

BASIC FINANCIAL STATEMENTS

**GOVERNMENT - WIDE
FINANCIAL STATEMENTS**

**CITY OF THE COLONY, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007**

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Cash and cash equivalents	\$ 15,393,303	\$ 1,994,522	\$ 17,387,825	\$ 2,771,741
Investments	5,261,260	2,404,762	7,666,022	3,870,866
Receivables (net of allowance for uncollectibles)	2,422,021	1,758,816	4,180,837	541,170
Internal balances	27,299	(27,299)		
Other assets	141		141	
Inventories	98,649	51,617	150,266	
Prepaid expenses		6,462	6,462	
Restricted cash and cash equivalents		13,271,697	13,271,697	
Capital assets:				
Non-depreciable	36,341,538	15,657,395	51,998,933	
Depreciable (net of depreciation)	112,536,141	52,875,440	165,411,581	
Deferred charges	433,270	902,103	1,335,373	64,218
TOTAL ASSETS	\$ 172,513,622	\$ 88,895,515	\$ 261,409,137	\$ 7,247,995
LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,212,466	\$ 566,086	\$ 2,778,552	\$ 59,459
Accrued interest payable	348,624		348,624	
Retainage payable	361,665		361,665	
Unearned revenue	85,415		85,415	
Payable from restricted assets:				
Accounts payable and accrued liabilities		700,875	700,875	
Accrued interest payable		286,847	286,847	16,263
Customer meter deposits		666,889	666,889	
Non-current liabilities:				
Due within one year	4,583,607	1,925,810	6,509,417	21,106
Due in more than one year	44,118,263	49,159,619	93,277,882	2,956,629
TOTAL LIABILITIES	51,710,040	53,306,126	105,016,166	3,053,457
NET ASSETS				
Invested in capital assets (net of related debt)	110,759,032	28,799,583	139,558,615	
Restricted for:				
Debt service	275,435	1,987,616	2,263,051	
Unrestricted	9,769,115	4,802,190	14,571,305	4,194,538
TOTAL NET ASSETS	\$ 120,803,582	\$ 35,589,389	\$ 156,392,971	\$ 4,194,538

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

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

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Program Activities				
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	\$ 5,174,718	\$ 1,210,127	\$ 182,086	\$
Public safety	9,615,093	1,626,470		
Public works	7,138,705	509,999	1,858,049	8,226,536
Culture and recreation	3,869,375	571,053	1,386,072	
Interest on long-term debt	2,113,208			
Total governmental activities	27,911,099	3,917,649	3,426,207	8,226,536
Business-type Activities:				
Water and sewer	10,210,302	11,340,679	170,058	3,404,723
Total business-type activities	10,210,302	11,340,679	170,058	3,404,723
TOTAL PRIMARY GOVERNMENT	\$ 38,121,401	\$ 15,258,328	\$ 3,596,265	\$ 11,631,259
COMPONENT UNITS:				
The Colony Economic Development Corporation	\$ 2,969,763			
The Colony Municipal Economic Development Corporation	1,245,602		375,000	
TOTAL COMPONENT UNITS	\$ 4,215,365	\$	\$ 375,000	\$

General revenues:

Taxes:

- Property taxes, levied for general purposes
- Sales taxes
- Franchise taxes
- Hotel/motel taxes
- Penalties and interest

Interest on investments

Impact fees

Miscellaneous

Loss on sale or disposal of capital assets

Transfers

Total general revenues and transfers

CHANGE IN NET ASSETS

NET ASSETS, beginning of year

NET ASSETS, end of year

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

EXHIBIT 2

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			COMPONENT UNITS
Governmental Activities	Business - Type Activities	TOTAL	
\$ (3,782,505)	\$	\$ (3,782,505)	\$
(7,988,623)		(7,988,623)	
3,455,879		3,455,879	
(1,912,250)		(1,912,250)	
(2,113,208)		(2,113,208)	
<u>(12,340,707)</u>		<u>(12,340,707)</u>	
	4,705,158	4,705,158	
	4,705,158	4,705,158	
<u>\$ (12,340,707)</u>	<u>\$ 4,705,158</u>	<u>\$ (7,635,549)</u>	<u>\$</u>
\$		\$	\$ (2,969,763)
			(870,602)
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ (3,840,365)</u>
12,774,611	764,062	13,538,673	
2,880,852		2,880,852	2,788,654
1,939,565		1,939,565	
141,496		141,496	
121,549		121,549	
843,217	864,807	1,708,024	338,748
435,092	433,122	868,214	
249,534	18,405	267,939	
	(296,098)	(296,098)	
<u>2,456,591</u>	<u>(2,456,591)</u>		
<u>21,842,507</u>	<u>(672,293)</u>	<u>21,170,214</u>	<u>3,127,402</u>
9,501,800	4,032,865	13,534,665	(712,963)
<u>111,301,782</u>	<u>31,556,524</u>	<u>142,858,306</u>	<u>4,907,501</u>
<u>\$ 120,803,582</u>	<u>\$ 35,589,389</u>	<u>\$ 156,392,971</u>	<u>\$ 4,194,538</u>

**CITY OF THE COLONY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007**

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	\$ 2,166,520	\$ 363,330	\$ 11,852,534	\$ 912,816	\$ 15,295,200
Investments	3,601,951	616,283	747,154	290,555	5,255,943
Receivables, net of allowances for uncollectibles:					
Ad valorem taxes	224,940	85,509			310,449
Service accounts receivable	140,718				140,718
Franchise taxes	439,271				439,271
Sales taxes	507,667				507,667
Interest	44,314	10,417	9,374	2,187	66,292
Other	198,848		699,651	59,092	957,591
Due from other funds	394,492				394,492
Other assets	141				141
TOTAL ASSETS	\$ 7,718,862	\$ 1,075,539	\$ 13,308,713	\$ 1,264,650	\$ 23,367,764
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenses	\$ 1,315,510	\$ 33,943	\$ 720,382	\$ 104,700	\$ 2,174,535
Retainage payable			361,665		361,665
Due to other funds				394,492	394,492
Deferred revenue	381,017	75,599	38,670		495,286
TOTAL LIABILITIES	1,696,527	109,542	1,120,717	499,192	3,425,978
FUND BALANCES					
Reserved for encumbrances	151,818			9,814	161,632
Reserved for capital projects			12,187,996		12,187,996
Reserved for debt service		965,997			965,997
Reserved for court security and technology				302,728	302,728
Designated	392,000				392,000
Unreserved and undesignated-special revenue funds				452,916	452,916
Unreserved and undesignated	5,478,517				5,478,517
TOTAL FUND BALANCES	6,022,335	965,997	12,187,996	765,458	19,941,786
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,718,862	\$ 1,075,539	\$ 13,308,713	\$ 1,264,650	\$ 23,367,764

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

**CITY OF THE COLONY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007**

Total fund balances - governmental funds	\$ 19,941,786
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. (\$148,877,679 less \$10,566 in net fixed assets reported in internal service funds below).	148,867,113
Costs associated with the issuance of governmental long term debt are expensed when incurred in the fund statements and capitalized and amortized over the life of the debt in the government-wide financial statements. This amount represents the unamortized portion of bond issue costs.	433,270
Interest payable on long term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.	(348,624)
Internal service funds are used by management to charge the cost of certain activities, such as insurance and fleet management, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net assets. This amount is inclusive of the portion attributable to business-type activities of \$27,299 included in internal balances.	153,737
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.	409,871
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the fund financial statements. (\$48,701,870 less \$48,299 in compensated absences reported as liabilities in internal service funds above)	<u>(48,653,571)</u>
Net assets of governmental activities	<u><u>\$ 120,803,582</u></u>

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

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Ad valorem taxes, penalties and interest	\$ 9,345,067	\$ 3,429,495	\$	\$	\$ 12,774,562
Franchise taxes	1,920,666			18,899	1,939,565
Municipal sales tax	2,880,852				2,880,852
Licenses and permits	700,036			531,925	1,231,961
Charges for services	1,011,419				1,011,419
Fines and forfeitures	1,127,347			111,444	1,238,791
Grants	201,579			52,986	254,565
Gifts and contributions		789,867	431,309	139,065	1,360,241
Hotel / motel fees				141,496	141,496
Recreation fees				7,840	7,840
Capital recovery fees			2,293,141		2,293,141
Interest earned	359,275	121,620	306,074	55,054	842,023
Miscellaneous	309,315		210,500	108,200	628,015
Total revenues	17,855,556	4,340,982	3,241,024	1,166,909	26,604,471
EXPENDITURES					
Current					
General government	4,764,536				4,764,536
Public safety	9,120,493			55,370	9,175,863
Public works	1,427,686		1,517,152	483,245	3,428,083
Cultural and recreation	3,276,408		8,737	342,498	3,627,643
Capital outlay			7,105,135		7,105,135
Debt service:					
Principal retirement		2,457,656			2,457,656
Interest and fiscal charges		2,034,712	151,085		2,185,797
Total expenditures	18,589,123	4,492,368	8,782,109	881,113	32,744,713
Excess (deficiency) of revenues over (under) expenditures	(733,567)	(151,386)	(5,541,085)	285,796	(6,140,242)
OTHER FINANCING SOURCES (USES)					
Premiums from issuance of bonds			256,085		256,085
Issuance of debt			7,145,000		7,145,000
Transfers from other funds	1,563,200	100,000	2,785,321	301,779	4,750,300
Transfers to other funds	(429,068)		(1,438,035)	(426,606)	(2,293,709)
Total other financing sources (uses)	1,134,132	100,000	8,748,371	(124,827)	9,857,676
NET CHANGE IN FUND BALANCES	400,565	(51,386)	3,207,286	160,969	3,717,434
FUND BALANCES, BEGINNING OF YEAR	5,621,770	1,017,383	8,980,710	604,489	16,224,352
FUND BALANCES, END OF YEAR	\$ 6,022,335	\$ 965,997	\$ 12,187,996	\$ 765,458	\$ 19,941,786

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

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

Net change in fund balances - total governmental funds	\$ 3,717,434
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.	7,374,728
Governmental funds do not recognize assets contributed by developers. However, in the statement of activities the fair market value of those assets are recognized as revenue, then allocated over their estimated useful lives and reported as depreciation expense.	8,226,536
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(4,815,651)
The net book value of capital assets sold or disposed of are not recognized as an expense in governmental funds since it does not require the use of current financial resources.	(149,040)
Current year principal payments on long-term debt are recorded as expenditures in the fund financial statements, but are reflected as reductions in the liability for long-term debt in the government-wide financial statements.	2,457,656
Current year changes in long term liability for compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. Amount does not include change in compensated absences in internal service funds which decrease net assets by \$11,967.	(182,249)
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.	(14,228)
Current year amortization of the costs of bond issuance, premiums and deferred loss on refunding do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.	(84,232)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds is reported with governmental activities net of amount allocated to business-type activities.	75,281
Current year accretion on capital appreciation bonds is not reflected in the fund financial statements, but is shown as an increase in the accreted interest on the government-wide financial statements. Payments of accreted interest on capital appreciation bonds are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	19,964
Current year bond proceeds for debt issued (including premiums from the issuance of bonds) are proceeds in the fund financial statements but are shown as an increase in the liabilities in the government wide financial statements.	(7,145,000)
Governmental funds report the effect of issuance costs of debt and premiums when debt is issued. However, these amounts are deferred and amortized in the government-wide financial statements.	(105,000)
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.	<u>125,601</u>
Change in Net Assets of Governmental activities	<u>\$ 9,501,800</u>

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

PROPRIETARY FUNDS

**CITY OF THE COLONY, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2007**

	BUSINESS TYPE ACTIVITIES WATER AND SEWER ENTERPRISE FUND	GOVERNMENTAL ACTIVITIES FLEET SERVICES INTERNAL SERVICE FUND
	<u>FUND</u>	<u>FUND</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,994,522	\$ 98,103
Investments	2,404,762	5,317
Receivables, net of allowance for uncollectibles:		
Ad valorem taxes	27,655	
Accounts	1,689,999	
Other	41,162	33
Inventories	51,617	98,649
Prepaid expenses	6,462	
Restricted cash and cash equivalents	<u>13,271,697</u>	
Total current assets	<u>19,487,876</u>	<u>202,102</u>
NONCURRENT ASSETS		
CAPITAL ASSETS		
Land	1,749,366	
Water system	31,245,654	
Sanitary sewer system	34,114,825	
Buildings	446,005	
Machinery and equipment	1,305,992	217,461
Engineering fees	2,473,213	
Organizational costs	5,718,467	
Construction in progress	<u>13,908,029</u>	
Total capital assets	90,961,551	217,461
Less: accumulated depreciation	<u>(22,428,716)</u>	<u>(206,895)</u>
Capital assets, net of accumulated depreciation	68,532,835	10,566
DEFERRED CHARGES		
Bond issuance costs, net of amortization of \$332,354	<u>902,103</u>	
Total noncurrent assets	<u>69,434,938</u>	<u>10,566</u>
TOTAL ASSETS	<u><u>\$ 88,922,814</u></u>	<u><u>\$ 212,668</u></u>

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

**CITY OF THE COLONY, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2007**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	566,086	\$	37,931
Accrued compensated absences	77,310		14,905
Payable from restricted assets:			
Accounts payable and accrued expenses	700,875		
Unamortized bond premium	45,182		
Revenue bonds payable	1,803,318		
Accrued interest payable	286,847		
Customer meter deposits	666,889		
	<u>4,146,507</u>		<u>52,836</u>
Total current liabilities			<u>52,836</u>

NON-CURRENT LIABILITIES

Revenue bonds payable	47,975,342		
Unamortized bond premium	1,038,389		
Accrued compensated absences	145,888		33,394
	<u>49,159,619</u>		<u>33,394</u>
Total non-current liabilities			<u>33,394</u>

TOTAL LIABILITIES

<u>53,306,126</u>	<u>86,230</u>
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NET ASSETS

Invested in capital assets, net of related debt	28,799,583		
Restricted for:			
Revenue bond principal and interest	1,987,616		
Unrestricted	4,829,489		126,438
	<u>4,829,489</u>		<u>126,438</u>

TOTAL NET ASSETS

<u>\$ 35,616,688</u>	<u>\$ 126,438</u>
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**CITY OF THE COLONY, TEXAS
RECONCILIATION OF THE STATEMENT OF NET ASSETS
OF PROPRIETARY FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2007**

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

Total net assets per statement of net assets	\$ 35,616,688
Internal service funds are used by management to charge the costs of fleet management to individual funds	
The assets and liabilities of internal service funds are included in the governmental activities in the government-wide statement of net assets. The amount shown is allocated to business-type activities as the net receivable from internal service funds which is reported within business-type activities.	
	<u>(27,299)</u>
Total net assets of business-type activities	<u><u>\$ 35,589,389</u></u>

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

	BUSINESS TYPE ACTIVITIES WATER AND SEWER ENTERPRISE FUND	GOVERNMENTAL ACTIVITIES FLEET SERVICES INTERNAL SERVICE FUND
	<u>FUND</u>	<u>FUND</u>
OPERATING REVENUES		
Charges for sales and services:		
Water service	\$ 6,181,970	\$
Wastewater treatment service	3,997,214	
Other fees and penalties	1,161,495	
Service charges		661,834
Miscellaneous	<u>18,405</u>	<u>18,794</u>
Total operating revenues	<u>11,359,084</u>	<u>680,628</u>
OPERATING EXPENSES:		
Personnel services	2,753,120	327,491
Contractual services	1,765,808	8,007
Supplies	305,635	94,657
Maintenance	451,107	139,788
Water purchases	1,502,487	
Depreciation	<u>1,513,873</u>	<u>4,236</u>
Total operating expenses	<u>8,292,030</u>	<u>574,179</u>
OPERATING INCOME	<u>3,067,054</u>	<u>106,449</u>
NON-OPERATING REVENUES (EXPENSES)		
Property taxes	764,062	
Interest income	864,807	1,194
Loss on disposition of capital assets	(296,098)	
Interest expense	(1,950,634)	
Development fees	<u>603,170</u>	
Total non-operating revenues (expenses)	<u>(14,693)</u>	<u>1,194</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>3,052,361</u>	<u>107,643</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS		
Capital contributions	3,404,733	
Transfers from other funds	1,438,035	
Transfers to other funds	<u>(3,894,626)</u>	
Total capital contributions and transfers	<u>948,142</u>	
CHANGE IN NET ASSETS	4,000,503	107,643
NET ASSETS, BEGINNING OF YEAR	<u>31,616,185</u>	<u>18,795</u>
NET ASSETS, END OF YEAR	<u>\$ 35,616,688</u>	<u>\$ 126,438</u>

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

**CITY OF THE COLONY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS
OF PROPRIETARY FUNDS TO THE GOVERNMENT – WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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

Net change in fund net assets- total enterprise funds	\$ 4,000,503
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Internal service funds are used by management to charge the costs of fleet management to individual funds

The net expenses of certain activities of internal service funds is reported within business-type activities.

32,362

Change in net assets of business-type activities

\$ 4,032,865

**CITY OF THE COLONY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	BUSINESS TYPE ACTIVITIES WATER AND SEWER ENTERPRISE FUND	GOVERNMENTAL ACTIVITIES FLEET SERVICES INTERNAL SERVICE FUND
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 11,433,418	
Cash received from transactions with other funds		\$ 661,834
Cash paid in transactions with other funds		
Cash received from other sources		8,532
Cash paid to employees for services	(2,725,593)	(315,524)
Cash paid for goods and services	(4,622,186)	(253,923)
Net cash provided by (used in) operating activities	4,085,639	100,919
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Property taxes	758,823	
Transfers from other funds	1,438,035	
Transfers to other funds	(3,894,626)	
Net cash used in non-capital financing activities	(1,697,768)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on revenue bond maturities	(755,773)	
Premium on issuance of bonds	264,148	
Cost of bond issuance	(134,148)	
Proceeds from issuance of bonds	7,370,000	
Interest paid	(3,467,521)	
Acquisition of capital assets	(10,294,574)	
Contributions from developers	603,170	
Net cash provided by capital and related financial activities	(6,414,698)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(114,570)	(4,010)
Interest on investments	871,067	1,194
Net cash provided by (used in) investing activities	756,497	(2,816)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,270,330)	98,103
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	18,536,549	
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 15,266,219	\$ 98,103
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ 3,067,054	\$ 106,449
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	1,513,873	4,236
Amortization	16,180	
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	15,259	3,636
(Increase) decrease in inventories	833	(3,357)
(Increase) in prepaid expenses	(4,826)	
Decrease in accounts payable and accrued liabilities	(609,336)	(8,114)
Decrease in due to other funds		(13,898)
Increase in compensated absences	27,527	11,967
Decrease in customer deposits	59,075	
Total adjustments	1,018,585	(5,530)
Net cash provided by operating activities	\$ 4,085,639	\$ 100,919
NON-CASH FINANCING ACTIVITIES:		
Contributions of capital assets from developers	\$ 3,384,897	\$
Contributions of fixed assets from governmental activities	\$ 19,836	\$
Reconciliation of total cash to the statement of net assets:		
Cash and cash equivalents - current	\$ 1,994,522	\$ 98,103
Restricted cash and cash equivalents	13,271,697	
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 15,266,219	\$ 98,103

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

COMPONENT UNITS

**CITY OF THE COLONY, TEXAS
STATEMENT OF NET ASSETS
COMPONENT UNITS
SEPTEMBER 30, 2007**

	THE COLONY ECONOMIC DEVELOPMENT CORPORATION	THE COLONY MUNICIPAL ECONOMIC DEVELOPMENT CORPORATION	TOTALS
ASSETS			
Cash and cash equivalents	\$ 2,723,123	\$ 48,618	\$ 2,771,741
Investments	2,491,400	1,379,466	3,870,866
Sales tax receivable	253,834	253,834	507,668
Interest receivable	22,533	10,969	33,502
Deferred charges	64,218		64,218
TOTAL ASSETS	<u>\$ 5,555,108</u>	<u>\$ 1,692,887</u>	<u>\$ 7,247,995</u>
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ 54,933	\$ 4,526	\$ 59,459
Accrued interest payable	16,263		16,263
Non-current liabilities:			
Due within one year	19,705	1,401	21,106
Due in more than one year	2,956,629		2,956,629
TOTAL LIABILITIES	<u>3,047,530</u>	<u>5,927</u>	<u>3,053,457</u>
NET ASSETS			
Unrestricted	<u>2,507,578</u>	<u>1,686,960</u>	<u>4,194,538</u>
TOTAL NET ASSETS	<u>\$ 2,507,578</u>	<u>\$ 1,686,960</u>	<u>\$ 4,194,538</u>

**CITY OF THE COLONY, TEXAS
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
COMPONENT UNITS:			
The Colony Economic Development Corporation	\$ 2,969,763		
The Colony Municipal Economic Development Corporation	1,245,602	\$ 375,000	
TOTAL COMPONENT UNITS	\$ 4,215,365	\$ 375,000	\$

General revenues:

Taxes:

Sales taxes

Interest on investments

Total general revenues and transfers

CHANGE IN NET ASSETS

NET ASSETS, beginning of year

NET ASSETS, end of year

Net (Expense) Revenue and Changes in Net Assets		
COMPONENT UNITS		
The Colony Economic Development Corporation	The Colony Municipal Economic Development Corporation	TOTAL
\$ (2,969,763)		\$ (2,969,763)
	\$ (870,602)	(870,602)
<u>\$ (2,969,763)</u>	<u>\$ (870,602)</u>	<u>\$ (3,840,365)</u>
\$ 1,394,327	\$ 1,394,327	2,788,654
288,509	50,239	338,748
<u>1,682,836</u>	<u>1,444,566</u>	<u>3,127,402</u>
(1,286,927)	573,964	(712,963)
<u>3,794,505</u>	<u>1,112,996</u>	<u>4,907,501</u>
\$ 2,507,578	\$ 1,686,960	\$ 4,194,538