 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Mexico is 4.9% at September 30, 2007, which is higher as compared to last year. This rate is comparable to the State's average unemployment rate of 5.20%, and is above the national average.
- The occupancy rate of the City's central business district has remained at 97% for the past four years.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Mexico's budget for the 2008 fiscal year.

Requests for Information

The financial report is designed to provide a general overview of the City of Mexico's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Administrative Services Director, 300 N. Coal, City of Mexico, MO, 65265, or call (573) 581-2100.

CITY OF MEXICO

STATEMENT OF NET ASSETS

September 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,420,602	\$ 1,158,312	\$ 3,578,914
Restricted cash	615,305	-	615,305
Accounts receivable (net of allowance of \$30,514)	-	190,255	190,255
Taxes receivable	1,489,996	-	1,489,996
Intergovernmental revenue receivable	259,235	-	259,235
Prepaid expenses	-	16,164	16,164
Capital assets:			
Non-depreciable	33,565,994	41,807	33,607,801
Depreciable, net	7,867,651	9,041,412	16,909,063
Total assets	<u>46,218,783</u>	<u>10,447,950</u>	<u>56,666,733</u>
LIABILITIES			
Accounts payable	302,056	44,359	346,415
Deferred/unearned revenue	1,047,072	-	1,047,072
Long-term liabilities:			
Leases payable			
Amounts due within one year	79,814	-	79,814
Amount due beyond one year	1,131,519	-	1,131,519
Accrued landfill closure costs			
Amounts due within one year	-	13,000	13,000
Amounts due beyond one year	-	258,000	258,000
Compensated absences			
Amounts due within one year	68,601	4,473	73,074
Amounts due beyond one year	102,901	6,710	109,611
Reimbursement payable			
Amounts due within one year	117,412	-	117,412
Amounts due beyond one year	383,515	-	383,515
Total liabilities	<u>3,232,890</u>	<u>326,542</u>	<u>3,559,432</u>
NET ASSETS			
Invested in capital assets, net of related debt	40,222,312	9,083,219	49,305,531
Restricted for:			
Capital improvements	196,015	-	196,015
Perpetual care, expendable	166,352	-	166,352
Unrestricted	2,401,214	1,038,189	3,439,403
Total net assets	<u>\$ 42,985,893</u>	<u>\$ 10,121,408</u>	<u>\$ 53,107,301</u>

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

CITY OF MEXICO
STATEMENT OF ACTIVITIES
Year Ended September 30, 2007

Program/Function	Program revenues				Net (expense) revenue and changes in net assets		Total
	Expenses	Charges for services	Capital grants and contributions	Operating grants and contributions	Governmental activities	Business-type activities	
Governmental activities:							
General government	\$ 1,198,109	\$ 138,514	\$ -	\$ -	\$ (1,059,595)	\$ -	\$ (1,059,595)
Public safety	2,411,185	466,165	-	-	(1,945,020)	-	(1,945,020)
Streets	1,084,270	-	109,010	-	(975,260)	-	(975,260)
Cemetery	64,100	-	-	-	(64,100)	-	(64,100)
Parks and recreation	772,521	42,886	159,082	318,060	(252,493)	-	(252,493)
Public health	264,344	-	-	-	(264,344)	-	(264,344)
Economic development	256,284	230,069	-	12,045	(14,170)	-	(14,170)
Airport	136,487	23,050	29,588	-	(83,849)	-	(83,849)
Community development	2,267,577	-	1,799,940	-	(467,637)	-	(467,637)
Interest expense	104,925	-	-	-	(104,925)	-	(104,925)
Total governmental activities	8,559,802	900,684	2,097,620	330,105	(5,231,393)	-	(5,231,393)
Business-type activities:							
Wastewater utility	968,139	1,153,744	42,354	-	-	227,959	227,959
Sanitation	397,429	443,060	-	-	-	45,631	45,631
Total business-type activities	1,365,568	1,596,804	42,354	-	-	273,590	273,590
Total city	\$ 9,925,370	\$ 2,497,488	\$ 2,139,974	\$ 330,105	(5,231,393)	273,590	(4,957,803)
General revenue:							
Taxes:							
Property taxes					999,767	-	999,767
Sales taxes					3,017,837	-	3,017,837
Franchise taxes					1,444,128	-	1,444,128
Intergovernmental (unrestricted)					9,058	-	9,058
Miscellaneous income					219,212	2,773	221,985
Interest income					146,461	54,746	201,207
Gain on sale of capital assets					580,285	-	580,285
Net transfers (out) in from other funds					(110,602)	110,602	-
Total general revenues					6,306,146	168,121	6,474,267
Changes in net assets					1,074,753	441,711	1,516,464
Net assets - beginning					41,911,140	9,679,697	51,590,837
Net assets - ending					\$ 42,985,893	\$ 10,121,408	\$ 53,107,301

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

CITY OF MEXICO

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
September 30, 2007

	Major Funds							Totals
	General Fund	Parks and Recreation Fund	Sales Tax Fund	Public Health Fund	Retail Rebate Fund	Housing Rehab Fund	Non-major Funds	
ASSETS								
Cash and cash equivalents	\$ 1,168,918	\$ 282,639	\$ 174,593	\$ 139,332	\$ -	\$ 5,202	\$ 649,918	\$ 2,420,602
Restricted cash	81,022	-	-	-	359,474	-	174,809	615,305
Taxes receivable	687,800	258,173	187,178	258,173	-	-	98,672	1,489,996
Intergovernmental receivable	33,842	-	-	-	-	161,426	63,967	259,235
Interfund receivable	-	-	-	-	24,041	-	-	24,041
Total assets	\$ 1,971,582	\$ 540,812	\$ 361,771	\$ 397,505	\$ 383,515	\$ 166,628	\$ 987,366	\$ 4,809,179
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	\$ 28,571	\$ 2,308	\$ -	\$ 1,103	\$ -	\$ 161,426	\$ 98,473	\$ 291,881
Accrued liabilities	5,827	44	-	305	-	-	-	6,176
Reimbursement payable	-	-	-	-	383,515	-	-	383,515
Interfund payable	-	-	15,996	-	-	-	8,045	24,041
Deferred revenue	530,726	258,173	-	258,173	-	161,426	15,140	1,223,638
Total liabilities	565,124	260,525	15,996	259,581	383,515	322,852	121,658	1,929,251
FUND BALANCES								
Reserved								
Capital improvements	-	-	-	-	-	-	196,015	196,015
Perpetual care	-	-	-	-	-	-	166,352	166,352
Unreserved								
General Fund	1,406,458	-	-	-	-	-	-	1,406,458
Special revenue funds	-	280,287	345,775	137,924	-	-	485,820	1,249,806
Capital projects funds	-	-	-	-	-	(156,224)	17,521	(138,703)
Total fund balances	1,406,458	280,287	345,775	137,924	-	(156,224)	865,708	2,879,928
Total liabilities and fund balances	\$ 1,971,582	\$ 540,812	\$ 361,771	\$ 397,505	\$ 383,515	\$ 166,628	\$ 987,366	\$ 4,809,179

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

CITY OF MEXICO

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

September 30, 2007

Fund balances - total governmental funds		\$ 2,879,928
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds:		
Governmental capital assets	47,723,519	
Less accumulated depreciation	<u>(6,289,874)</u>	
		41,433,645
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		176,566
Long-term liabilities, including capital lease obligations, interest payable, and accrued compensated absences, are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds:		
Capital lease obligations		(1,211,333)
Accrued compensated absences		(171,502)
Accrued retail rebate payable		(117,412)
Accrued interest payable		<u>(3,999)</u>
Net assets of governmental activities		<u>\$ 42,985,893</u>

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

CITY OF MEXICO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
Year Ended September 30, 2007

	Major Funds							Totals
	General Fund	Parks and Recreation Fund	Sales Tax Fund	Public Health Fund	Retail Rebate Fund	Housing Rehab Fund	Non-major Funds	
REVENUES:								
Taxes								
Property	\$ 508,225	\$ 245,771	\$ -	\$ 245,771	\$ -	\$ -	\$ -	\$ 999,767
Sales	554,457	1,283	1,623,188	1,283	-	-	837,626	3,017,837
Franchise	1,444,128	-	-	-	-	-	-	1,444,128
Licenses and permits	138,514	-	-	-	-	-	-	138,514
Charges for services	-	42,886	-	-	-	-	-	42,886
Intergovernmental revenues	9,058	318,060	-	-	-	1,564,416	374,122	2,265,656
Fines and forfeitures	44,151	-	-	-	-	-	-	44,151
Miscellaneous								
Rent	-	-	-	-	-	-	253,119	253,119
Interest	100,916	-	4,436	-	-	-	41,109	146,461
Joint dispatch reimbursement	430,378	-	-	-	-	-	-	430,378
Contributions	-	-	-	-	-	-	12,045	12,045
Other	198,373	33,916	-	21,957	-	-	5,140	259,386
TOTAL REVENUES	3,428,200	641,916	1,627,624	269,011	-	1,564,416	1,523,161	9,054,328
EXPENDITURES:								
Current:								
General government	844,913	-	-	-	-	-	-	844,913
Public safety	2,374,666	-	-	-	-	-	-	2,374,666
Streets	751,972	-	-	-	-	-	-	751,972
Cemetery	93,052	-	-	-	-	-	-	93,052
Parks and recreation	-	479,490	-	-	-	-	-	479,490
Public health	-	-	25,900	231,034	-	-	-	256,934
Economic development	135,787	-	-	-	-	-	48,646	184,433
Airport	-	-	-	-	-	-	91,254	91,254
Community development	184,584	-	-	-	-	1,720,862	50,110	1,955,556
Capital outlay	296,825	643,060	-	-	173,655	-	799,667	1,913,207
Debt service:								
Principal	32,795	-	-	-	-	-	39,375	72,170
Interest	4,819	-	-	-	-	-	100,234	105,053
TOTAL EXPENDITURES	4,719,413	1,122,550	25,900	231,034	173,655	1,720,862	1,129,286	9,122,700
Excess (deficiency) of revenues over expenditures	(1,291,213)	(480,634)	1,601,724	37,977	(173,655)	(156,446)	393,875	(68,372)
OTHER FINANCING SOURCES (USES)								
Proceeds from sale of capital assets	-	894,758	-	-	-	-	-	894,758
Transfers in	1,627,314	70,000	400,000	-	173,655	-	130,563	2,401,532
Transfers (out)	-	(118,062)	(1,900,770)	-	-	-	(493,302)	(2,512,134)
Total other financing sources (uses)	1,627,314	846,696	(1,500,770)	-	173,655	-	(362,739)	784,156
Net change in fund balances	336,101	366,062	100,954	37,977	-	(156,446)	31,136	715,784
Fund balances, October 1	1,070,357	(85,775)	244,821	99,947	-	222	834,572	2,164,144
FUND BALANCES, SEPTEMBER 30	\$ 1,406,458	\$ 280,287	\$ 345,775	\$ 137,924	\$ -	\$ (156,224)	\$ 865,708	\$ 2,879,928

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

CITY OF MEXICO

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF THE GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended September 30, 2007

Net change in fund balances - total governmental funds \$ 715,784

Amounts reported for governmental activities in the statement
of activities is different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following is the detail of the amount by which capital outlays were less than the depreciation in the current period.

Capital outlay capitalized as assets	962,607	
Less contributed capital assets	(89,437)	
Disposal of fixed assets	(413,066)	
Depreciation	<u>(450,732)</u>	
		9,372

Revenues in the statement of activities that do not provide
current financial resources are not reported as revenues in
the funds. 110,544

The issuance of long-term debt (e.g., bonds, loans, and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. 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. In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items.

Repayment of principal (bonds, loans, and leases)	72,170	
Change in interest payable	128	
Reimbursement payable	<u>173,655</u>	
		245,953

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.

Compensated absences	<u>(6,900)</u>
Change in net assets of governmental activities	<u>\$ 1,074,753</u>

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

CITY OF MEXICO
STATEMENT OF NET ASSETS
ALL PROPRIETARY FUNDS
September 30, 2007

	Major Funds		
	Wastewater Fund	Sanitation Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 958,641	\$ 199,671	\$ 1,158,312
Accounts receivable, net of allowance of \$30,514	132,432	57,823	190,255
Prepaid expenses	16,164	-	16,164
Total current assets	1,107,237	257,494	1,364,731
Non-current assets:			
Property, plant and equipment, net of accumulated depreciation	9,083,219	-	9,083,219
Total assets	10,190,456	257,494	10,447,950
LIABILITIES			
Current liabilities:			
Current portion of accrued landfill closure costs	\$ -	\$ 13,000	\$ 13,000
Accounts payable	17,723	26,636	44,359
Compensated absences	3,224	1,249	4,473
Total current liabilities	20,947	40,885	61,832
Non-current liabilities:			
Accrued landfill closure costs	-	258,000	258,000
Compensated absences	4,837	1,873	6,710
Total long-term liabilities	4,837	259,873	264,710
Total liabilities	25,784	300,758	326,542
NET ASSETS (DEFICIT)			
Invested in capital assets, net of related debt	9,083,219	-	9,083,219
Unrestricted	1,081,453	(43,264)	1,038,189
TOTAL NET ASSETS	\$ 10,164,672	\$ (43,264)	\$ 10,121,408

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

CITY OF MEXICO

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
ALL PROPRIETARY FUND TYPES
Year Ended September 30, 2007**

	Major Funds		
	Wastewater Fund	Sanitation Fund	Total
OPERATING REVENUES			
Charges for services	\$ 1,153,744	\$ 443,060	\$ 1,596,804
Miscellaneous	2,773	-	2,773
Total operating revenues	<u>1,156,517</u>	<u>443,060</u>	<u>1,599,577</u>
OPERATING EXPENSES			
Salaries and wages	211,521	31,586	243,107
Employee benefits	79,674	10,783	90,457
Materials and supplies	35,413	39,121	74,534
Electricity	108,642	-	108,642
Repairs and maintenance	108,456	-	108,456
Telephone and utilities	10,983	-	10,983
Fuel and oil	12,065	-	12,065
Other operating expenses	117,854	5,876	123,730
Depreciation	274,107	-	274,107
Contracted haulers	-	310,063	310,063
Total operating expenses	<u>958,715</u>	<u>397,429</u>	<u>1,356,144</u>
OPERATING INCOME	<u>197,802</u>	<u>45,631</u>	<u>243,433</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	46,749	7,997	54,746
Interest expense	(9,424)	-	(9,424)
Total non-operating revenues (expenses)	<u>37,325</u>	<u>7,997</u>	<u>45,322</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>235,127</u>	<u>53,628</u>	<u>288,755</u>
Capital contributions	42,354	-	42,354
Transfers in	118,062	-	118,062
Transfers (out)	(7,460)	-	(7,460)
Change in Net Assets	388,083	53,628	441,711
Net assets, October 1	<u>9,776,589</u>	<u>(96,892)</u>	<u>9,679,697</u>
NET ASSETS, SEPTEMBER 30	<u><u>\$ 10,164,672</u></u>	<u><u>\$ (43,264)</u></u>	<u><u>\$ 10,121,408</u></u>

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

CITY OF MEXICO

**STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
Year Ended September 30, 2007**

	Major Funds		
	Wastewater Fund	Sanitation Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 1,145,108	\$ 437,849	\$ 1,582,957
Cash received from other sources	2,773	-	2,773
Cash paid to vendors	(536,169)	(405,768)	(941,937)
Cash paid to employees	(212,404)	(31,586)	(243,990)
Net cash provided (used) by operating activities	<u>399,308</u>	<u>495</u>	<u>399,803</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers, net	110,602	-	110,602
Net change in interfund payables/receivables	7,461	-	7,461
Net cash provided (used) by noncapital financing activities	<u>118,063</u>	<u>-</u>	<u>118,063</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Payment for capital acquisitions	(258,005)	-	(258,005)
Principal payments on debt	(91,302)	-	(91,302)
Interest payments on debt	(9,590)	-	(9,590)
Net cash provided (used) by capital and related financing activities	<u>(358,897)</u>	<u>-</u>	<u>(358,897)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	46,749	7,997	54,746
Net increase (decrease) in cash and cash equivalents	205,223	8,492	213,715
Cash and cash equivalents, beginning of year	753,418	191,179	944,597
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 958,641</u>	<u>\$ 199,671</u>	<u>\$ 1,158,312</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 197,802	\$ 45,631	\$ 243,433
Adjustments:			
Depreciation and amortization	274,107	-	274,107
(Increase) decrease in assets:			
Accounts receivable	(8,636)	(5,210)	(13,846)
Prepaid expenses	8,864	-	8,864
Increase (decrease) in liabilities:			
Accounts payable	(71,946)	(27,809)	(99,755)
Accrued expenses	(883)	883	-
Accrued landfill	-	(13,000)	(13,000)
Net cash provided (used) by operating activities	<u>\$ 399,308</u>	<u>\$ 495</u>	<u>\$ 399,803</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Contributions of capital assets	<u>\$ 145,113</u>	<u>\$ -</u>	<u>\$ 145,113</u>

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

CITY OF MEXICO

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies employed in the preparation of the accompanying financial statements, as presented on the basis set forth in Governmental Accounting Standards Board Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

A. Reporting Entity

The City of Mexico is located in central Missouri and is governed by a city manager, an elected mayor, and a five-member council.

The City, for financial purposes, includes all of the funds relevant to the operations of the City of Mexico. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Mexico that have been determined not to be component units as defined by Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" (GASB 14). Based on the criteria of GASB 14, there are no other agencies or entities for which the City has been determined to be financially accountable and, therefore, should be included in the financial statements of the City.

B. Fund Accounting

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the City. The effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties.

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

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

The City uses funds to report its financial position and results of its operations in the fund financial statements. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into two categories: governmental and proprietary.

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund or designated by management for expenditures for specified purposes.

Parks and Recreation Fund – The Parks and Recreation Fund is used to account for funds provided from charges for recreational programs and for the portion of City taxes designated and expended for maintenance of the City parks and playgrounds and operation of recreation programs.

Sales Tax Fund – The Sales Tax Fund is used to account for City sales tax collections and expenditures for designated operations.

Public Health Fund – The Health Fund is used to account for funds provided from the City property taxes and expended for animal control, public health, nursing, and environmental sanitation.

Retail Rebate Fund – The Retail Rebate Fund is used to account for City sales tax collections and expenditures in compliance with the Wal-Mart developer agreement.

Housing Rehab Fund – The Housing Rehab Fund is used to account for funds received and disbursed for significant housing rehabilitation projects.

The City reports the following major proprietary funds:

Wastewater Fund – The Wastewater Fund is used to account for the provision of sanitary wastewater services to residents of the City. All activities necessary to provide such services are accounted for in this fund included but not limited to, administration, operations, maintenance, billing and collection.

Sanitation Fund – The Sanitation Fund is used to account for the provision of landfill and refuse service to the residents of the City. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operation, maintenance, billing and collection.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, interest and principal on general long-term debt is recognized when due.

Property tax, sales tax, gasoline tax, motor vehicle tax, interest, and revenues from other governmental units associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due

within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

The City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. The City applies all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The City does not apply FASB Statements and Interpretations issued after November 30, 1989.

D. Budgets

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, and capital project funds. All annual appropriations lapse at fiscal year end.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. There were no encumbrances outstanding at September 30, 2007.

E. Pooled Cash

The City maintains a cash money-market pool that is used by all funds. Interest income is allocated to each fund in proportion to each fund's ownership of the pool each month.

For purposes of the statement of cash flows, all highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents. Because a statement of cash flows is prepared only for proprietary funds and nonexpendable trust funds under generally accepted accounting principals, cash and cash equivalents are distinguished only for those funds.

F. Accounts Receivable

Accounts receivable result primarily from wastewater and sanitation services accounted for in the Wastewater Fund and the Sanitation Fund. All unbilled receivables are included in accounts receivable in the accompanying financial statements as of September 30, 2007.

G. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund balance sheets.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at

historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with GASB Statement No. 34, general government infrastructure assets (streets, bridges, sidewalks) have been capitalized retroactively to 1980 at historical cost.

The costs of normal maintenance and repairs that do not enhance functionality or materially extend the life of an asset are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	25 – 50 years
Structures and improvements	3 – 65 years
Equipment	3 – 30 years
Vehicles	3 – 20 years

GASB Statement No. 34 allows an alternative (modified) approach which reflects a reasonable value of the asset and cost required to maintain the service potential at established minimum standards in lieu of depreciation. The City has elected to use this option for its street system of infrastructure. The City has developed and implemented an asset management system that establishes minimum standard. It determines, at least every three years, whether the minimum standards are being met. Disclosures of the minimum standards and the current status of the City's system of streets are included in the Required Supplementary Information section of this report.

Fully depreciated capital assets are included in the capital assets accounts until their disposal.

I. Amortization of Debt Issue Costs

In the proprietary fund types, the 1998 capital improvements lease purchase was issued at costs of \$20,750. These issue costs are being amortized by the straight-line method over the ten year life of the lease. As of September 30, 2007, accumulated amortization amounted to \$18,675. In governmental fund types, bond discounts and issuance costs are recognized as expenditures when paid or the liability is incurred.

J. Compensated Absences

All vested or accumulated vacation leave is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Under terms of the City's personnel policy, City employees are granted vacation and sick leave in varying amounts. However, in the event of termination, an employee is only paid for accumulated vacation.

K. Long-Term Obligations

General long-term obligations consist of the non-current portion of capital lease obligations, compensable leave, tax incremental revenue bonds, and other long-term loans. General long-term obligations are not reported as liabilities in governmental funds, but are reported in the governmental activities column in the government-wide statement of net assets. In the government-wide and proprietary fund statements, outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. Long-term obligations expected to be financed from proprietary fund operations are accounted for in those funds.

L. Fund Equity

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes. Designated fund balances represent tentative plans for future use of financial resources.

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

Unrestricted – This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

M. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. The most significant estimates used by management are the useful lives of fixed assets and the estimated post closure liability related to the landfill.

N. Industrial Revenue Bonds

The City has issued several revenue bonds to provide funds to assist companies within the City to acquire and construct facilities for manufacturing and industrial development purposes. The City has issued and sold these bonds to financial institutions. The companies are required to make monthly principal and interest payments to the financial institutions over the maturity of the bonds. The City is not liable for repayment of these revenue bonds. The original issuance amount of these revenue bonds totals \$16,257,283 and the maturity of these bonds ranges from 5 to 20 years.

O. Issuance of Conduit Bonds

The City issued some bonds which are conduit obligations. Conduit obligations are special, limited obligations of the City and the assets of the City are not pledged to secure such bonds. The borrower pays all debt services requirements. The bonds do not constitute an obligation of the City. See Note 15 to the financial statements for further information.

P. Reclassifications

Certain items related to the 2006 financial statements have been reclassified to conform with the fiscal year 2007 presentation.

2. LEGAL COMPLIANCE - BUDGET

The City's policy is to prepare the operating budgets in accordance with U.S. generally accepted accounting principles. The City prepared budgets for all governmental fund types for the year ended September 30, 2007.

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) Prior to September 1, the City Manager submits to the City Council a proposed operating budget for the fiscal period commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) Prior to October 1, the budget is legally enacted through passage of an ordinance.
- (4) The City Manager is authorized to transfer budgeted amounts between departments within any fund. Any revision that alters the total expenditures of any fund must be approved by the City Council. Expenditures may not exceed appropriations for any fund without approval by the City Council.
- (5) All appropriations lapse at year end.

The reported budgetary data represents the final approved budget after amendments as adopted by the City Council. The budget was amended during the year.

3. CASH AND INVESTMENTS

Missouri State Statutes authorize the City to deposit funds in obligations of the U.S. Treasury; federal agencies and instrumentalities; certificates of deposit; and repurchase agreements. Custodial credit risk is the risk that, in event of a bank failure, the government's deposits may not be returned to it. The City's deposit policy for custodial credit risk is set by statute. Statutes require that collateral pledged must have a fair market value equal to 100% of the funds on deposit, less insured amounts. Collateral securities, which are of the same type as authorized for investment by the City, are limited to the following as prescribed by state statutes:

- Bonds of the State of Missouri, of the United States, or of any wholly owned corporation of the United States.
- Other short term obligations of the United States.

The City of Mexico maintains a cash pool that is available for use by all funds.

A reconciliation of cash and cash equivalents as shown on the government-wide statement of net assets is as follows:

	Government-Wide Statement of Net Assets
Cash and cash equivalents	\$ 3,578,914
Restricted assets:	
Cash and cash equivalents	615,305
Total	<u>\$ 4,194,219</u>

The City's pooled deposits are categorized to give an indication of the level of custodial risk assumed by the City at September 30, 2007. Deposits, categorized by level of custodial risk, were as follows as of September 30, 2007:

	Cash and Cash Equivalents	Petty Cash	Total
Bank balance			
Insured by FDIC	\$ 200,036	\$ -	\$ 200,036
Collateralized with securities pledged by the financial institution	4,140,060	-	4,140,060
Collateralized with securities held by the pledging financial institutions' trust department or agent but not in the depositor government's name	-	-	-
Uncollateralized	-	-	-
	<u>\$ 4,340,096</u>	<u>\$ -</u>	<u>\$ 4,340,096</u>
Carrying value	<u>\$ 4,193,669</u>	<u>\$ 550</u>	<u>\$ 4,194,219</u>

4. RESTRICTED ASSETS/RESERVED FUND BALANCE

At September 30, 2007, cash was restricted and fund balances were reserved for various uses as follows:

	<u>Assets</u>	<u>Fund Balance</u>
Governmental funds:		
General Fund		
Restricted for municipal court bonds and protested taxes	\$ 81,022	\$ -
Economic Development Fund		
Restricted for LCRA loan guarantee	8,457	-
Retail Rebate Fund		
Restricted for Wal-mart Development Agreement	359,474	-
Capital Improvement Sales Tax Fund		
Reserved for capital improvements	-	196,015
Cemetery Fund		
Restricted/reserved for perpetual maintenance	166,352	166,352
Total for all funds	<u>\$ 615,305</u>	<u>\$ 362,367</u>

5. PROPERTY TAXES

Property tax revenue is recognized independent of receivable recognition. A receivable is recognizable as of the lien date when the City has an enforceable legal claim while revenue is recognized in the period for which the taxes are levied. Receivables recognized prior to that period are recorded as deferred revenue in both the government-wide and fund statements. Delinquent taxes expected to be received later than 60 days after the close of the fiscal year are also classified as deferred revenue within the governmental fund financial statements because they do not meet the criteria of being available as described in Note 1.

The City's property tax is levied by the City on September 1 on the value of all real and personal property located in the City as of the prior January 1, the lien date. Taxes are billed by November 1 and are considered delinquent after December 31. Property taxes levied in the fiscal year are recognized as receivable as of that fiscal year end, but the revenue is not recognized until the following fiscal year because the levy ordinance specifies the taxes are being levied for use in the next fiscal year. Thus, those amounts are included as deferred revenue in both the government-wide and fund financial statements.

The City's assessed valuation and tax levies per \$100 assessed valuation of those properties are as follows:

	<u>For the 2006 Calendar Year</u>
Assessed valuation:	
Real estate	\$ 77,599,870
Personal property	26,861,804
Railroad and utilities	12,231,945
	<u>\$ 116,693,619</u>
	<u>For the 2006 Calendar Year</u>
Tax rates per \$100 assessed valuation:	
General Fund	\$ 0.3949
Parks and Recreation Fund	0.1921
Public Health Fund	0.1921
	<u>\$ 0.7791</u>

6. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at September 30, 2007, in the governmental fund financial statements resulting from interfund transfers and interfund loans were as follows:

	<u>Receivable</u>	<u>Payable</u>
Special Revenue Funds:		
Retail Rebate	\$ 24,041	\$ -
Sales Tax	-	15,996
Capital Projects Funds:		
Capital Improvement Sales Tax	-	8,045
	<u>\$ 24,041</u>	<u>\$ 24,041</u>
Total		

The interfund receivable in the Retail Rebate Fund is based on the estimate of sales taxes to be collected within 60 days by the Sales Tax and Capital Improvement Sales Tax funds. See footnote 10 for additional comments regarding transfers.

7. CAPITAL ASSETS

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

	Balance October 1, 2006	Additions	Retirements	Transfers	Balance September 30, 2007
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 4,123,375	\$ 295,607	\$ 314,473	\$ (29,502)	\$ 4,075,007
Infrastructure	29,372,048	89,437	-	29,502	29,490,987
Construction in progress	96,229	-	96,229	-	-
Total capital assets, not being depreciated	<u>33,591,652</u>	<u>385,044</u>	<u>410,702</u>	<u>-</u>	<u>33,565,994</u>
Capital assets, being depreciated:					
Buildings	4,488,179	-	-	-	4,488,179
Structures other than buildings	4,770,945	204,949	-	-	4,975,894
Equipment	3,025,932	372,614	211,007	-	3,187,539
Infrastructure	1,505,913	-	-	-	1,505,913
Total capital assets, being depreciated	<u>13,790,969</u>	<u>577,563</u>	<u>211,007</u>	<u>-</u>	<u>14,157,525</u>
Less accumulated depreciation for:					
Buildings	1,550,742	106,332	-	-	1,657,074
Structures other than buildings	1,571,283	131,777	-	-	1,703,060
Equipment	2,130,158	193,875	208,643	-	2,115,390
Infrastructure	795,602	18,748	-	-	814,350
Total accumulated depreciation	<u>6,047,785</u>	<u>450,732</u>	<u>208,643</u>	<u>-</u>	<u>6,289,874</u>
Total capital assets being depreciated, net	<u>7,743,184</u>	<u>126,831</u>	<u>2,364</u>	<u>-</u>	<u>7,867,651</u>
Governmental activities capital assets, net	<u>\$ 41,334,836</u>	<u>\$ 511,875</u>	<u>\$ 413,066</u>	<u>\$ -</u>	<u>\$ 41,433,645</u>

	Balance October 1, 2006	Additions	Retirements	Transfers	Balance September 30, 2007
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 17,420	\$ -	\$ -	\$ -	\$ 17,420
Construction in progress	-	24,387	-	-	24,387
Total capital assets, not being depreciated	17,420	24,387	-	-	41,807
Capital assets, being depreciated:					
Buildings	6,719,244	44,039		(73,100)	6,690,183
Structures other than buildings	6,295,103	219,073	-	73,100	6,587,276
Equipment	819,272	12,861	-	-	832,133
Total capital assets, being depreciated	13,833,619	275,973	-	-	14,109,592
Less accumulated depreciation for:					
Buildings	1,932,429	113,215	-	(44,039)	2,001,605
Structures other than buildings	2,457,330	122,701	-	-	2,580,031
Equipment	404,314	38,191		44,039	486,544
Total accumulated depreciation	4,794,073	274,107	-	-	5,068,180
Total capital assets being depreciated, net	9,039,546	1,866	-	-	9,041,412
Business-type activities capital assets, net	<u>\$ 9,056,966</u>	<u>\$ 26,253</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,083,219</u>

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

Governmental activities:	
General government	\$ 67,326
Public safety	99,991
Streets	62,543
Cemetery	2,825
Parks and recreation	87,354
Public health	7,417
Community and economic development	56,193
Airport	67,083
Total depreciation expense - governmental activities	<u>\$ 450,732</u>
Business-type activities:	
Wastewater	\$ 274,107
Total depreciation expense - business-type activities	<u>\$ 274,107</u>

8. CAPITAL LEASES

Capital lease obligations at September 30, 2007 consist of the following:

Governmental Activities:

1. The City has a \$1,275,000 lease-purchase agreement for property and improvements to be leased to commercial entities. As of September 30, 2007, \$1,625,128 has been capitalized and the associated debt is recorded in the Governmental Activities on the government-wide statements. Accumulated depreciation for this asset was \$122,085 as of September 30, 2007. This lease agreement qualifies as a capital lease for accounting purposes because title transfers at the end of the lease-term. Therefore, it has been recorded as debt at the present value of the future minimum lease payments as of the date of its inception. The lease-purchase agreement terminated September 30, 2007 and was renewed for a term not to extend beyond August 15, 2012.
2. The City has a lease-purchase agreement for a fire truck. As of September 30, 2007, \$219,995 has been capitalized and the associated debt is recorded in the Governmental Activities on the government-wide statements. Accumulated depreciation for this asset was \$60,499 as of September 30, 2007. This lease agreement qualifies as a capital lease for accounting purposes because title transfers at the end of the lease-term. Therefore, it has been recorded as debt at the present value of the future minimum lease payments as of the date of its inception.
3. The City has a lease-purchase agreement for heavy equipment. As of September 30, 2007, \$49,000 has been capitalized and the associated debt is recorded in the Governmental Activities on the government-wide statements. Accumulated depreciation for this asset was \$15,108 as of September 30, 2007. This lease agreement qualifies as a capital lease for accounting purposes because title transfers at the end of the lease-term. Therefore, it has been recorded as debt at the present value of the future minimum lease payments as of the date of its inception.

The following summarizes the terms:

	Interest Rate	Maturity Date	Principal Balance 9/30/2007
General Long Term Debt Financed by:			
Economic Development Special Revenue Fund -			
Speculative Building (1)	8.75%	8/15/2022	\$ 1,099,952
General Fund - Fire Truck (2)	4.26%	6/1/2010	91,152
Community Development Fund - Heavy Equipment (3)	5.26%	12/15/2009	20,229
			\$ 1,211,333

The following summarizes the future minimum lease payments under the above capital leases, and the present value of the future net minimum lease payments at September 30, 2007:

	Speculative Building	Fire Truck	Heavy Equipment	Total
Total minimum lease payments	\$ 1,987,472	\$ 97,689	\$ 21,487	\$ 2,106,648
Less: Amount representing interest	(887,520)	(6,537)	(1,258)	(895,315)
Present value of future minimum lease payments	<u>\$ 1,099,952</u>	<u>\$ 91,152</u>	<u>\$ 20,229</u>	<u>\$ 1,211,333</u>

The following is a schedule of the future minimum lease payments for the above capital leases in aggregate, and the present value of the net minimum lease payments at September 30, 2007:

Year Ending September 30:	Principal	Interest	Total
2008	\$ 79,814	\$ 100,537	\$ 180,351
2009	85,483	94,867	180,350
2010	67,893	90,171	158,064
2011	48,428	84,768	133,196
2012	52,673	80,523	133,196
Thereafter	877,042	444,449	1,321,491
Total minimum lease payments	<u>\$ 1,211,333</u>	<u>\$ 895,315</u>	<u>\$ 2,106,648</u>

Business-type Activities:

The City had a lease-purchase agreement for sewer improvements, which was recorded in the Wastewater Enterprise Fund. This lease agreement qualified as a capital lease for accounting purposes because ownership transferred at the end of the lease term. Therefore, it was recorded as debt at the present value of the future minimum lease payments as of the date of its inception. The improvements are capitalized at \$583,305 in the Wastewater Fund with total accumulated depreciation of \$80,765. This lease was paid off early during the year.

The City had a lease-purchase agreement for a lift station, which was recorded in the Wastewater Enterprise Fund. This lease agreement qualified as a capital lease for accounting purposes because ownership transferred at the end of the lease term. Therefore, it was recorded as debt at the present value of the future minimum lease payments as of the date of its inception. To date, the improvements have been capitalized at \$174,313 with total accumulated depreciation of \$10,950. This lease was paid off as scheduled during the year.

	Interest Rate	Maturity Date	Principal Balance 9/30/2007
Wastewater Fund - Sewer Improvements	5.45%	8/28/2008	\$ -
Wastewater Fund - Lift Station	6.00%	12/27/2006	-
Long-term portion			<u>\$ -</u>

9. CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Retirements	Ending Balance	Amount due In one year
Governmental activities:					
Capital leases	\$ 1,283,504	\$ -	\$ 72,171	\$ 1,211,333	\$ 79,814
Compensated absences	164,601	133,436	126,536	171,502	70,200
Reimbursement payable	500,000	-	-	500,000	117,412
Business-type activities:					
Capital leases	91,468	-	91,468	-	-
Compensated absences	11,181	12,054	12,052	11,183	4,473
Landfill closure costs	284,000	-	13,000	271,000	13,000
	<u>\$ 2,334,754</u>	<u>\$ 145,490</u>	<u>\$ 315,227</u>	<u>\$ 2,165,018</u>	<u>\$ 284,899</u>

The State Constitution permits a city, by vote of two-thirds of the voting electorate, to incur general obligation indebtedness for "city purposes" not to exceed 10% of the assessed value of taxable tangible property and to incur additional general obligation indebtedness not to exceed, in the aggregate, an additional 10% of the assessed value of taxable tangible property, for the purpose of acquiring rights-of-way, construction, extending and improving streets and avenues and/or sanitary or storm wastewater systems, and purchasing or constructing waterworks, electric or other light plants, provided that the total general obligation indebtedness of the City does not exceed 20% of the assessed valuation of taxable property. Based on the assessed valuation as of January 1, 2007 of \$116,693,619, the constitutional total general obligation debt limit for "city purposes" was \$23,338,723, which provides a general obligation debt margin of \$23,338,723.

10. CONTRIBUTIONS

During the year ended September 30, 2007, the City received contributed capital assets totaling \$131,791 composed principally of land, right of way, and improvements. Of this amount, \$89,437 is recorded in the governmental activities column of the government-wide financial statements and \$42,354 is recorded in the business-type activities column of the government-wide financial statements. Contributed assets are recorded at estimated fair value at the time of the contribution.

11. INTERFUND TRANSFERS

Amounts were transferred as a result of closed funds and reallocation of resources. Sales taxes are collected by the City and deposited into the Sales Tax and Capital Improvement Sales Tax Funds and transferred to other funds to fund operating activities as needed. All transfers were approved by the City Council. A summary of interfund transfers for the year ended September 30, 2007 follows:

		TRANSFERRED FROM					Total
		Major Fund			Non-major Funds		
TRANSFERRED TO		Parks and Recreation Fund	Sales Tax Fund	Wastewater Fund	Capital Improvement		
					Sales Tax Fund	Cemetery Trust Fund	
Governmental Funds:							
Major Funds:							
General Fund	\$ -	\$ 1,620,000	\$ -	\$ -	\$ 7,314	\$ 1,627,314	
Retail Rebate Fund	-	115,770	-	57,885	-	173,655	
Parks and Recreation Fund	-	70,000	-	-	-	70,000	
Sales Tax Fund	-	-	-	400,000	-	400,000	
	-	1,805,770	-	457,885	7,314	2,270,969	
Non-major Funds:							
Airport Fund	-	10,000	-	25,000	-	35,000	
Community Development Grants Fund	-	85,000	-	-	-	85,000	
Roads and Other Capital Projects Fund	-	-	7,460	3,103	-	10,563	
	-	95,000	7,460	28,103	-	130,563	
Enterprise Funds:							
Wastewater Fund	118,062	-	-	-	-	118,062	
	\$ 118,062	\$ 1,900,770	\$ 7,460	\$ 485,988	\$ 7,314	\$ 2,519,594	

12. REIMBURSEMENT PAYABLE

In March 2004, the City entered into an agreement with Wal-Mart Stores to pay back a portion of Highway 54 infrastructure improvements that were necessary when Wal-Mart relocated within the City to establish a new Super Wal-Mart store.

The agreement allows Wal-Mart Real Estate Business Trust to pay upfront the construction cost of providing a highway expansion and turn lane in front of the new Super Store with the City reimbursing the Real Estate Trust for a value not to exceed \$500,000 by remitting monthly one-half of the new sales tax revenue generated by the new store as compared to old store sales.

The new Super Wal-Mart opened in May 2005 and one-half of the additional sales tax revenues are set aside in the City's Retail Rebate Fund. The estimated monthly reimbursement is approximately \$12,000. Reimbursements for the construction were not requested during the 2006 or 2007 fiscal years. However, estimated amounts due of \$382,588 for sales tax collections have been recorded as a liability in the Sales Tax

Rebate Fund. The full amount due is recorded as a liability in the governmental activities of the government-wide statement of net assets. The City expects the liability to be repaid by the year ended September 30, 2010.

Estimated future payments for the infrastructure improvements are as follows:

2008	\$ 117,412
2009	144,000
2010	144,000
2011	94,588
	<u>\$ 500,000</u>

13. COMMITMENTS AND CONTINGENCIES

A. Landfill

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The City closed its landfill in April, 1994. As of September 30, 2007, the City has recorded \$271,000 in estimated closure and postclosure costs, a change in the liability of \$13,000 from the prior year. The estimated total closure and postclosure care costs is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of September 30, 2007. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

B. Joint Dispatch Communication

The City has entered into a partnership agreement with the Emergency Services Board (ESB) to provide joint dispatch communication for Audrain County. The City bills the ESB for the labor costs incurred while operating the joint dispatch communication service on behalf of the ESB. The City's costs for operating and salary support for the joint dispatch for the year ended September 30, 2007 were \$430,378.

C. Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained coverage from commercial insurance companies for these risks of losses. There were no significant reductions in insurance coverage from the prior year. In addition, no settlements have exceeded insurance coverage in the previous three fiscal years.

D. Grant Agreement

The City has entered into an agreement with the Land Clearance for Redevelopment Authority of the City of Mexico, Missouri (LCRA) to further economic development in the City. The City has agreed to grant an amount to the LCRA not to exceed \$225,000 if LCRA is unable to make their debt payments. As of September 30, 2007, \$8,457 has been shown as restricted cash in the financial statements. The amount is calculated as one-half the outstanding principal plus the next interest payment.

14. INTERGOVERNMENTAL REVENUE

The City receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants. Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements or the individual fund-types included herein or on the overall financial position of the City as of September 30, 2007.

15. LEASE REVENUE

The City leased the Griffin building to Sporlan Valve Company as of October 1, 2001 for a term of 3 years. The carrying value of the building in the Governmental Activities is \$846,312. Monthly payments are in the amount of \$8,333. This lease was renewed on October 1, 2004 for an additional 3 years, with no increase in the monthly rent. The lease ended as of fiscal year end. The City then leased the Griffin building to Brookstone Stores, Inc. as of October 15, 2007 through January 31, 2008. Monthly payments are in the amount of \$9,375.

In addition, on September 30, 2003, the City entered into a lease for a building to Bentley Industries LLC, through August 16, 2022. The carrying value of this building in the Governmental Activities is \$1,625,128. Payments were \$11,066 from September 2006 through July 2007. The debt on the building by the City was refinanced July 2007, at which time payments are \$11,099 per month. At that time, the monthly payments due by Bentley Industries will adjust to reflect the City's obligation. Future lease revenue by fiscal year for these leases is as follows:

2008	\$	170,696
2009		133,196
2010		133,196
2011		133,196
2012		133,196
Thereafter		<u>1,331,963</u>
	\$	<u>2,035,443</u>

The City leased a piece of property to Bentley Industries, LLC as of May 11, 2004 for an original term of five years, with the option for a maximum of three 5-year extensions. Under this lease, Bentley has use of a portion of land at the airport. Bentley pays no significant rent under this agreement. The City has given Bentley the right to build a hangar on the portion of land, with agreement that Bentley is responsible for building, maintaining, and insuring the hangar. In exchange for the use of the land, Bentley will turn the hangar over to the City at the conclusion of the lease.

16. CONDUIT BOND ISSUES

As of September 30, 2007, the City has issued \$16,257,283 in Industrial Revenue Bonds. The City has no liability for repayment of the above revenue bonds and, accordingly, these bonds have not been recorded in the accompanying financial statements. Security for the bondholders consists of the unconditional obligation of the borrowers to repay the bonds.

17. BUDGETS AND FUND BALANCES

In accordance with the City's policy of budgeting, Council approved expenditures exceeding appropriations by \$9,297 for the Economic Development Fund and \$24,972 for the Roads and Other Fund. Actual expenditures exceed budgeted expenditures for the Economic Development Fund due to unbudgeted industrial recruitment expenses. Actual expenditures for Roads and Other Fund exceeded budgeted expenditures due to additional costs associated with the Clark Street improvement project.

The Sanitation Fund, an enterprise fund, has a retained deficit of \$43,264. The deficit will be reduced by landfill post closure charges added to sanitation bills in the Sanitation Fund. In addition, the Housing and Rehab Fund has a deficit of \$156,224 which will be reduced by future grants.

18. PENSION PLAN

Employees' Retirement System

The following information is presented in accordance with Governmental Accounting Standards Board Statement 27 (GASB 27), "Accounting for Pensions by State and Local Governmental Employers."

Plan Description

The City of Mexico participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri.

LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, section RSMO. 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax-exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, PO Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

The City's payroll for employees covered by LAGERS for the year ended September 30, 2007 was \$2,755,168 and the total City payroll was \$2,986,661. The City's contribution to LAGERS for the year ended September 30, 2007, was \$302,649, which represents 10.1% of covered payroll.

Funding Status

The City of Mexico's full-time employees do not contribute to the pension plan. The City is required to contribute at an actuarially determined rate; the current rate is 8.7% (general), 13.2% (police) and 0.7% (fire) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of each participating political subdivision. The contribution provisions of political subdivisions participating in the plan are established by state statute.

Annual Pension Cost

For LAGERS fiscal year ended June 30, 2007 the City's annual pension cost of \$297,886 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2005 and/or February 28, 2006 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year,

compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age, attributable to seniority/merit, (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2007, was 15 years.

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due.

Three-Year Trend Information						
Fiscal Year Ended	Annual Pension Cost (APC)		Percentage of APC Contributed		Net Pension Obligation	
6/30/2005	164,475		100%		-	
6/30/2006	253,099		100%		-	
6/30/2007	297,886		100%		-	

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded (Over funded) Accrued Liability	Fund Ratio	Annual Covered Payroll	Unfunded (Over funded) Accrued Liability as a Percentage of Covered Payroll
2/28/2005	\$ 7,797,413	\$ 6,558,132	\$ (1,239,281)	119%	\$ 2,726,849	(45%)
2/28/2006	8,495,048	8,107,941	(387,107)	105%	2,844,601	(14%)
2/28/2007	9,328,947	8,401,989	(926,958)	111%	2,794,466	(33%)

The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, contact the LAGERS office in Jefferson City.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MEXICO
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
Year Ended September 30, 2007

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
REVENUES:				
Taxes	\$ 2,506,810	\$ 2,255,832	\$ 2,463,878	\$ 42,932
Licenses and permits	138,514	136,700	134,360	4,154
Intergovernmental revenues	9,058	9,038	9,058	-
Fines and forfeitures	44,151	42,800	44,000	151
Miscellaneous	729,667	732,039	762,656	(32,989)
Total revenues	<u>3,428,200</u>	<u>3,176,409</u>	<u>3,413,952</u>	<u>14,248</u>
EXPENDITURES:				
General government	844,913	905,613	852,863	7,950
Public safety	2,374,666	2,499,880	2,407,044	32,378
Streets	751,972	755,669	773,507	21,535
Cemetery	93,052	100,407	99,651	6,599
Economic development	135,787	149,923	143,585	7,798
Community development	184,584	182,587	185,901	1,317
Capital outlay	296,825	300,760	308,708	11,883
Debt service:	37,614	37,615	37,615	1
Total expenditures	<u>4,719,413</u>	<u>4,932,454</u>	<u>4,808,874</u>	<u>89,461</u>
Excess (deficiency) of revenues over expenditures	<u>(1,291,213)</u>	<u>(1,756,045)</u>	<u>(1,394,922)</u>	<u>103,709</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,627,314	1,625,400	1,627,314	-
Total other financing sources (uses)	<u>1,627,314</u>	<u>1,625,400</u>	<u>1,627,314</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ 336,101</u>	<u>\$ (130,645)</u>	<u>\$ 232,392</u>	<u>\$ 103,709</u>

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

CITY OF MEXICO

**BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - PARKS AND RECREATION FUND
Year Ended September 30, 2007**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
REVENUES:				
Taxes	\$ 247,054	\$ 228,718	\$ 246,114	\$ 940
Charges for services	42,886	46,750	40,725	2,161
Intergovernmental revenues	318,060	170,000	318,060	-
Miscellaneous	33,916	14,900	21,820	12,096
Total revenues	<u>641,916</u>	<u>460,368</u>	<u>626,719</u>	<u>15,197</u>
EXPENDITURES:				
Parks and recreation	479,490	548,600	521,541	42,051
Capital outlay	643,060	529,060	901,697	258,637
Total expenditures	<u>1,122,550</u>	<u>1,077,660</u>	<u>1,423,238</u>	<u>300,688</u>
Excess (deficiency) of revenues over expenditures	<u>(480,634)</u>	<u>(617,292)</u>	<u>(796,519)</u>	<u>315,885</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	894,758	670,000	846,739	48,019
Transfers in	70,000	70,000	70,000	-
Transfers (out)	(118,062)	-	(66,400)	(51,662)
Total other financing sources (uses)	<u>846,696</u>	<u>740,000</u>	<u>850,339</u>	<u>(3,643)</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ 366,062</u>	<u>\$ 122,708</u>	<u>\$ 53,820</u>	<u>\$ 312,242</u>

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

CITY OF MEXICO

**BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - SALES TAX FUND
Year Ended September 30, 2007**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
REVENUES:				
Taxes	\$ 1,623,188	\$ 1,548,942	\$ 1,646,165	\$ (22,977)
Miscellaneous	4,436	760	4,434	2
Total revenues	<u>1,627,624</u>	<u>1,549,702</u>	<u>1,650,599</u>	<u>(22,975)</u>
EXPENDITURES:				
Public health	25,900	25,900	25,900	-
Economic development	-	25,000	5,000	5,000
Total expenditures	<u>25,900</u>	<u>50,900</u>	<u>30,900</u>	<u>5,000</u>
Excess (deficiency) of revenues over expenditures	<u>1,601,724</u>	<u>1,498,802</u>	<u>1,619,699</u>	<u>(17,975)</u>
OTHER FINANCING USES:				
Transfers in	400,000	400,000	400,000	-
Transfers (out)	(1,900,770)	(1,886,607)	(1,899,807)	(963)
Total other financing sources (uses)	<u>(1,500,770)</u>	<u>(1,486,607)</u>	<u>(1,499,807)</u>	<u>(963)</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ 100,954</u>	<u>\$ 12,195</u>	<u>\$ 119,892</u>	<u>\$ (18,938)</u>

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

CITY OF MEXICO

**BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - PUBLIC HEALTH FUND
Year Ended September 30, 2007**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
REVENUES:				
Taxes	\$ 247,054	\$ 229,884	\$ 246,114	\$ 940
Intergovernmental revenues	-	170,000	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	21,957	5,000	22,000	(43)
Total revenues	<u>269,011</u>	<u>404,884</u>	<u>268,114</u>	<u>897</u>
EXPENDITURES:				
Public health	231,034	246,598	244,421	13,387
Total expenditures	<u>231,034</u>	<u>246,598</u>	<u>244,421</u>	<u>13,387</u>
Excess (deficiency) of revenues over expenditures	<u>37,977</u>	<u>158,286</u>	<u>23,693</u>	<u>14,284</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ 37,977</u>	<u>\$ 158,286</u>	<u>\$ 23,693</u>	<u>\$ 14,284</u>

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

CITY OF MEXICO

**BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - RETAIL REBATE FUND**

Year Ended September 30, 2007

	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance Favorable/ (Unfavorable)</u>
EXPENDITURES:				
Capital outlay	\$ 173,655	\$ -	\$ -	\$ (173,655)
Debt service:	-	150,000	355,619	355,619
Total expenditures	<u>173,655</u>	<u>150,000</u>	<u>355,619</u>	<u>181,964</u>
Excess (deficiency) of revenues over expenditures	<u>(173,655)</u>	<u>(150,000)</u>	<u>(355,619)</u>	<u>181,964</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	173,655	150,000	169,800	3,855
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>173,655</u>	<u>150,000</u>	<u>169,800</u>	<u>3,855</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (185,819)</u>	<u>\$ 185,819</u>

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

CITY OF MEXICO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Information

An annual budget prepared under the modified accrual basis of accounting is adopted in September prior to the beginning of each fiscal year for all revenues and expenditures of all governmental funds of the City. The City also prepares annual operating budgets for the enterprise funds; however, there is no requirement to report on these budgets. Therefore, the financial statements include a comparison of budget to actual only for the budgeted governmental funds.

The primary basis of budgetary control is at the fund level. Funds may not legally exceed their total appropriation without City Council approval. A review of the current year's budget is made by the departments within each fund in September of each year and interdepartmental transfers are made with City Council approval. Any remaining unencumbered appropriations lapse at fiscal year end. Any increase in appropriations during the fiscal year must be approved by the City Council. During the current budget year, supplemental budget appropriations were necessary to approve funding for new grant programs, as well as other approved City programs. These changes are reflected in the final budgeted amounts in the accompanying required supplemental information.

A Budgetary Comparison Schedule for the City's General Fund and major special revenues funds are included in the Required Supplementary Information. The budgetary comparison schedules for all other governmental funds are included as supplemental information.

Excess of Expenditures Over Appropriations

In accordance with the City's policy of budgeting, Council approved expenditures exceeding appropriations by \$9,297 for the Economic Development Fund and \$24,972 for the Roads and Other Fund. Actual expenditures exceed budgeted expenditures for the Economic Development Fund due to unbudgeted industrial recruitment expenses. Actual expenditures for Roads and Other Fund exceeded budgeted expenditures due to additional costs associated with the Clark Street improvement project.

The Sanitation Fund, an enterprise fund, has a retained deficit of \$43,264. The deficit will be reduced by landfill post closure charges added to sanitation bills in the Sanitation Fund. In addition, the Housing and Rehab Fund has a deficit of \$156,224 which will be reduced by future grants.

CITY OF MEXICO

MODIFIED APPROACH FOR REPORTING INFRASTRUCTURE ASSETS

As permitted by GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, the City of Mexico has adopted the modified approach for reporting its highway system. Under the modified approach, depreciation is not reported and certain preservation and maintenance costs are expensed.

The modified approach requires that the City:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets,
- Perform condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale in order to document that the eligible infrastructure assets are being preserved approximately at (or above) the condition level established and disclosed by the government, and
- Estimate each year the annual amount needed to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the government.

Although bridges are an integral part of the infrastructure system, the City of Mexico has elected to depreciate bridges. Therefore, they are not reported using the modified approach.

Condition Assessments

The City of Mexico Public Works Department performs and reports yearly condition assessments based on core sampling, written records, updated traffic counts, and data entry into a street condition software program known as LASIS (Larkin Associates Street Information System).

Under this program, visual inspections are conducted on approximately 50% of the street infrastructure each year. The ongoing annual assessments are entered into the LASIS software program and are carefully reviewed. Every three years, a comprehensive evaluation is performed on every street segment.

For each street segment observed, depending on if the street is concrete or asphalt surface, approximately 14 different elements are rated by different scoring criteria to arrive at a total defect number. This total is subtracted from 100 to arrive at the condition index, which could range from 0 to 100. Normally, a street would not be permitted to fall below a condition index of 65 before it would be overlaid or reconstructed.

Assessed Conditions

The City's goal is that by the year 2008 or shortly thereafter no street will fall below a condition index of 75 and to achieve an average condition index of 82 or greater.

For the current year and two prior years, the results of the condition assessments are as follows:

<u>Year</u>	<u>Assessed Condition</u>
2007	81
2006	80
2005	79

Estimated and Actual Costs for Maintenance

The table below provides a comparison between the City of Mexico's estimate of maintenance expenditures required to maintain the highway system at or above the adopted condition levels and the actual expenditures. Since GASB 34 only became effective in 2004 for Phase III governments, no prior year estimates are available. However, the actual maintenance expenditures are presented for comparison.

<u>Year</u>	<u>Actual Expense</u>	<u>Estimated Expense</u>
2007	\$ 751,972	\$ 700,000
2006	\$ 704,252	\$ 700,000
2005	\$ 683,715	\$ 600,000

Factors Affecting Condition Assessments

Although the City of Mexico has adopted condition levels for the street system, this process is new and represents a different approach to maintaining and monitoring the street system for financial reporting purposes. As time progresses, the City of Mexico hopes to achieve a greater correlation between the estimated and actual maintenance expenditures needed to maintain the street system at or above the adopted condition levels.

In reviewing the condition assessments, it is also necessary to consider the effects of other factors such as increases in traffic, legislative mandates, and environmental effects (rainfall, drought, freeze, thaw, etc) which may have a major impact on needed funds and the condition of Mexico roads.

SUPPLEMENTARY INFORMATION

CITY OF MEXICO

**BUDGETARY COMPARISON SCHEDULE -
CAPITAL PROJECTS - HOUSING REHABILITATION FUNDS
Year Ended September 30, 2007**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
REVENUES:				
Intergovernmental revenues	\$ 1,564,416	\$ 1,982,000	\$ 1,986,980	\$ (422,564)
Total revenues	<u>1,564,416</u>	<u>1,982,000</u>	<u>1,986,980</u>	<u>(422,564)</u>
EXPENDITURES:				
Community development	1,720,862	1,982,000	1,982,000	261,138
Total expenditures	<u>1,720,862</u>	<u>1,982,000</u>	<u>1,982,000</u>	<u>261,138</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ (156,446)</u>	<u>\$ -</u>	<u>\$ 4,980</u>	<u>\$ (161,426)</u>

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

CITY OF MEXICO, MISSOURI

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to or designated by management for expenditures for specific purposes. The following are the City of Mexico's non-major special revenue funds:

Airport

To account for funds received and disbursed for the City's municipal airport.

Economic Development Fund

To account for funds disbursed for special economic development programs and activities.

Special Allocation Tax Increment Financing Fund

To account for taxes received and payments made under a tax increment financing district agreement.

Tourism Tax

To account for the City lodging gross receipt tax collections and expenditures for designated tourism promotion activities.

Community Development Fund

To account for funds disbursed for special community development programs and activities.

Community Development Grants Fund

To account for grants received and disbursed for special community development projects

CAPITAL PROJECTS FUNDS

The Capital Projects Funds are used to account for financial resources to be used for the acquisition and construction of capital facilities other than those financed by proprietary funds and trust funds and are grouped together by purpose. The City uses subfunds for each construction project in the Capital Projects Funds. The following are the City of Mexico's non-major capital projects funds:

Capital Improvement Sales Tax Fund

To account for City capital improvement sales tax collections and expenditures for designated capital projects.

Roads and Other Funds

To account for City financial resources and expenditures related to roads and other miscellaneous capital projects.

PERMANENT FUND

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Cemetery Perpetual Care Permanent Fund

To account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the City Cemetery. City ordinances require that the monies generated from the perpetual care fees be retained in the Cemetery Fund. Cemetery lot sales of \$9,586 and burial permits of \$15,000 for the year were recorded in the General Fund and were used to finance cemetery maintenance costs which are also recorded in the General Fund. The Cemetery Fund contributed \$7,314 of investment interest and contributions received in the current period to the General Fund to finance maintenance costs.

CITY OF MEXICO

COMBINING BALANCE SHEET

NON-MAJOR FUNDS

September 30, 2007

	Special Revenue Funds					Capital Projects Funds				Permanent Fund
	Airport Fund	Economic Development Fund	Special Allocation TIF Fund	Tourism Tax Fund	Community Development Fund	Community Development Grants Fund	Capital Improvement Sales Tax Fund	Roads and Other Fund	Cemetery Perpetual Care Fund	
ASSETS										
Cash and cash equivalents	\$ 32,172	\$ 408,636	-	\$ 44,048	\$ 8,136	\$ 3,491	\$ 110,799	\$ 42,636	-	\$ 649,918
Restricted cash	-	8,457	-	-	-	-	-	-	166,352	174,809
Taxes receivable	-	-	-	5,411	-	-	93,261	-	-	98,672
Intergovernmental receivable	8,930	-	-	-	-	-	-	55,037	-	63,967
Other receivable	-	-	-	-	-	-	-	-	-	-
Interfund receivable	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 41,102	\$ 417,093	\$ -	\$ 49,459	\$ 8,136	\$ 3,491	\$ 204,060	\$ 97,673	\$ 166,352	\$ 987,366
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable	\$ -	\$ 15,550	\$ -	\$ 13,500	\$ 1,920	\$ 2,491	\$ -	\$ 65,012	\$ -	\$ 98,473
Accrued liabilities	-	-	-	-	-	-	-	-	-	-
Interfund payable	-	-	-	-	-	-	8,045	-	-	8,045
Deferred revenue	-	-	-	-	-	-	-	15,140	-	15,140
Total Liabilities	-	15,550	-	13,500	1,920	2,491	8,045	80,152	-	121,658
FUND BALANCES										
Reserved	-	-	-	-	-	-	196,015	-	166,352	362,367
Unreserved	41,102	401,543	-	35,959	6,216	1,000	-	17,521	-	503,341
Total Fund Balances	41,102	401,543	-	35,959	6,216	1,000	196,015	17,521	166,352	865,708
TOTAL LIABILITIES AND FUND BALANCES	\$ 41,102	\$ 417,093	\$ -	\$ 49,459	\$ 8,136	\$ 3,491	\$ 204,060	\$ 97,673	\$ 166,352	\$ 987,366

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

CITY OF MEXICO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
Year Ended September 30, 2007

	Special Revenue Funds				Capital Projects Funds				Permanent Fund	Total
	Economic Development Fund	Special Allocation TIF Fund	Tourism Tax Fund	Community Development Fund	Community Development Grants Fund	Capital Improvement Sales Tax Fund	Roads and Other Fund	Cemetery Perpetual Care Fund		
REVENUES:										
Taxes										
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales	-	-	56,825	-	-	780,801	-	-	-	837,626
Franchise	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-
Intergovernmental revenues	29,588	-	-	-	235,524	-	109,010	-	-	374,122
Miscellaneous										
Rent	23,050	-	-	-	-	-	-	-	-	253,119
Interest	13,982	-	-	-	-	19,813	-	7,314	-	41,109
Contributions	12,045	-	-	-	-	-	-	-	-	12,045
Other	2,246	-	-	2,894	-	-	-	-	-	5,140
TOTAL REVENUES	54,884	256,096	56,825	2,894	235,524	800,614	109,010	7,314	1,523,161	
EXPENDITURES:										
Current:										
Cemetery	-	-	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-	-	-
Public health	-	-	-	-	-	-	-	-	-	-
Economic development	48,646	-	-	-	-	-	-	-	-	48,646
Airport	91,254	-	-	-	-	-	-	-	-	91,254
Community development	-	4,906	45,204	75,737	235,624	320,009	151,972	-	-	50,110
Capital outlay	-	-	-	-	-	-	-	-	-	799,667
Debt service:										
Principal	-	31,130	-	8,245	-	-	-	-	-	39,375
Interest	-	98,939	-	1,295	-	-	-	-	-	100,234
Total expenditures	91,254	195,040	45,204	85,277	235,624	320,009	151,972	-	-	1,129,286
Excess (deficiency) of revenues over expenditures	(36,370)	61,056	11,621	(82,383)	(100)	480,605	(42,962)	7,314	393,875	
OTHER FINANCING SOURCES (USES)										
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in	35,000	-	-	85,000	-	-	10,563	-	-	130,563
Transfers (out)	-	-	-	-	-	(485,988)	-	(7,314)	-	(493,302)
Total other financing sources (uses)	35,000	-	-	85,000	-	(485,988)	10,563	(7,314)	(362,739)	
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	(1,370)	61,056	11,621	2,617	(100)	(5,383)	(32,399)	-	31,136	
Fund balances, October 1	42,472	340,487	4,906	3,599	1,100	201,398	49,920	166,352	834,372	
FUND BALANCES, SEPTEMBER 30	\$ 41,102	\$ 401,543	\$ 35,959	\$ 6,216	\$ 1,000	\$ 196,015	\$ 17,521	\$ 166,352	\$ 865,708	

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

CITY OF MEXICO

**BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - AIRPORT FUND
Year Ended September 30, 2007**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
REVENUES:				
Intergovernmental revenues	\$ 29,588	\$ 306,469	\$ 30,158	\$ (570)
Miscellaneous	25,296	25,376	25,325	(29)
Total revenues	<u>54,884</u>	<u>331,845</u>	<u>55,483</u>	<u>(599)</u>
EXPENDITURES:				
Airport	91,254	389,731	95,375	4,121
Total expenditures	<u>91,254</u>	<u>389,731</u>	<u>95,375</u>	<u>4,121</u>
Excess (deficiency) of revenues over expenditures	<u>(36,370)</u>	<u>(57,886)</u>	<u>(39,892)</u>	<u>3,522</u>
OTHER FINANCING SOURCES:				
Transfers in	35,000	35,000	35,000	-
Total other financing sources	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ (1,370)</u>	<u>\$ (22,886)</u>	<u>\$ (4,892)</u>	<u>\$ 3,522</u>

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

CITY OF MEXICO

**BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - ECONOMIC DEVELOPMENT FUND
Year Ended September 30, 2007**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
REVENUES:				
Miscellaneous	\$ 256,096	\$ 232,614	\$ 240,959	\$ 15,137
Total revenues	256,096	232,614	240,959	15,137
EXPENDITURES:				
Economic development	48,646	179,440	28,449	(20,197)
Capital outlay	16,325	21,450	38,325	22,000
Debt service:	130,069	122,614	118,969	(11,100)
Total expenditures	195,040	323,504	185,743	(9,297)
Excess (deficiency) of revenues over expenditures	61,056	(90,890)	55,216	5,840
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	\$ 61,056	\$ (90,890)	\$ 55,216	\$ 5,840

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

CITY OF MEXICO

**BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - SPECIAL ALLOCATION TIF FUND
Year Ended September 30, 2007**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
REVENUES:				
Taxes	\$ -	\$ 17,519	\$ 17,428	\$ (17,428)
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>17,519</u>	<u>17,428</u>	<u>(17,428)</u>
EXPENDITURES:				
Community development	4,906	-	-	(4,906)
Debt service:	-	19,940	19,849	19,849
Total expenditures	<u>4,906</u>	<u>19,940</u>	<u>19,849</u>	<u>14,943</u>
Excess (deficiency) of revenues over expenditures	<u>(4,906)</u>	<u>(2,421)</u>	<u>(2,421)</u>	<u>(2,485)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	2,421	2,421	(2,421)
Total other financing sources (uses)	<u>-</u>	<u>2,421</u>	<u>2,421</u>	<u>(2,421)</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ (4,906)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,906)</u>

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

CITY OF MEXICO

**BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - TOURISM TAX FUND
Year Ended September 30, 2007**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
REVENUES:				
Taxes	\$ 56,825	\$ 46,000	\$ 55,900	\$ 925
Total revenues	<u>56,825</u>	<u>46,000</u>	<u>55,900</u>	<u>925</u>
EXPENDITURES:				
Community development				
Tourism promotion	45,204	55,000	61,295	16,091
Total expenditures	<u>45,204</u>	<u>55,000</u>	<u>61,295</u>	<u>16,091</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ 11,621</u>	<u>\$ (9,000)</u>	<u>\$ (5,395)</u>	<u>\$ 17,016</u>

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

CITY OF MEXICO

**BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - COMMUNITY DEVELOPMENT FUND
Year Ended September 30, 2007**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
REVENUES:				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Miscellaneous	2,894	6,500	3,250	(356)
Total revenues	<u>2,894</u>	<u>6,500</u>	<u>3,250</u>	<u>(356)</u>
EXPENDITURES:				
Capital outlay	75,737	81,000	77,350	1,613
Debt service:	9,540	9,540	9,540	-
Total expenditures	<u>85,277</u>	<u>90,540</u>	<u>86,890</u>	<u>1,613</u>
Excess (deficiency) of revenues over expenditures	<u>(82,383)</u>	<u>(84,040)</u>	<u>(83,640)</u>	<u>1,257</u>
OTHER FINANCING USES:				
Transfers in	85,000	85,000	85,000	-
Total other financing sources (uses)	<u>85,000</u>	<u>85,000</u>	<u>85,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ 2,617</u>	<u>\$ 960</u>	<u>\$ 1,360</u>	<u>\$ 1,257</u>

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

CITY OF MEXICO

**BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - COMMUNITY DEVELOPMENT GRANTS FUND
Year Ended September 30, 2007**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
REVENUES:				
Intergovernmental revenues	\$ 235,524	\$ 247,500	\$ 273,871	\$ (38,347)
Total revenues	<u>235,524</u>	<u>247,500</u>	<u>273,871</u>	<u>(38,347)</u>
EXPENDITURES:				
Capital outlay	235,624	247,500	247,500	11,876
Total expenditures	<u>235,624</u>	<u>247,500</u>	<u>247,500</u>	<u>11,876</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ (100)</u>	<u>\$ -</u>	<u>\$ 26,371</u>	<u>\$ (26,471)</u>

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

CITY OF MEXICO

**BUDGETARY COMPARISON SCHEDULE -
CAPITAL PROJECTS - CAPITAL IMPROVEMENT SALES TAX FUND
Year Ended September 30, 2007**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
REVENUES:				
Taxes	\$ 780,801	\$ 730,974	\$ 765,730	\$ 15,071
Miscellaneous	19,813	7,856	22,060	(2,247)
Total revenues	<u>800,614</u>	<u>738,830</u>	<u>787,790</u>	<u>12,824</u>
EXPENDITURES:				
Capital outlay	320,009	342,000	379,842	59,833
Debt service:	-	-	-	-
Total expenditures	<u>320,009</u>	<u>342,000</u>	<u>379,842</u>	<u>59,833</u>
Excess (deficiency) of revenues over expenditures	<u>480,605</u>	<u>396,830</u>	<u>407,948</u>	<u>72,657</u>
OTHER FINANCING USES:				
Transfers (out)	(485,988)	(475,814)	(482,414)	(3,574)
Total other financing sources (uses)	<u>(485,988)</u>	<u>(475,814)</u>	<u>(482,414)</u>	<u>(3,574)</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ (5,383)</u>	<u>\$ (78,984)</u>	<u>\$ (74,466)</u>	<u>\$ 69,083</u>

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

CITY OF MEXICO

**BUDGETARY COMPARISON SCHEDULE -
CAPITAL PROJECTS - ROADS AND OTHER FUND
Year Ended September 30, 2007**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
REVENUES:				
Intergovernmental revenues	\$ 109,010	\$ 232,230	\$ 75,000	\$ 34,010
Total revenues	109,010	232,230	75,000	34,010
EXPENDITURES:				
Capital outlay	151,972	292,000	127,000	(24,972)
Debt service:	-	-	-	-
Total expenditures	151,972	292,000	127,000	(24,972)
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ (32,399)</u>	<u>\$ (59,770)</u>	<u>\$ (52,000)</u>	<u>\$ 19,601</u>

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

CITY OF MEXICO

**BUDGETARY COMPARISON SCHEDULE -
PERMANENT - CEMETERY PERPETUAL CARE FUND
Year Ended September 30, 2007**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
REVENUES:				
Miscellaneous	\$ 7,314	\$ 5,400	\$ 7,314	\$ -
Total revenues	<u>7,314</u>	<u>5,400</u>	<u>7,314</u>	<u>-</u>
EXPENDITURES:				
Cemetery	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>7,314</u>	<u>5,400</u>	<u>7,314</u>	<u>-</u>
OTHER FINANCING USES:				
Transfers in	-	-	-	-
Transfers (out)	(7,314)	(5,400)	(7,314)	-
Total other financing sources (uses)	<u>(7,314)</u>	<u>(5,400)</u>	<u>(7,314)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATISTICAL SECTION (Unaudited)

Statistical Section

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

<u>Contents</u>	<u>Page</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time. (schedules 1 through 4)</i>	60 - 65
Revenue Capacity <i>These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes. (schedules 5 through 10)</i>	66 - 71
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future. (schedules 11 through 15)</i>	72 - 76
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments. (schedules 16 through 17)</i>	77 - 78
Operating Information <i>These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs. (schedule 18 through 20)</i>	79 - 81

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.*

Schedule 1
City of Mexico Statistical
Net Assets by Component
Last Four Fiscal Years
(accrual basis of accounting)

	FISCAL YEAR			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities				
Invested in capital assets, net of related debt	\$36,634,261	\$37,893,947	\$40,051,333	\$40,222,312
Restricted	467,423	494,454	372,656	\$362,367
Unrestricted	<u>1,485,969</u>	<u>1,149,140</u>	<u>1,487,151</u>	<u>2,402,141</u>
Total governmental activities net assets	<u><u>38,587,653</u></u>	<u><u>39,537,541</u></u>	<u><u>41,911,140</u></u>	<u><u>42,986,820</u></u>
Business-type activities				
Invested in capital assets, net of related debt	8,776,302	8,783,227	8,965,499	9,083,219
Unrestricted	<u>310,437</u>	<u>528,992</u>	<u>714,198</u>	<u>1,038,189</u>
Total business-type activities net assets	<u><u>9,086,739</u></u>	<u><u>9,312,219</u></u>	<u><u>9,679,697</u></u>	<u><u>10,121,408</u></u>
Primary government				
Invested in capital assets, net of related debt	45,410,563	46,677,174	49,016,832	49,305,531
Restricted	467,423	494,454	372,656	362,367
Unrestricted	<u>1,796,406</u>	<u>1,678,132</u>	<u>2,201,349</u>	<u>3,440,330</u>
Total primary government net assets	<u><u>\$47,674,392</u></u>	<u><u>\$48,849,760</u></u>	<u><u>\$51,590,837</u></u>	<u><u>\$53,108,228</u></u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year ending September 2004.

Schedule 2
City of Mexico Statistical
Changes in Net Assets, Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses				
Governmental activities:				
General Government	\$1,182,563	\$1,271,804	\$1,142,529	\$1,197,182
Public Safety	2,044,546	2,126,942	2,334,216	2,411,185
Streets	772,977	518,376	942,616	1,084,270
Cemetery	69,415	76,220	86,997	64,100
Parks and recreation	550,639	539,874	619,299	772,521
Public Health	243,211	237,757	258,891	264,344
Economic Development	153,267	520,174	213,753	256,284
Airport	87,571	32,658	130,388	136,487
Community Development	698,511	2,659,678	1,018,615	2,267,577
Interest on long-term debt	<u>133,302</u>	<u>93,236</u>	<u>101,668</u>	<u>104,925</u>
Total governmental activities expenses	<u>5,936,002</u>	<u>8,076,719</u>	<u>6,848,972</u>	<u>8,558,875</u>
Business-type activities:				
Wastewater Utility	985,127	939,278	903,561	968,139
Sanitation	393,570	393,360	413,830	397,429
MAAIN	<u>1,987</u>	-	-	-
Total business-type activities expenses	<u>1,380,684</u>	<u>1,332,638</u>	<u>1,317,391</u>	<u>1,365,568</u>
Total primary government expenses	<u>\$7,316,686</u>	<u>\$9,409,357</u>	<u>\$8,166,363</u>	<u>\$9,924,443</u>
Program Revenues				
Governmental activities:				
Charges for Services:				
General	\$146,710	\$145,095	\$154,490	\$138,514
Public Safety	403,334	366,087	435,456	466,165
Parks and recreation	52,351	42,551	40,273	42,886
Economic Developm	173,676	220,165	226,007	230,069
Airport	23,956	24,428	22,253	23,050
Operating grants and contributions	454,510	1,715,633	32,176	330,105
Capital grants and contributions	<u>510,678</u>	<u>2,288,213</u>	<u>2,652,789</u>	<u>2,097,620</u>
Total governmental activities program revenues	<u>1,765,215</u>	<u>4,802,172</u>	<u>3,563,444</u>	<u>3,328,409</u>
Business-type activities:				
Charges for services:				
Wastewater Utility	982,547	1,089,206	1,049,665	1,153,744
Sanitation	464,753	430,084	421,947	443,060
Operating grants and contributions	-	-	<u>145,113</u>	<u>42,354</u>
Total business-type activities program revenues	<u>1,447,300</u>	<u>1,519,290</u>	<u>1,616,725</u>	<u>1,639,158</u>
Total primary government program revenues	<u>\$3,212,515</u>	<u>\$6,321,462</u>	<u>\$5,180,169</u>	<u>\$4,967,567</u>

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Net (Expense)/Revenue				
Governmental activities	(4,170,787)	(3,274,547)	(3,285,528)	(5,230,466)
Business-type activities	66,616	186,652	299,334	273,590
Total primary government net expense	<u>(\$4,104,171)</u>	<u>(\$3,087,895)</u>	<u>(\$2,986,194)</u>	<u>(\$4,956,876)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Taxes	\$4,608,414	\$4,899,869	\$5,162,482	\$5,461,732
Intergovernmental Revenues	961,604	44,148	21,559	9,058
Miscellaneous Income	-	-	-	580,285
Gain on sale of capital assets	226,114	293,375	387,137	219,212
Investment earnings	16,589	39,694	87,949	146,461
Net transfers (out) in from other funds	-	-	-	(110,602)
Total governmental activities	<u>5,812,721</u>	<u>5,277,086</u>	<u>5,659,127</u>	<u>6,306,146</u>
Business-type activities:				
Change in landfill P/L estimate	13,000	13,000	13,000	-
Miscellaneous Income	23,791	15,897	3,612	2,773
Investment earnings	13,911	22,931	51,532	54,746
Net transfers (out) in from other funds	-	-	-	110,602
Total business-type activities	<u>50,702</u>	<u>38,828</u>	<u>68,144</u>	<u>168,121</u>
Total primary government	<u>\$5,863,423</u>	<u>\$5,315,914</u>	<u>\$5,727,271</u>	<u>\$6,474,267</u>
Change in Net Assets				
Governmental activities	\$1,641,934	\$2,002,539	\$2,373,599	\$1,075,680
Business-type activities	<u>117,318</u>	<u>225,480</u>	<u>367,478</u>	<u>441,711</u>
Total primary government	<u>\$1,759,252</u>	<u>\$2,228,019</u>	<u>\$2,741,077</u>	<u>\$1,517,391</u>

Notes: The city began to report accrual information when it implemented GASB 34 in fiscal year ending September 30, 2004.

Schedule 3
City of Statistcal
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved										
Unreserved	874,273	1,095,909	1,069,492	1,357,368	831,937	665,276	951,625	1,003,552	1,070,357	1,406,458
Total general fund	<u>\$874,273</u>	<u>\$1,095,909</u>	<u>\$1,069,492</u>	<u>\$1,357,368</u>	<u>\$831,937</u>	<u>\$665,276</u>	<u>\$951,625</u>	<u>\$1,003,552</u>	<u>\$1,070,357</u>	<u>\$1,406,458</u>
All Other Governmental Funds										
Reserved	49,547	22,508	5,515	10,404	187,174	174,334	301,071	328,102	372,656	362,367
Unreserved, reported in:										
Special revenue funds	683,272	694,061	653,037	888,004	857,123	831,006	677,833	519,228	670,989	1,250,733
Capital projects funds	35,076	4,753	5,257	110,497	(1,755)	62,959	-	225,373	50,142	(138,703)
Total all other governmental funds	<u>\$767,895</u>	<u>\$721,322</u>	<u>\$663,809</u>	<u>\$1,008,905</u>	<u>\$1,042,542</u>	<u>\$1,068,299</u>	<u>\$978,904</u>	<u>\$1,072,703</u>	<u>\$1,093,787</u>	<u>\$1,474,397</u>

Note: GASB 34 implemented - Fiscal year ending September 30, 2004

Schedule 4
City of Mexico Statistical
Changes in fund balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Taxes	\$4,285,926	\$4,533,563	\$4,477,323	\$4,719,903	\$4,695,213	\$4,621,386	\$4,602,134	\$4,899,869	\$5,162,482	\$5,461,732
Licenses, fees, and permits	123,021	132,716	127,497	125,378	117,313	134,061	146,710	145,095	154,490	138,514
Fines and penalties	60,416	65,185	62,984	56,656	57,282	46,386	60,065	49,979	44,268	44,151
Charges for services	32,681	33,341	31,582	44,040	41,188	49,124	52,351	42,551	40,273	42,886
Intergovernmental	913,923	495,615	2,682,416	483,672	811,827	1,477,569	1,926,792	3,603,338	1,020,223	2,265,656
Investment earnings	-	-	-	-	-	-	6,589	39,694	87,949	146,462
Other revenues	576,574	670,286	818,563	868,739	781,874	883,306	789,171	1,311,686	1,006,309	954,928
Total revenues	\$5,992,541	\$5,930,706	\$8,200,365	\$6,298,388	\$6,504,697	\$7,211,832	\$7,583,812	\$10,092,212	\$7,515,994	\$9,054,328
Expenditures										
General government	\$809,734	\$776,682	\$838,697	\$810,264	\$842,848	\$793,169	\$826,088	\$783,997	\$819,426	\$844,913
Public Safety	1,440,582	1,444,912	1,617,960	1,618,290	1,862,476	1,895,863	2,016,956	2,147,788	2,298,277	2,374,666
Streets	550,164	609,350	598,678	667,133	674,857	662,016	652,687	683,715	704,252	751,972
Cemetery	66,516	66,470	66,955	59,587	70,819	65,685	69,431	75,907	92,887	93,052
Parks and recreation	345,074	377,670	355,462	411,027	475,600	406,212	439,913	460,001	472,927	479,490
Public Health	186,011	190,348	237,061	236,982	249,832	243,261	239,813	260,089	252,129	256,934
Economic Development	2,876	98,696	93,188	95,283	95,283	366,147	73,894	468,658	159,535	184,433
Airport	12,761	51,055	50,256	57,590	49,323	59,093	53,148	54,815	56,703	91,254
Community Development	418,265	320,084	690,323	340,902	329,651	1,186,857	647,801	1,609,441	275,375	1,955,556
Capital outlay	1,696,868	1,425,430	4,327,388	1,838,161	3,028,234	1,304,862	1,547,551	2,873,967	2,119,982	1,912,280
*Debt service:										
Principal	218,033	255,812	130,187	216,742	225,311	430,055	1,271,359	310,864	241,009	72,170
Interest	26,674	18,468	29,715	130,831	124,087	167,289	138,697	97,551	101,955	105,053
Total expenditures	\$5,773,558	\$5,634,977	\$9,035,870	\$6,482,792	\$8,028,321	\$7,580,509	\$7,977,338	\$9,826,793	\$7,594,457	\$9,121,773

Excess of revenues over(under) expenditures	\$218,983	\$295,729	(\$835,505)	(\$184,404)	(\$1,523,624)	(\$368,677)	(\$393,526)	\$265,419	(\$78,463)	(\$67,445)
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Other Financing Sources(uses)	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Bonds Issued	\$0	\$0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Refunding bonds issued	-	-	991,031	809,808	1,025,000	225,000	299,000	-	-	-
Payments to escrow agent	-	-	-	-	-	-	-	-	-	-
Lease Proceeds	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	-	894,758
Transfers in	1,231,767	1,347,097	1,504,048	1,305,732	1,483,256	1,471,112	1,538,581	1,821,533	2,580,145	2,401,532
Transfers out	(1,459,224)	(1,468,353)	(1,698,810)	(1,298,164)	(1,476,516)	(1,468,338)	(1,550,737)	(1,821,533)	(2,580,145)	(2,512,134)

Total other financing sources (uses)	(227,457)	(121,256)	796,269	817,376	1,031,740	227,774	286,844	-	-	784,156
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Net change in fund balances	(\$8,474)	\$174,473	(\$39,236)	\$632,972	(\$491,884)	(\$140,903)	(\$106,682)	\$265,419	(\$78,463)	\$716,711
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Debt service as a percentage of noncapital expenditures	6.00%	6.52%	3.40%	7.48%	6.99%	9.52%	20.66%	5.46%	6.56%	2.17%
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Note: GASB 34 implemented-Fiscal Year ending september 30, 2004
 *Debt Service separated into Principal and Interest beginning fiscal year 2004.

Schedule 5
City of Mexico Numerical
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Residential Property</u>	<u>Agricultural Property</u>	<u>Commercial Property</u>	<u>Personal Property</u>	<u>RxR & Utility</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Taxable Assessed Value as a Percentage of Actual Taxable Value</u>
1998	\$42,588,007	\$97,561	\$24,476,020	\$33,016,880	\$4,814,580	\$104,993,048	\$0.80	\$415,437,452	25.27%
1999	\$43,763,795	\$100,440	\$24,526,874	\$32,466,190	\$4,940,458	\$105,797,757	\$0.08	\$420,546,805	25.16%
2000	\$45,254,430	\$101,380	\$24,502,554	\$31,318,750	\$4,981,219	\$106,158,333	\$0.73	\$425,007,812	24.98%
2001	\$46,046,240	\$105,745	\$24,934,149	\$36,505,270	\$4,877,842	\$112,469,246	\$0.73	\$445,800,910	25.23%
2002	\$49,102,512	\$93,670	\$27,743,057	\$36,914,135	\$4,994,401	\$118,847,775	\$0.73	\$472,151,905	25.17%
2003	\$51,147,292	\$96,034	\$29,647,496	\$29,906,738	\$4,995,585	\$115,793,145	\$0.75	\$467,864,355	24.75%
2004	\$51,685,226	\$94,657	\$30,317,056	\$27,626,537	\$4,702,123	\$114,425,599	\$0.77	\$465,025,240	24.61%
2005	\$52,282,590	\$93,060	\$27,714,020	\$25,223,491	\$4,873,757	\$110,186,918	\$0.80	\$453,343,804	24.31%
2006	\$53,965,032	\$91,520	\$26,708,336	\$27,311,460	\$5,119,013	\$113,195,361	\$0.79	\$466,068,184	24.29%
2007	\$54,546,632	\$95,732	\$28,111,286	\$28,740,193	\$5,199,776	\$116,693,619	\$0.79	\$478,167,698	24.40%

Source: Audrain County Board of Equalization and Assesment, and the City of Mexico.

Notes: Property in Audrain county is reassessed by the county once every three (3) years on average. Tax rates are per \$100 of assessed value. The county assesses property at: Commercial 32 percent Personal 33.3 percent, Residential 19 percent, and Agricultural 12 percent of actual value.

Schedule 6
City of Statistical
Direct and Overlapping Property Tax Rates,
Last Ten Fiscal Years
(rate per \$100 of assessed value)

Fiscal Year	City Direct Rates					Overlapping Rates					State	Total
	General Fund	General Obligation Debt Service	Special Revenue Funds	Redevelopment Program	Total Direct Rate	Mexico School District	Mexico Audrain County General	Mexico Audrain County Special	Audrain County			
			Parks & Public Hlth									
1998	0.36	0.12	0.32	\$0.00	0.80	3.25	0.11	0.88	0.03	5.07		
1999	0.37	0.07	0.36	\$0.00	0.80	3.25	0.11	0.88	0.03	5.07		
2000	0.37	0.00	0.36	\$0.00	0.73	3.25	0.11	0.88	0.03	5.00		
2001	0.37	0.00	0.36	\$0.00	0.73	3.25	0.11	0.88	0.03	5.00		
2002	0.37	0.00	0.36	\$0.00	0.73	3.25	0.13	0.86	0.03	5.00		
2003	0.38	0.00	0.37	\$0.00	0.75	3.25	0.13	0.86	0.03	5.02		
2004	0.39	0.00	0.38	\$0.00	0.77	3.30	0.13	0.94	0.03	5.17		
2005	0.41	0.00	0.39	\$0.00	0.80	3.30	0.13	0.94	0.03	5.20		
2006	0.40	0.00	0.39	\$0.00	0.79	3.30	0.13	0.95	0.03	5.20		
2007	0.40	0.00	0.39	\$0.00	0.79	3.36	0.16	0.89	0.03	5.23		

Source: Audrain County Board of Equalization and Assessment.

Notes: The city's basic tax rate may be increased only by a majority vote of the city's residents. City rates are reviewed annually for compliance to Missouri Statutes by the State Auditors office. Rates for debt service are set based on the year's payment obligation.

Overlapping rates are those of local and county governments that apply to property owners with the City of Statistical. State rate is disclosed for purpose of disclosing total rate assessed to residents of city.

Schedule 7
City of Mexico
Principal Property Tax Payers,
Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>Fiscal Year 2007</u>			<u>Fiscal Year 1998</u>		
	<u>Taxable</u>	<u>Rank</u>	<u>Percentage</u>	<u>Taxable</u>	<u>Rank</u>	<u>Percentage</u>
	<u>Assessed</u>		<u>of Total City</u>	<u>Assessed</u>		<u>of Total City</u>
	<u>Value</u>		<u>Value</u>	<u>Value</u>		<u>Value</u>
Wal-Mart	\$3,778,192	1	2.56%	\$903,615	6	0.86%
Missouri American Water	2,111,060	2	1.84%	700,380	8	0.67%
Dawn Foods	2,001,505	3	1.60%	-	-	-
Archer Daniels Midland	1,869,338	4	1.39%	1,370,600	4	1.31%
Biocraft/Teva	1,319,660	5	1.21%	-	-	-
Mexwest LLC	1,107,970	6	1.05%	1,396,880	3	1.33%
Cerro Copper	733,309	7	0.84%	-	-	-
Three T Partnerships	677,603	8	0.82%	576,260	9	0.55%
Mexico Plastics	658,311	9	0.78%	808,560	7	0.77%
Spartan Light Metals	635,545	10	0.73%	-	-	-
OPTEC (Big Industrial)	-	-	-	8,103,015	1	7.72%
A.P. Green	-	-	-	5,178,720	2	4.93%
Roberts Consolidated	-	-	-	919,910	5	0.88%
Consolidated Electric	-	-	-	482,305	10	0.46%
Total	<u>\$14,892,493</u>		<u>12.82%</u>	<u>\$20,440,245</u>		<u>19.48%</u>

Source: Audrain County Assessor's Office.

Schedule 8
City of Mexico
Taxable Sales by Category
(in thousand of dollars)

	Calendar Year										
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	
Communication	\$ 3,696	\$ 3,401	\$ 4,057	\$ 4,445	\$ 4,530	\$ 3,982	\$ 5,465	\$ 5,205	\$ 5,380	\$ 5,958	
Wholesale Trade	1,252	1,228	1,044	1,067	1,114	1,141	1,046	1,424	1,561	1,556	
Building Materials	-	-	-	-	-	-	-	-	2,365	813	
Variety Stores	107	78	90	81	54	62	207	1,367	623	859	
Food Stores	21,182	21,433	20,499	20,595	21,176	20,546	19,774	20,219	14,994	14,599	
Automotive Store & Service Stations	5,987	6,339	6,360	6,044	5,844	5,463	5,355	2,603	3,105	3,347	
Furniture and Home Furnishings	1,966	1,103	1,486	2,421	1,780	1,976	2,014	2,718	4,040	3,924	
Eating and Drinking	10,785	11,288	11,624	11,183	10,656	10,133	9,863	10,368	11,632	11,772	
Miscellaneous Retail	31,012	36,706	36,211	37,662	38,636	15,498	13,157	13,139	15,133	10,228	
Miscellaneous Business Services	612	652	383	164	281	473	410	374	769	2,166	
Automotive Repair Services	518	555	749	663	1,032	837	859	1,129	1,941	1,839	
Miscellaneous Services	661	1,687	2,576	3,906	2,580	3,083	1,584	1,655	1,863	2,343	
All other outlets	50,804	44,686	42,310	43,024	43,955	64,878	67,486	70,896	84,362	97,084	
Total	\$128,582	\$129,156	\$127,389	\$131,255	\$131,638	\$128,072	\$127,220	\$131,097	\$147,768	\$156,488	
City direct sales tax rate	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%

Source: Missouri Department of Revenue

Notes: Retail sales information is not available on the city's fiscal-year basis. Information provided by the State of Missouri Department of Revenue. General grocery items are not taxable: sales tax applies only to prepared food items and nonfood items.

Schedule 9
City of Mexico
Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years

Fiscal Year	City Direct Rate	Audrain County Rate	Audrain Emergency Services	Total Local Sales Tax
1998	1.50%	1.50%	0.00%	3.000%
1999	1.50%	1.50%	0.00%	3.000%
2000	1.50%	1.50%	0.00%	3.000%
2001	1.50%	1.50%	0.00%	3.000%
2002	1.50%	1.50%	0.00%	3.000%
2003	1.50%	1.50%	0.00%	3.000%
2004	1.50%	1.50%	0.00%	3.000%
2005	1.50%	1.50%	0.375%	3.375%
2006	1.50%	1.50%	0.375%	3.375%
2007	1.50%	1.50%	0.375%	3.375%

Sources: City Budget Office and Audrain County City Clerks Office.

Note: The city sales tax rate may be changed only with the approval of the citizens.
Total is local sales tax only; excludes state sales tax.
In 2005 the voters passed a three-eighths of a cent sales tax for support of emergency services dispatch centralization.

Schedule 10
City of Mexico
Principal Sales Tax Remitters,
Current Year and Nine Years Ago

<u>Tax Remitter</u>	2006			1997		
	<u>Tax Liability</u>	<u>Rank</u>	<u>Percentage of Total</u>	<u>Tax Liability</u>	<u>Rank</u>	<u>Percentage of Total</u>
Retail Outlets	\$ 1,456,260	1	62.04%	\$ 1,210,260	1	62.77%
Food Stores	218,986	2	9.33%	317,580	2	16.47%
Eating & Drinking	176,586	3	7.52%	161,775	3	8.39%
Total	<u>\$ 1,851,832</u>		<u>78.89%</u>	<u>\$ 1,689,615</u>		<u>87.64%</u>

Source: Based on calendar year sales tax data provided by Missouri Department of Revenue. Individual Business data is considered confidential; only sales categories are permitted.

Note: Percentage is based on total sales tax received for calendar year. Tax Rate 1.50%.

Schedule 11
City of Mexico
Ratios of Outstanding Debt by Type,
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases	Sales Tax Increment Bonds	Certificates of Participation	Special Assessment Bonds	Revenue Bonds	Certificates of Participation	Wastewater Capital Leases			
2004	-	1,767,638	65,000	-	-	-	-	418,795	2,251,433	0.008%	198
2005	-	1,486,775	35,000	-	-	-	-	233,478	1,755,253	0.008%	155
2006	-	1,283,503	-	-	-	-	-	91,467	1,374,970	0.000%	121
2007	-	1,211,333	-	-	-	-	-	-	1,211,333	0.000%	107

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

a See Schedule 16 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

The City of Mexico was categorized as a phase III government and reported governmental activities schedules beginning in fiscal year 2004 to meet GASB 34 requirements.

Schedule 12
City of Mexico
Ratios of General Bonded Debt Outstanding,
Last Ten Fiscal Years

General Bonded Debt Outstanding

<u>Fiscal Year</u>	<u>General</u>		<u>Total</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
	<u>Obligation Bonds</u>	<u>Redevelopment Bonds</u>			
1998	95,000	-	95,000	0.01%	8.41
1999	-	-	-	-	-
2000	-	-	-	-	-
2001	-	-	-	-	-
2002	-	-	-	-	-
2003	-	-	-	-	-
2004	-	-	-	-	-
2005	-	-	-	-	-
2006	-	-	-	-	-
2007	-	-	-	-	-

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
 See Schedule 5 for property value data. Population data can be found in schedule 16.

Schedule 13
City of Mexico
Direct and Overlapping Governmental Activities Debt
As of September 30, 2007

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes			
City of Mexico, Missouri	\$ -	-	\$ -
	-	-	-
	-	-	-
	-	-	-
	-	-	-
Other debt			
Mexico Public School District #59	\$ 11,070,000	71% a	\$ 7,859,700
	-	-	-
	-	-	-
	-	-	-
Subtotal, overlapping debt			\$ 7,859,700
City direct debt			-
Total direct and overlapping debt			<u>\$ 7,859,700</u>

Sources: Assessed value data used to estimate applicable percentages provided by the Audrain County Board of Equalization and Assessment. Debt outstanding data provided by each governmental unit.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Statistical. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident-and therefore responsible for repaying the debt-of each overlapping government.

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Schedule 14
 City of Mexico
 Legal Debt Margin Information,
 Last Ten Fiscal Years

Legal Debt margin Calculation for Fiscal Yr 2007

Assessed value	\$116,693,619
Debt limit (20% of assessed valuation)	\$23,338,723
Debt applicable to limit:	
General obligation bonds	-
Less: Amount set aside for	
repayment of general	
obligation debt	-
Total net debt applicable to limit	-
Legal debt margin	\$23,338,723

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt Limit	\$ 20,998,610	\$ 21,159,725	\$ 21,054,144	\$ 22,316,326	\$ 23,592,032	\$ 23,158,629	\$ 22,885,120	\$ 22,037,385	\$ 22,639,072	\$ 23,338,723
Total net debt applicable to limit	\$ 53,653	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Legal debt margin	\$ 20,944,957	\$ 21,159,725	\$ 21,054,144	\$ 22,316,326	\$ 23,592,032	\$ 23,158,629	\$ 22,885,120	\$ 22,037,385	\$ 22,639,072	\$ 23,338,723
Total net debt applicable to the limit as a percentage of debt limit	0.03%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Note: Under state finance law, the city's outstanding general obligation debt should not exceed 20 percent of total assessed property value.

Schedule 15
City of Mexico
Pledged-Revenue Coverage,
Last Ten Fiscal Years

Fiscal Year	WasteWater Revenue Bonds				Special Assessment Bonds				Sales Tax Increment Bonds				
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service	Special Assessment		Coverage	Debt Service	Sales Tax		Debt Service	Coverage	
					Principal	Interest			Increment	Interest			
1998	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1999	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2006	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2007	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Notes: Sale Tax Increment Bonds issued under a Special TIF District received payment coverage through Sales Tax Interfund transfers from fiscal year 1997 through fiscal year 2004.

Schedule 16
City of Mexico
Demographic and Economic Statistics,
Last Ten Calendar Years

Calendar Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
1997	11,290 *	\$ 162,483 *	\$ 14,392 *	39.00	2,687	4.50%
1998	11,290 *	\$ 174,713 *	\$ 15,475 *	39.40	2,617	4.30%
1999	11,290 *	\$ 187,864 *	\$ 16,640 *	39.80	2,585	3.10%
2000	11,320	\$ 202,005	\$ 17,845	40.73	2,590	2.80%
2001	11,320 *	\$ 215,135 *	\$ 19,005 *	40.50	2,553	4.40%
2002	11,320 *	\$ 229,119 *	\$ 20,241 *	40.30	2,450	4.40%
2003	11,320 *	\$ 244,011 *	\$ 21,556 *	40.70	2,427	6.30%
2004	11,320 *	\$ 259,872 *	\$ 22,957 *	41.30	2,427	5.90%
2005	11,320	\$ 268,940	\$ 23,785	41.70	2,375	5.40%
2006	11,320 *	\$ 277,317 *	\$ 24,498	41.70	** 2,351	4.50%

Sources: Population, median age, and education level information provided by the U.S. Census and Missouri Data Center as made available.

* Income, per Capita Personal Income levels, and median age were estimated between known values using an average growth rate factor between census provided values.

Notes: Personal income information is a total for the year stated in thousands. Unemployment rate information is an adjusted yearly average.
 School enrollment is based on the census at the start of the school year.

** 2007 Calendar year data for an updated median age was not available at the time of this report.

Schedule 17
City of Mexico
Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	2007			1998		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Audrain Medical Center	715	1	6.10%	686	1	5.12%
True Manufacturing	450	2	3.84%	-	-	0.00%
Mexico School Dirstrict	369	3	3.15%	350	3	2.61%
Spartan Light Metals	222	4	1.89%	-	-	0.00%
Continental Bag Company	216	5	1.84%	-	-	0.00%
Home Decorators Collection	213	6	1.82%	-	-	0.00%
Dawn Food Products	200	7	1.71%	150	9	1.12%
Wal-Mart	185	8	1.58%	-	-	0.00%
Brookstone Company	184	9	1.57%	150	8	1.12%
Missouri Veterans Home	170	10	1.45%	163	7	1.22%
A. P. Green Industries	-	-	0.00%	606	2	0.00%
Optec DD, USA	-	-	0.00%	238	4	1.78%
Mexico Plastics	-	-	0.00%	225	5	1.68%
National Refractories	-	-	0.00%	210	6	1.57%
Roberts Consolidated Industries	-	-	0.00%	130	10	0.97%
Total	<u>2924</u>		<u>24.94%</u>	<u>2908</u>		<u>17.18%</u>

Source: City Economic Development Division and Website - fedstats.gov.
Employment percentages were calculated by using county employment numbers (11,722 and 13,403) respectively; (August report) employment numbers for the City of Mexico alone were not available.

Schedule 18
City of Mexico
Full-time-Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>Full-time-Equivalent Employees as of September 30</u>									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General government										
City Manager	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.8	2.8	2.3
Administrative Services	5	5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5
Comm.Dev./Animal Control	5.1	6.1	6.2	7.2	7.9	7.2	5.6	5.6	5.6	6.6
Economic Development	1.5	1.5	1.5	1.5	1.5	1.5	1.4	1.4	1.4	1.4
Other										
Police										
Public Safety Officers	30.9	29.9	31.8	32.8	29.8	32.8	34	34	35	35
Clerk Typist/Dispatchers	5	5	14.35	14.35	14.35	13.35	14.35	13.35	13.35	14
Fire										
Fire Apparatus Operator	2	3	1	1	1	1	1	1	1	1
Civil Defense	0.6	0.5	0.5	0.5	0.8	0.5	0.6	0.5	0.5	0.5
Other public works										
Engineering	3	3	3	2	2	2	1.5	1.5	1.5	1.5
Street Dept.	9.5	10.8	11.8	11.8	11.8	11.8	11	11	11	11.05
Parks and recreation/Cemetery	8.2	9	10.1	10.1	10.1	9.1	9.1	9.6	9.6	10.6
Internal Service a	1	1	0	0	0	0	0	0	0	0
Wastewater	6.3	7.3	7.4	7.4	9.4	7.4	8.1	7.3	7.3	10.3
Sanitation	0.5	0.5	1	1	1	1	1	1	1	1
Total	81	85	96.55	97.55	97.55	95.55	95.55	94.55	95.55	100.3

Source: City Budget Office.

Notes: A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave).
Full time-equivalent employment is calculated by dividing total labor hours by 2,080.
(Does not include seasonal personnel).

- a The City eliminated the Internal Service Fund in the budget year 1999-2000.
- b Some City Employee's wages are split between different departments.

Schedule 19
City of Mexico
Operating Indicators by Function/Program,
Last Ten fiscal Years

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government										
Building permits issued	691	670	562	495	474	461	408	477	543	509
Building inspections conducted	2015	1996	1714	1435	1422	1383	1507	1624	1273	1527
Police										
Physical arrests	NA	NA	609	568	580	578	672	749	852	831
Parking violations	769	660	769	567	394	608	330	410	540	494
Traffic violations	1000	882	1259	909	1024	971	973	1074	1218	861
Fire										
Emergency responses	136	132	164	133	178	146	158	186	183	198
Fires extinguished	73	76	70	55	89	69	72	89	56	64
Inspections	13	12	12	12	12	13	12	42	30	40
Other public works										
Street resurfacing (miles)	4	4.1	4.3	4.2	5	1.6	1.9	2.1	3.7	2.3
Parks and recreation										
Pool Admissions	16,639	17,452	14,741	18,539	18,341	12,192	12,386	13,824	14,012	14,007
Wastewater										
Average daily sewage treatment (Millions of gallons)	2.122	1.841	1.754	1.745	1.802	1.971	2.302	1.921	1.959	2.03

Sources: Various city departments.

Notes: NA=Not Available

Under Fire/Emergency Responses the numbers reflects the number of responses by fire apparatus.

Wastewater plant maximum flow 3.001 MG per day.

*Statistics for Police and Fire activity is reported in summary on a calendar year basis.

Schedule 20
City of Mexico
Capital Asset Statistics by Function/Program,
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	7	7	7	7	7	7	7	7	8	8
Fire stations	1	1	1	1	1	1	1	1	1	1
Other public works										
Streets (miles)	78	78	79	80	71	71	81	82	84	84
Streetlights	1120	1125	1130	1130	1135	1140	1140	1140	1150	1162
Storm sewers (miles)	51	51	51	51	52	52	52	52	53	53.5
Parks and recreation										
Pools	1	1	1	1	1	1	1	1	1	1
Acreage	278	383	383	383	383	383	386	386	475	475
Playgrounds	8	8	8	8	8	8	7	7	7	7
Baseball/softball diamonds	2	2	2	2	2	2	2	2	1	1
Soccer/football fields	1	1	1	1	1	1	1	1	1	1
Community lakes	2	3	3	3	3	3	3	3	4	4
Wastewater										
Sanitary sewers (miles)	83	83	83	84	84	84	84	85	85	86
Treatment capacity (millions of gallons) per day	3.001	3.001	3.001	3.001	3.001	3.001	3.001	3.001	3.001	3.001

Sources: Various city departments.

Notes: Water, gas and electric utilities are not owned or operated by the City of Mexico.
Sanitation services are contracted.

COMPLIANCE SECTION

SINGLE AUDIT REPORTS



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

To the City Council of the
City of Mexico, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Mexico, Missouri (the City), as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 25, 2008. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described in the schedule of findings and questioned costs is a material weakness.

Compliance

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

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

Williams Keepers LLC

January 25, 2008



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

To the City Council of the
City of Mexico, Missouri

Compliance

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

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

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

Internal Control Over Compliance

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

A *control deficiency* in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item #07-02 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control. Of the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider none to be a material weakness.

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

Williams Keepers LLC

January 25, 2008

CITY OF MEXICO

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2007**

	CFDA Number	Expenditures
U.S. Department of Justice		
Bullet Proof Vest Grant	16.592	4,020
U.S. Department of Commerce		
Economic Adjustment Assistance	11.307	233,133
U.S. Federal Aviation Administration		
Passed through the Missouri Department of Transportation:		
Airport Improvement Program	20.106	29,588
U.S. Department of Transportation		
Passed through the Missouri Department of Transportation:		
Railroad Improvements Grant	20.205	1,754,264
Lakeview Trail Grant	20.205	211,139
Clark Street Improvements Grant	20.205	109,009
Total expenditures of federal awards		\$ 2,341,153

BASIS OF PRESENTATION:

The schedule of expenditures of federal awards includes only the current year federal grant activity of the City of Mexico and is presented on the accrual basis of accounting. This information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Amounts presented in this schedule as expenditures may differ from amounts presented in, or used in the preparation of, the basic financial statements, although such differences are not material.

CITY OF MEXICO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2007

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Mexico.
2. Two significant deficiencies relating to the audit of the financial statements are reported in the "Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
3. No instances of noncompliance material to the financial statements of the City of Mexico were disclosed during the audit.
4. One significant deficiency relating to the audit of the major federal award programs are reported in the "Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
5. The auditors' report on compliance for the major federal award programs for the City of Mexico expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for the City of Mexico are reported in Part C of this Schedule.
7. The programs tested as major programs include:

	Federal CFDA Number
Railroad Improvements Grant	20.205
Lakeview Trail Grant	20.205
Clark Street Improvements Grant	20.205

8. The dollar threshold used to distinguish between Type A and B programs, as described in Section 520(b) of OMB Circular A-133, was \$300,000.
9. Using the criteria as defined in Section 530 of OMB Circular A-133, the City of Mexico did qualify as a low-risk auditee for the year ended September 30, 2007.

B. FINDINGS--FINANCIAL STATEMENT AUDIT

#07-01 - Preparation of Financial Statements (Significant Deficiency)

Management is responsible for establishing and maintaining internal controls; for the selection and application of accounting principles; and for the fair presentation of the financial statements in conformity with U. S. generally accepted accounting principles. Under auditing standards, the auditor

cannot be a part of internal control. If management does not have the means to accomplish its responsibilities other than by having the auditors handle some or all of these responsibilities, the City may be deemed to have a significant deficiency or a material weakness, depending upon the effect on the financial statements.

However, consistent with current auditing standards, we are required to report to you as at least significant deficiencies in internal control those aspects of the City's financial statements preparation that we believe management does not have the means to perform and that have a more than inconsequential effect on the financial statements. We believe the following are significant deficiencies:

- Identifying material adjustments to the books and records used to prepare the financial statements,
- Preparing the financial statements, including drafting the note disclosures.

We recommend the City consider the benefits and related costs of obtaining means to prepare financial statements and ensure all material adjustments are made.

Management's Response: At this time, the City does not have the means to perform both of the identified items above, although it makes every attempt to record all adjustments of which it is aware. Management does not believe that the benefits of obtaining the needed skills outweigh the costs that would be required to do so.

#07-02 - Segregation of Duties (Significant Deficiency)

Between January and July of 2007, the Administrative Services Director assumed responsibilities as Interim City Manager including the authorizing signatory for purchase orders over \$1,000, merit pay increases, grant agreements, and deed of release on real estate. During this time, the Administrative Services Director was the only authorizing signatory in addition to maintaining his responsibilities for the City's financial recording and reporting responses, thus creating a lack of segregation of duties.

We recommend the City ensure there are two authorizing signatories for significant transactions to ensure proper segregation of duties.

Management's Response: The City Manager position was filled in July 2007; the Administrative Services Director relinquished his interim responsibilities. The City Manager now provides these authorizations.

C. FINDINGS AND QUESTIONED COSTS--MAJOR FEDERAL AWARD PROGRAMS AUDIT

Finding #07-02 above is considered to be a significant deficiency for the major federal award program.

CITY OF MEXICO

**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
For the Year Ended September 30, 2007**

None.

