

Comprehensive Annual Financial Report For Fiscal Year Ended September 30, 2009



New Police Building Opened 2009

CITY OF MESQUITE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

September 30, 2009

Prepared by:

Finance Department

MESQUITE
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City of Mesquite, Texas

Comprehensive Annual Financial Report For the Fiscal Year Ended September 30, 2009

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City of Mesquite, Texas

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CITY OF MESQUITE, TEXAS

CITY OFFICIALS

SEPTEMBER 30, 2009

CITY COUNCIL

John Monaco, Mayor

Al Forsythe, Mayor Pro Tem

Bill Porter, Deputy Mayor Pro Tem

Stan H. Pickett, Council Member

Shirley Roberts, Council Member

Dennis Tarpley, Council Member

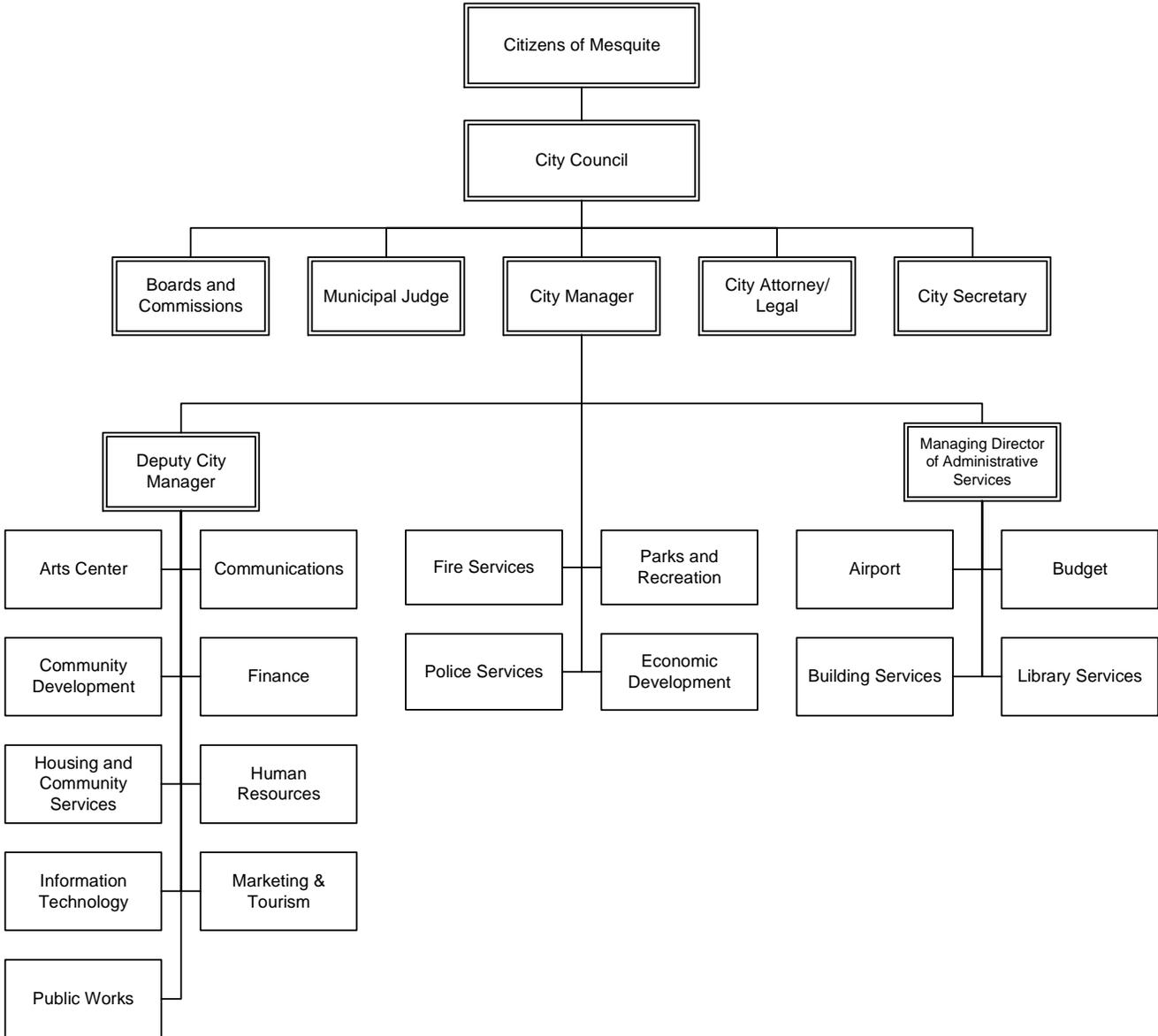
Ted Barron, City Manager

Donald W. Simons, Director of Finance

Deborah A. Mol, Accounting Manager

City of Mesquite, Texas

Organizational Chart
September 30, 2009





March 29, 2010

Honorable Mayor, City Council, and City Manager,
City of Mesquite, Texas:

The Comprehensive Annual Financial Report (“CAFR”) of the City of Mesquite, Texas, for the fiscal year ended September 30, 2009, is hereby submitted.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Grant Thornton LLP has issued an unqualified (“clean”) opinion on the City of Mesquite’s financial statements for the year ending September 30, 2009. The independent auditors’ report is located at the front of the financial section of this report.

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

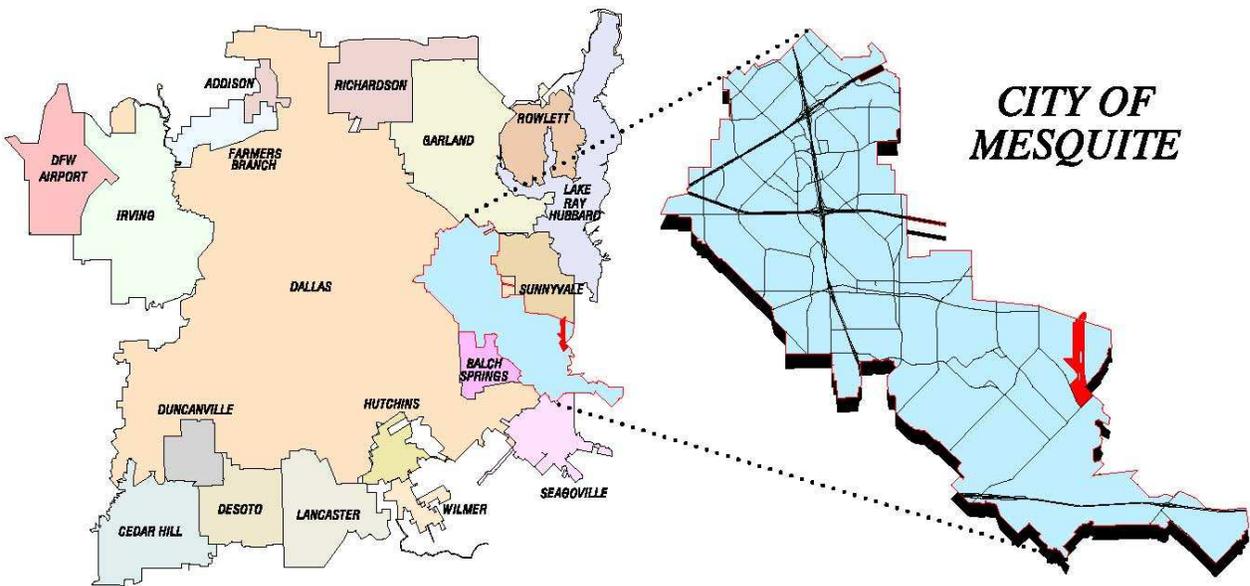
The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to the single audit, including the supplemental schedule of federal awards, schedules of findings and questioned costs, and independent auditors’ reports on internal controls and compliance are included in a separately issued single audit report.

General Information - City of Mesquite

The City is located in eastern Dallas County, with its corporate limits adjoining the corporate limits of Dallas for a distance of about eight miles. The old downtown section of Mesquite is approximately 13 miles from downtown Dallas. The incorporated area of Mesquite is presently 45.972 square miles.

Mesquite celebrated its 122nd birthday on December 3, 2009. Although the little farming settlement had existed as an unfranchised township since being organized at the arrival of the Texas and Pacific railroad in 1873, not until December 3, 1887, did its citizens take action to make it the first incorporated Dallas County town outside the county seat city.

The town, little more than a frontier outpost at the time, struggled for each meager step of progress under the leadership of dedicated early-day residents. Mesquite grew not only in numbers but in strength and importance, becoming a viable agricultural center by the turn of the century. The town's population increased threefold between the 1890 and 1900 U. S. censuses - from 135 to 405 - and grew to 729 by 1930. Twenty years later, in 1950, Mesquite was home to 1,696 citizens, and that is when explosive growth set in. The population total jumped to 27,526 in 1960, to 67,053 in 1980, and to 124,523 in 2000. Today, the headcount stands at an estimated 137,850, and Mesquite is still one of the most dynamic cities in the Metroplex, served by excellent schools, churches, healthcare institutions, cultural and entertainment facilities, parks, playgrounds and many other amenities.



The City of Mesquite provides a full range of services, including police and fire protection, streets, health and sanitation services, libraries and recreation, public improvements, planning and zoning, and general administrative services. Additionally, water and sewer utility services, drainage utility services, and the municipal airport are provided under an enterprise fund concept, with user charges set by the City Council to ensure adequate coverage of operating expenses and payments on outstanding debt where applicable. Certain public safety, transportation, and parks and recreation services are provided through a legally separate Quality of Life Corporation, which functions, in essence, as a department/fund of the City of Mesquite and, therefore, has been included as an integral part of the City's financial statements.

The City Council consists of the Mayor and six council members. Council members serve two-year terms and are responsible for appointing the City Manager, Municipal Judge, City Attorney, City Secretary, and members of various boards and commissions. The mayor and six council members are elected at large; however, four Council positions have residency requirements.

Economic Condition and Outlook

Our Nation has experienced perhaps the longest economic recession since the Great Depression. A positive factor for the City of Mesquite over the years has been the strength of the Dallas area economy. The

Metroplex has ranked high nationally in attracting new businesses and expansion of existing companies. The area remains the distribution and financial center of the Southwest, and the growth of high-tech industries, services industries, trade, and corporate headquarters have provided a strong, stable and diverse local economy. These factors have helped curb the major economic downturn that our nation faces but have not totally eliminated its effects.

Several positive factors exist which favor a continued optimistic economic outlook for the City including the availability of affordable housing, a well-educated work force, a diversified financial and service-oriented marketplace and a blossoming high technology trade. Mesquite also continues to benefit from having four major highways crossing through its corporate limits. The City is well served by rail facilities and enjoys the convenience of nearby Dallas/Fort Worth International Airport to meet commercial passenger air transportation needs and also operates its own municipal airport facility.

With the opening of Town East Mall in 1970, Mesquite has long been recognized as a major retail area within the Dallas/Fort Worth metroplex. Presently, there is over 4 million square feet of retail space, more than 6 million square feet of total business space, and two restaurant rows offering over 30 restaurants and 42 movie screens. The expansion of the retail sector in the Mall area has continued southbound along the Interstate Highway 635 corridor linking it with the Mesquite Rodeo Arena and Convention Center area. This retail and entertainment destination is now collectively named *The Rows of Texas*.

The industrial side of Mesquite is equally impressive. The Skyline Industrial Park is 1,500 acres in size and is home to the largest concentration of industries on the east side of the Metroplex. Ranging in size from the small manufacturer employing less than ten people to the giants of industry such as United Parcel Service that employ approximately 2,700 people, the Skyline Industrial Park is ideally located for manufacturing and distribution industries.

Although there has been a decline in the national and local economy, the long-range economic outlook for Mesquite is very promising. In recent years, Mesquite has been a leader in residential growth and is presently strengthening its programs for attracting new and retaining existing businesses. Mesquite's citizens and its business community are committed to managed growth, and to maintaining the level of economic prosperity and the quality of life Mesquite currently enjoys.

With continued emphasis on planned economic development and a commitment to the health and welfare of its citizens, Mesquite will continue to attract new homes and businesses. An estimated 38% of its corporate limits are presently undeveloped and Mesquite is certain to welcome many new citizens to our community in the future.

Major Initiatives

For the Year. Following the directives of the City Council, a number of initiatives were undertaken during the year to provide for and improve the quality of governmental services the citizens of Mesquite have come to expect. These improvements were identified after a systematic review of all activities of the City in which each program was analyzed to ensure that it was needed and wanted by the community and that it was being provided with maximum efficiency at the lowest cost possible. An excellent source of information about the City, its services, and current initiatives can be found at the City's website. We encourage you to visit us at <http://www.cityofmesquite.com>.

Over the course of the past decade, Mesquite has enjoyed exceptional growth in its residential development. From 1997 to the year 2009, over 7,000 new homes were built. This development has primarily occurred in southeast Mesquite, where the largest concentration of undeveloped land is located. To accommodate

additional growth, a thoroughfare plan was developed and is presently being implemented to provide improved roadway access to and within this sector of the City. The need for other infrastructure improvements was previously addressed with expansion of the water and sewer system and the opening of a new fire station to serve the area. City Council has recently adopted an updated plan and development standards for future residential development in the area. With higher standards covering such issues as residential density, open space percentages, neighborhood amenities, minimum home sizes, and design diversity, the City feels the long-term neighborhood viability in terms of stable or appreciating values will be assured.

In north central Mesquite, a continued emphasis was placed on efforts to improve traffic conditions around the Town East Mall and *The Rows of Texas* area. The City has funded signal projects, built alternative access points, extended streets, and constructed dedicated turn lanes in an effort to keep motorists moving in the area. Furthermore, the Texas Department of Transportation (TxDOT) has completed the Town Centre ramp project that provides entrance and exit ramps between IH635 and Town Center Drive and improves access to the Mall area. TxDOT construction of Phase II of the Town East/IH635 area improvements was a \$45.9 million project to improve the Town East Blvd/IH635 Interchange, expand entrance and exit ramps, and reconstruct sections of main-lane pavement on IH635 between Town East Blvd. and US Hwy 80. This project was basically complete at the end of 2009.

For the Future. Existing projects such as new roads in the southeast, continued traffic improvements in *The Rows of Texas* area, drainage improvements throughout the City, and new water storage and distribution projects will continue to be a priority as well as maintenance and expansion of all the City's general infrastructure. To address these goals, the City has developed a five-year capital projects plan that provides a framework for the development and maintenance of infrastructure to meet current and future needs. The plan also provides a vehicle for prioritizing which projects should be undertaken first based on need as well as a schedule for financing the construction.

During fiscal year 2009 the City continued on a deliberate process of community revitalization which community leaders have called "*Project Renewal*". *Project Renewal's* goal is to achieve long-term economic vitality through reinvestment and restoration throughout the City. Mesquite is an inner-ring suburb community experiencing redevelopment issues like many of the central cities in North Texas. Based on this challenge the City is proposing a very aggressive plan to improve the aesthetic appearance of the city, revive older neighborhoods and bolster its retail and commercial development prospects. *Project Renewal* yielded great results in 2009 with completion of the Super Target, continued redevelopment of the Market East shopping area and development of the Peachtree Towne Center. There are great plans for *Project Renewal* in 2010 as well.

Continued support of efforts to maintain neighborhood integrity is a commitment of the City Council. Funding will be provided in future budgets to expand code enforcement programs, beautification efforts, infrastructure renewal, and public safety initiatives to help sustain neighborhood vitality and promote a cleaner, safer, and healthier environment for our citizens. To preserve the value of our neighborhoods for generations to come, the City continues to support "Addressing MESQUITE" – an initiative to raise awareness about existing codes that maintain the appearance and condition of our area homes and neighborhoods.

The Council also recognizes that the need to attract and retain a qualified workforce is dependent upon a competitive compensation and benefit package for its employees. Future plans include continued support of an adopted pay plan that establishes compensation for City employees at the "market midpoint" as determined by a seven-city survey of peer cities. The Council also is committed to regular reviews of employee benefits such as insurance, retirement, holidays, and working conditions to ensure that Mesquite is providing

an attractive work environment. The City completed construction of a new Police facility in 2009 and broke ground for a new City Hall in 2010.

Financial Information

City management is responsible for establishing and maintaining an internal control structure design to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accounting System and Budgetary Controls

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council.

Budgets are legally adopted by Council for governmental funds other than Capital Projects Funds and the Other Special Revenue Fund, at the fund level of control. Project-length financial plans are adopted for Capital Projects Funds. Advisory budgetary control is maintained at the object class level (personal services, supplies, contractual services, capital outlay, etc.) in each departmental budget, and encumbrances are entered at the time a purchase order is issued. Outstanding purchase orders are reported at year-end as reservations of fund balances and the commitments will be honored during the subsequent year.

The budgetary process begins each year with the preparation of both revenue estimates and expenditure requests by each city department. Budgets are reviewed by the Deputy City Manager, Assistant City Manager, Finance Director and Budget Director. The City Manager makes final decisions and submits a recommended budget to the City Council prior to August 15. The proposed budget is reviewed extensively by the City Council, public hearings are conducted, and the budget is legally enacted by passage of an ordinance prior to October 1.

As part of each year's budget development process, departments are required to update expenditure estimates for the current fiscal year. These estimates, as well as revenue estimate revisions, are reviewed by the Budget Office, Finance Department, City Manager, and the City Council. The City Council approves the adoption of the amended budget by ordinance.

During the course of the fiscal year, monthly expenditure reports are generated by the Accounting Division using the City's automated accounting system. These reports provide budget, expenditure, and encumbrance data for each cost center. In addition, on-line inquiry capability is provided to every department to review appropriation, project, document, and vendor file data. At month-end, a summarized Monthly Financial Report is presented to the City Council.

Tax Rates

All eligible property within the City is subject to assessment, levy, and collection by the City of an ad valorem tax sufficient to provide for the payment of principal and interest on outstanding bonds within the limits prescribed by law, and the payment of maintenance and operation costs as approved by the City Council. Under State law and provisions of the City Charter, the City is limited to a maximum tax rate of \$2.50 per \$100 assessed valuation. The tax rate adopted by the City Council has historically been substantially lower

than the maximum provided by law. Allocations of property tax levy by purpose for fiscal year 2009 and the preceding two years are as follows (amounts per \$100/assessed value):

<u>Purpose</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Maintenance and Operations	\$.48727	\$.48716	\$.46246
Debt Service	<u>0.15273</u>	<u>.15284</u>	<u>.15754</u>
Total Tax Rate	<u><u>\$.64000</u></u>	<u><u>\$.64000</u></u>	<u><u>\$.62000</u></u>

Debt Administration

The ratio of net general bonded debt to assessed value and the amount of net general bonded debt per capita are useful indicators of the City's debt position to municipal management, citizens, and investors. The data for the City of Mesquite at September 30, 2009 and 2008, as reflected in the Statistical Section, Schedule 11 is as follows:

	<u>2009</u>	<u>2008</u>
Net General Bonded Debt	\$ 106,267,836	\$ 100,642,473
Ratio of Net Bonded Debt to Assessed Value	1.76 %	1.59 %
Debt per Capita	\$ 770.89	\$ 731.68

The City's general obligation bonds have been assigned the rating of Aa3 by Moody's Investors Service, Inc. and AA by the Standard and Poor's Ratings Services for the current year issues. The current year revenue bond issue was assigned Aa3 by Moody's and AA by Standard and Poor's. The City's current year revenue bond issuance is insured by Financial Security Assurance, Inc. with their ratings of Aa3 by Moody's, AAA by Standard and Poor's and AA+ by Fitch Rating Services.

Cash Management

The City pools its cash balances for investment purposes. A primary objective of the City's investment program is the safety and preservation of the principal. The City purchases treasury bills, notes and government agencies, as well as funds from local government investment pools consisting of these securities. The average yield on investments was 1.92% for the year, and the amount of interest earned was \$2,134,863 after recording a \$250,637 net unrealized gain attributable to marking investments to their fair value as of September 30, 2009. The City's investment performance ranks favorably when compared to market yield rates. The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits are either insured by federal depository insurance or collateralized. All collateral on deposits is held by a third-party custodial bank in the City's name.

Employee's Retirement System

The City participates in the Texas Municipal Retirement System which is a statewide, nontraditional, joint contributory, hybrid defined benefit plan that covers all employees who are eligible. The Notes to the Basic Financial Statements provides detailed information on the Retirement Plan.

Other Information

Certificate of Achievement. The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Mesquite, Texas, for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2008. This was the thirtieth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements. The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to its preparation. We would also like to thank the Mayor, City Council, and City Manager for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully Submitted,



Director of Finance



Accounting Manager

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Mesquite
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2008

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

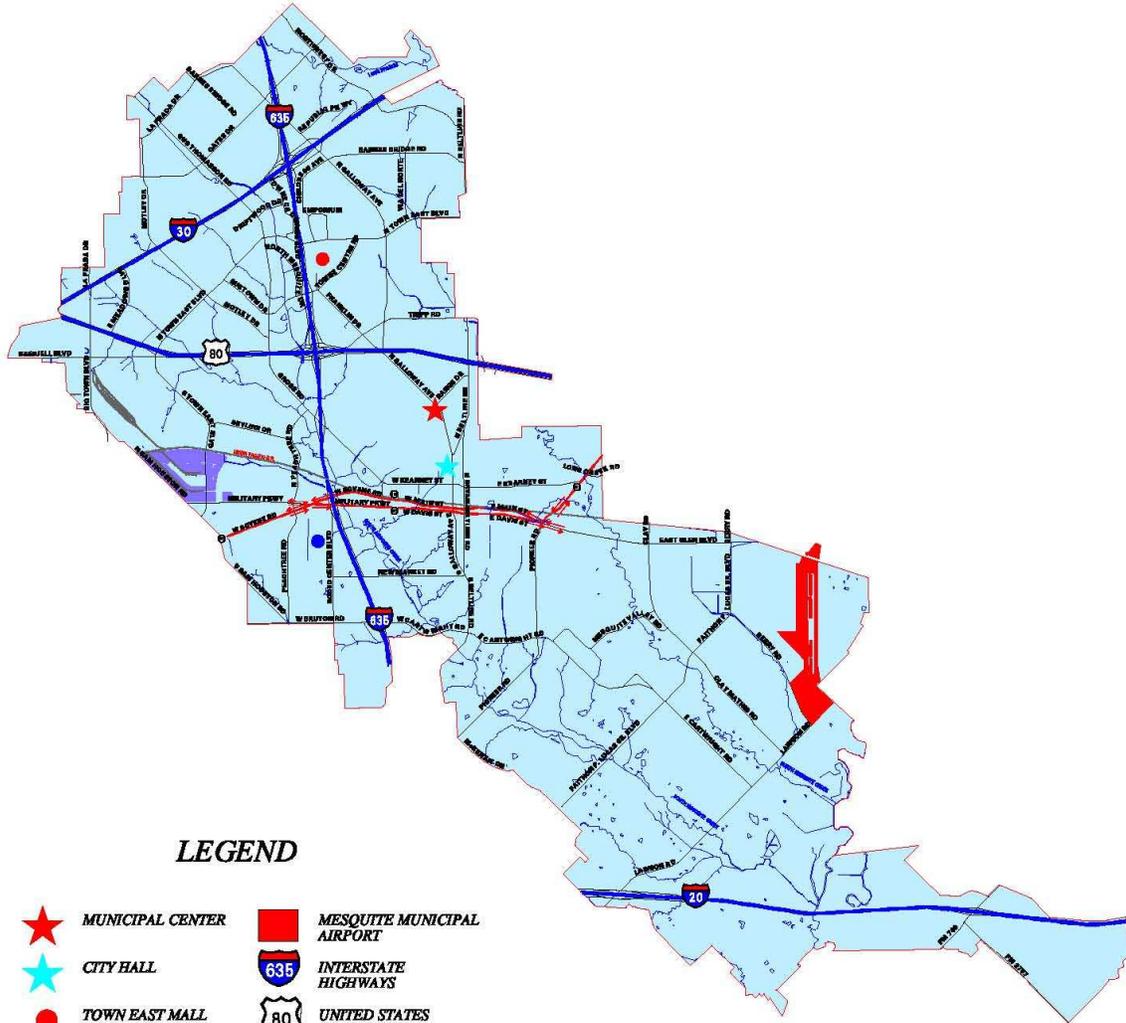


President

Executive Director

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LEGEND

- | | | | |
|---|---|---|------------------------------|
|  | MUNICIPAL CENTER |  | MESQUITE MUNICIPAL AIRPORT |
|  | CITY HALL |  | INTERSTATE HIGHWAYS |
|  | TOWN EAST MALL |  | UNITED STATES HIGHWAYS |
|  | RODEO ARENA
CONVENTION CENTER
EXHIBITION HALL |  | STATES & PROVINCIAL HIGHWAYS |
|  | SKYLINE INDUSTRIAL DISTRICT | | |

City of Mesquite
GIS Division
2009



Independent Auditors' Report

Audit • Tax • Advisory

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Dallas, TX 75201-4667

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The Honorable Mayor, City Council and City Manager
The City of Mesquite, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mesquite, Texas (the City), as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The City of Mesquite, Texas, as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and the major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 14, the 2008 basic financial statements have been restated to correct errors related to capital assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2010 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.

Management's discussion and analysis on pages 3 through 13 and schedules of Texas Municipal Retirement System Analysis of Funding Progress and the Schedule of Funding Progress – Other Post Employment Benefits (OPEB) on page 62 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining fund financial statements and individual nonmajor fund financial statements, and individual fund budget to actual schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical information 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.

GRANT THORNTON LLP

Dallas, Texas
March 29, 2010

Mesquite, City of Texas
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2009

As management of the City of Mesquite, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2009. We encourage readers to consider the information presented here in conjunction with our letter of transmittal at the front of this report and the financial statements which follow this section.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$306 million (net assets). Of this amount, approximately \$29 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$25 million this fiscal year with 57 percent of the decrease attributable to activities which receive taxes and other nonexchange revenues (governmental activities) and the remainder from business activities.
- As of the close of the current fiscal year, the City of Mesquite's governmental funds reported combined ending fund balances of \$61 million, a decrease of \$11 million from the prior year. Of this amount, \$51.6 million is unreserved and available for spending subject to the City's self-imposed limitations by management for intended use.
- At year-end, the undesignated and unreserved fund balance for the general fund was \$16.5 million and total fund balance was \$18 million. Total fund balance represents over 18.2 percent of expenditures and transfers out and exceeds the 15 percent required by the City's adopted fund balance policy. On a current financial resources basis, total fund balance for the general fund increased \$596 thousand which was primarily the result of a decrease in transfers out to debt service and capital projects for the year. It should also be noted that although sales tax revenue and investment income decreased by a combined \$1.9 million the City decreased total expenditures by \$4.5 million.
- The City's net bonded debt decreased by \$2.2 million during this current fiscal year. The City issued general obligation debt for street, equipment, municipal building improvements, and new facilities as well as revenue bonded debt for water and sewer improvements.

Overview of the Financial Statements

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business. One of the most important questions asked about the City's finances is, "Is the City of Mesquite in a better financial position at the end of this fiscal year compared to last year?" The government-wide financial statements report information about the City as a whole and about its activities in a way that helps to answer this question. Other non-financial factors should be taken into consideration, such as changes in the City's property tax base and the condition of the City's streets to assess the overall health or financial condition of the City.

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from the functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities include most of the City's basic services such as fire, police, code compliance, library, parks and recreation, and community services as well as general government activities. The business-type activities of the City include water and sewer, drainage utility, and municipal airport services.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the 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 maintains ten 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, Housing Grants Special Revenue, Quality of Life Corporation (4B Sales Tax) Special Revenue and Bond Finance Capital Project funds, all of which are to be considered major funds. Data from the other six funds are combined into a single, aggregated presentation. Individual fund data for these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for the General, Quality of Life Corporation (4B Sales Tax) Special Revenue and the Housing Grants Special Revenue funds as part of the basic financial statements to demonstrate compliance with these budgets.

Proprietary funds. The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, drainage utility, and municipal airport operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its group health insurance and general liability insurance programs. Both of these programs are predominantly governmental activities; however, as they benefit both governmental and business-type activities, current year results have been allocated by function in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer and Drainage Utility funds since both are considered to be major funds of the City. Because the Municipal Airport fund is the only remaining enterprise fund, it is being presented in a separate column even though it does not meet the criteria of a major fund. Conversely, both of the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City reports only one fiduciary fund, an agency fund entitled the Tax Clearing fund. As the City collects ad valorem taxes for both the City and the Mesquite Independent School District, a separate legal entity, funds are held in the agency account until amounts due each government can be determined and distributed. The basic financial statements include a statement of fiduciary assets and liabilities. The accounting used for this fiduciary fund is much like that used for proprietary funds.

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 can be found immediately following the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information immediately follows the notes to the basic financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Schedules for certain budgeted nonmajor special revenue funds follow their combining statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the City of Mesquite, assets exceeded liabilities by \$306 million as of September 30, 2009.

The largest portion of the City's net assets (87.5 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, improvements, infrastructure and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Mesquite's Net Assets
(in Thousands)**

	Governmental Activities		Business-type Activities		Total	
	FY2009	FY2008 (Restated)	FY2009	FY2008 (Restated)	FY2009	FY2008 (Restated)
Current and other assets	\$ 79,682	\$ 91,677	\$ 43,206	\$ 41,348	\$ 122,888	\$ 133,025
Capital assets	232,455	221,182	173,381	165,985	405,836	387,167
Total assets	<u>312,137</u>	<u>312,859</u>	<u>216,587</u>	<u>207,333</u>	<u>528,724</u>	<u>520,192</u>
Long-term liabilities outstanding	131,451	126,519	75,292	71,512	206,743	198,031
Other liabilities	9,184	11,608	6,219	4,942	15,403	16,550
Total liabilities	<u>140,635</u>	<u>138,127</u>	<u>81,511</u>	<u>76,454</u>	<u>222,146</u>	<u>214,581</u>
Invested in capital assets, net of related debt	149,214	144,101	118,870	113,189	268,084	257,290
Restricted net assets	6,131	13,776	3,386	4,300	9,517	18,076
Unrestricted net assets	16,157	16,855	12,820	13,390	28,977	30,245
Total net assets	<u>\$ 171,502</u>	<u>\$ 174,732</u>	<u>\$ 135,076</u>	<u>\$ 130,879</u>	<u>\$ 306,578</u>	<u>\$ 305,611</u>

An additional portion of the City's net assets (3.1 percent) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$29 million may be used to meet the government's ongoing obligation to citizens and creditors.

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

Analysis of the City's Operations. Governmental and Business-type activities increased the City's net assets by \$969 thousand. The key elements of this increase and the prior year results are as follows:

**City of Mesquite's Change in Net Assets
(in Thousands)**

	Governmental Activities		Business-type Activities		Total	
	FY2009	FY2008	FY2009	FY2008	FY2009	FY2008
Revenues:						
Program revenues:						
Charges for services	\$ 27,073	\$ 27,794	\$ 39,220	\$ 38,856	\$ 66,293	\$ 66,650
Operating grants and contributions	12,222	12,603	-	-	12,222	12,603
Capital grants and contributions	1,360	6,977	3,110	6,018	4,470	12,995
General revenues:						
Ad valorem taxes	40,791	40,577	-	-	40,791	40,577
Gross receipts taxes	7,617	7,677	-	-	7,617	7,677
Sales taxes	33,348	35,339	-	-	33,348	35,339
Sale of capital assets	92	2	11	11	103	13
Investment income	1,467	3,402	668	1,220	2,135	4,622
Total revenues	123,970	134,371	43,009	46,105	166,979	180,476
Expenses:						
General government	19,888	19,410	-	-	19,888	19,410
Fire services	23,531	24,670	-	-	23,531	24,670
Police services	31,767	32,265	-	-	31,767	32,265
Field services	13,608	13,970	-	-	13,608	13,970
Public works	3,552	4,529	-	-	3,552	4,529
Community development	3,510	3,636	-	-	3,510	3,636
Housing & community services	14,017	12,684	-	-	14,017	12,684
Library services	1,939	2,127	-	-	1,939	2,127
Parks and recreation	12,940	9,446	-	-	12,940	9,446
Interest on long-term debt	4,649	4,519	-	-	4,649	4,519
Water and sewer	-	-	33,431	31,939	33,431	31,939
Drainage utility	-	-	1,714	1,817	1,714	1,817
Municipal airport	-	-	1,602	1,721	1,602	1,721
Total expenses	129,401	127,256	36,747	35,477	166,148	162,733
Increase in net assets before transfers	(5,431)	7,115	6,262	10,628	831	17,743
Transfers	2,202	6,971	(2,202)	(6,971)	-	-
Increase in net assets	(3,229)	14,086	4,060	3,657	831	17,743
Net assets - October 1, 2008 as restated	174,731	171,815	131,016	142,387	305,747	314,202
Net assets - September 30, 2009	\$ 171,502	\$ 185,901	\$ 135,076	\$ 146,044	\$ 306,578	\$ 331,945

Governmental Activities

Governmental activities decreased the City of Mesquite's net assets by \$3.2 million.

The City's program revenues from governmental activities decreased approximately \$6.7 million (14.2 percent) during the year. Charges for services decreased approximately \$721 thousand, operating grants/contributions decreased approximately \$381 thousand and capital grants/contributions decreased approximately \$5.6 million. The decrease in charges for services is due to less roadway impact fees collected in fiscal year 2009 and to a grass and weed adjustment in fiscal year 2008 that was not repeated in fiscal year 2009. Operating grants/contributions decreased due to a decrease in the Housing Grants fund contract

revenues being down by approximately \$381 thousand. This fluctuates from year to year depending on the timing of grant activity. Capital grants/contributions are down due to a decrease in developer's contributions by approximately \$2.5 million and a decrease in reimbursements received for joint venture projects by approximately \$3.1 million in the Quality of Life (4B) fund and Local Finance Capital Projects fund.

General revenues of the City's governmental activities decreased \$3.7 million during the year. General revenue from sales taxes was 5.6 percent lower for the year, a decrease of \$1.9 million due to current economic conditions. Investment income decreased \$1.9 million due to the continued downturn in the market during the year. The decreases in sales taxes and investment income were offset by a slight increase in property tax revenues received of \$214 thousand.

Expenses for the City's governmental activities experienced a net increase of \$2.1 million compared with the prior fiscal year. The major increases were in General Government (\$478 thousand), Housing and Community Services, and Parks and Recreation (\$3.5 million). These increases were offset by decreases in Fire Services (\$1.1 million), Police Services (\$498 thousand), Field Services (\$362 thousand), and Public Works (\$977 thousand). For all of the categories that have personal service expenditures for salaries and related benefits there was a wage freeze with no pay increase to employees for the fiscal year. Along with the wage freeze there were several vacant positions that were not filled. In the General Government category most departments were able to reduce spending to help off-set reductions in various revenue sources. General Government did experience a slight increase in spending largely due to budgeted capital project spending in the Local Finance fund. Housing & Community services had increased grant spending in correlation to increased grant monies available. Parks and Recreation had several large operating expense type projects that were closed during the fiscal year causing their total expenditures to be higher than last fiscal year. Fire Services purchased a fire truck in 2007/08 that was not part of the activity for 2008/09. Fire services and Police Services both worked hard to minimize the amount of overtime for the year. Field Services experienced a reduction in expenditures due largely to lower fuel costs than the previous year. Public Works had less spending due to less spending on capital projects in the Quality of Life (4B) Fund.

Business-type Activities

Business-type activities increased the City of Mesquite's net assets by \$4.2 million.

The City's overall revenues for business-type activities decreased slightly by approximately \$3.1 million during the fiscal year. The majority of the program revenues for the City's business-type activities are from its water and sewer operations. Water and sewer customer charges increased slightly by \$319 thousand due to rate increases for both water (\$0.51 per 1,000 gallons) and sewer (\$0.44 per 1,000 gallons) charges. This increase was offset by a decrease in consumption due to more rainfall during the year in 2008/09 as compared to the previous year. Capital grants and contributions decreased by \$2.9 million due to fewer contributions by developers in the Water and Sewer fund and the Drainage Utility District fund. Overall construction is down in the City due to the poor economy therefore developer's projects are down as well. Interest income continued to decrease in 2009 due to the continued poor condition of the market.

Expenses attributable to the business-type activities increased by approximately \$1.1 million (3.2%) this fiscal year. The increase is primarily due to a 10% rate increase from North Texas Municipal Water District for treated water and sewer treatment charges. Net transfers for 2008/09 were lower than 2007/08 by \$4.8 million as well. In 2007/2008 there was a transfer out to the Capital Projects Reserve fund for \$2.9 million from the Water and Sewer Revenue Reserve Fund. This transfer was available due to a change in the Water and Sewer bond covenant requirements and was not repeated in 2008/09. Transfers in were higher in 2008/2009 by \$2.1 million for a transfer for assets purchased by the City's governmental type funds for the airport enterprise fund.

Financial Analysis of the City's Funds

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$61.1 million. Approximately 85 percent of this total amount (\$51.6 million) constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available to pay for new spending because it has already been committed to pay for encumbrances, prepaids, and inventory of \$8.9 million and debt service of \$612 thousand. The fund balance for all governmental funds decreased by \$10.6 million from the previous fiscal year. This decrease is explained below individually by fund.

The General Fund is the chief operating fund of the City of Mesquite. At the end of the current fiscal year, unreserved fund balance of the General fund was \$16.5 million while the total fund balance was at \$17.9 million. The total fund balance increased by \$597 thousand. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total fund expenditures and transfers out. Unreserved fund balance represents 16.7 percent of total General Fund expenditures and transfers out, while the total fund balance represents 18.1 percent of that same amount. By the City's adopted fund balance policy, fund balance is required to exceed expenditures and transfers out by 15 percent.

In the General Fund, total revenues decreased almost \$2 million from the prior year. Sales tax and Investment income continued to decline by almost \$2 million which is attributed to tougher competition from surrounding retail areas, the declining economy, and poor market conditions. On the expenditure side, the actual expenditures decreased approximately \$4.5 million. There was an overall effort by the City to reduce spending in every area. Most of the decrease in actual expenditures was in general government (\$792 thousand), Police services (\$1.1 million), Field services (\$894 thousand) and Parks and recreation (\$1.2 million). The decrease in General government was due to an overall effort by departments to reduce expenditures and two larger expenditures in 2007/2008 that were not incurred in 2008/2009; one for the cost of the interim police chief and the other for bad debt expense. The decrease in Police services was due to reduction in overtime and reduction in the cost of fuel used in police vehicles. The decrease in Field services was due to less vehicle and equipment purchases in 2008/2009 and reduced fuel costs for City vehicles. The reduction in Parks and Recreation was due to an increase in the reimbursement from the Quality of Life (4B) Fund for Parks and recreation operations and a reduction in various programs no longer offered. Savings in most functional areas allowed for overall budget to actual savings of over \$575 thousand. Expenditures in excess of budget in Parks and recreation of \$520 thousand are due to work order credit reimbursements from Quality of Life (4B Sales Tax) fund that did not take place. This reimbursement is based on actual expenditures which came in less than originally budgeted. Expenditures in excess of budget in Police services of \$422 thousand is due to overtime not coming in as low as originally budgeted.

The Housing Grants Fund is a major special revenue fund used to account for funds awarded the City by the U. S. Department of Housing and Urban Development under their housing assistance program. The fund balance is approximately \$1.2 million at the end of the year. Fund balance decreased by \$1.2 million. This decrease was due to an increase in expenditures of approximately \$1.2 million. The expenditures relate to multi-year grants that carry over from year-to-year. Money for the expenditures was available in the beginning fund balance. Intergovernmental revenues were \$1.6 million less than the amount budgeted due to grant monies awarded during the year that had not been drawn on by year end. The programs are multi-year and will be carried over to the next fiscal year.

The Mesquite Quality of Life Corporation (4B Sales Tax) Special Revenue Fund is used to account for funds received from a one-half of one percent general sales tax, which can be utilized for public safety, transportation or parks and recreation purposes. The fund balance at year end is \$4.3 million, \$2 million of which is reserved for encumbrances. Fund balance decreased almost \$5.8 million which is the result of capital project spending in 2008/09 on projects funded in the prior year, an increase in the subsidy to Parks and Recreation operations, and a slight reduction in sales tax revenues of approximately \$500 thousand. Revenues were under budget in Contributions and donations largely due to reimbursements from the Texas Department of Transportation not received prior to year end. Planned project spending was also less than budgeted. The projects in the Quality of Life (4B) fund carry forward from year to year as the funds are set aside for each project.

The Bond Finance capital projects fund is a major fund used to account for capital project expenditures from the proceeds of governmental debt. Fund balance at year end is \$22 million, \$4.4 million of which is reserved for encumbrances and \$17.6 million is unreserved for capital projects. The fund balance decreased by \$847 thousand which is the result of capital project spending in 2008/09 on projects funded in the prior year. This amount was part of the reserve for encumbrances at the end of 2007/08. Investment income increased due to bond proceeds received for upcoming capital projects. Project spending carries over from year to year depending on the scheduled activity.

Proprietary funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Water and Sewer fund at the end of the year amounted to \$11.5 million and those for the Drainage Utility District amounted to \$1.5 million. The total change in net assets for both funds was \$1.6 million and \$500 thousand, respectively. The factors concerning the finances of the Water and Sewer fund have already been addressed in the discussion of the City of Mesquite's business-type activities. The Drainage Utility District fund operating results were consistent with prior year except for a decrease in contributions from developers of \$1.2 million. The decrease in developer's contributions is due to a decrease in overall development throughout the City due to current economic conditions.

Capital Assets

At the end of fiscal year 2009, the City had over \$405 million (net of accumulated depreciation) invested in capital assets for its governmental and business-type activities in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. The total increase in the City of Mesquite's investment in capital assets (net of accumulated depreciation) was 4.9 percent for the current fiscal year.

City of Mesquite's Capital Assets (Net of Depreciation, in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2009	2008 (Restated)	2009	2008 (Restated)	2009	2008 (Restated)
Land	\$ 21,701	\$ 19,852	\$ 9,667	\$ 7,129	\$ 31,368	\$ 26,981
Construction in progress	60,448	48,534	8,431	5,381	68,879	53,915
Buildings	33,271	33,275	4,256	3,000	37,527	36,275
Infrastructure	89,612	92,988	149,019	148,453	238,631	241,441
Improvements	8,841	8,368	274	294	9,115	8,662
Equipment	18,582	18,165	1,734	1,728	20,316	19,893
Totals	<u>\$ 232,455</u>	<u>\$ 221,182</u>	<u>\$ 173,381</u>	<u>\$ 165,985</u>	<u>\$ 405,836</u>	<u>\$ 387,167</u>

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

- Almost \$27 million was expended for capital projects in 2009 and \$12 million was completed and placed in service.
- Over \$5.2 million was expended for transportation and street and alley projects including continuing work on Tripp Road, Driftwood Drive Extension, State Highway 352 and US 80 Interchange construction, Peach Tree Bridge and traffic signal progression.
- Progress continued on upgrading City facilities with over \$7 million being expended toward the new police facility, almost \$1 million expended toward the new City Hall building and \$3 million being expended on various other municipal improvements. Work on the police facilities building was completed in 2009.
- Almost \$2.1 million was spent on Parks and Recreation capital projects for items such as playground replacements, recreation facility parking lots, City Lake restrooms, park land acquisition, and various other building renovations and projects.
- Current year outlay for the water and sewer system capital projects was \$6.4 million and \$2.1 million of infrastructure and buildings was completed and placed into service.
- Current year outlay for drainage utility capital projects was \$365 thousand and \$282 thousand of infrastructure was completed and placed into service.
- The Mesquite Municipal Airport acquired land for future expansion in the amount of \$2.5 million. City bond proceeds were made available to the airport to fund this purchase.

Additional information on the City of Mesquite's capital assets can be found in Note 5 of the Notes to the Basic Financial Statements.

Debt Administration

At year-end, the City had \$179.9 million in net bonded debt outstanding. Of this total amount, \$105.9 million or 59 percent is comprised of bonded debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured by specified revenue sources (i.e., revenue bonds).

City of Mesquite's Outstanding Net Bonded Debt General Obligation and Revenue Bonds (in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General obligation	\$ 36,972	\$ 37,568	\$ -	\$ -	\$ 36,972	\$ 37,568
Certificates of obligation	61,560	55,250	-	-	61,560	55,250
Public property finance contractual obligations	7,440	7,610	-	-	7,440	7,610
Revenue bonds	<u>-</u>	<u>-</u>	<u>73,967</u>	<u>70,137</u>	<u>73,967</u>	<u>70,137</u>
Totals	<u>\$ 105,972</u>	<u>\$ 100,428</u>	<u>\$ 73,967</u>	<u>\$ 70,137</u>	<u>\$ 179,939</u>	<u>\$ 170,565</u>

During the fiscal year, there were the following debt issuances: \$4.2 million in general obligation debt to advance refund prior tax exempt bonds; \$11.3 million of certificate of obligation debt for constructing, improving, equipping and renovating the Police/City Hall facility, acquisition of land for municipal airport purposes, professional fees and costs to provide electronic records management, major repairs and improvements to existing municipal buildings, and other street, alley and sidewalk improvements; \$1.9 million in contractual obligations for equipment; and \$8.4 million of revenue bonds for water and sewer improvements.

The City's general obligation bonds have been assigned the rating of Aa3 by Moody's Investors Service, Inc. and AA by the Standard and Poor's Ratings Services for these most recent issues. The revenue bond ratings were Aa3 by Moody's and AA by Standard and Poor's. The City's current year revenue bond issuance is insured by Financial Security Assurance, Inc. with their ratings of Aa3 by Moody's, AAA by Standard and Poor's and AA+ by Fitch Rating Services.

Additional information on the City's long-term bonded debt can be found in Note 7 of the Notes to the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The economic outlook for next year is slow recovery from perhaps the longest economic recession since the Great Depression. The mandate for all City departments for the new fiscal year was to hold the line or reduce expenditures in all areas as much as possible. Interest earnings and sales tax revenues seem to be leveling out in the first few months of the new year after experiencing several months of decline. In order to present a balanced budget for the new year with no property tax increase, it was necessary to increase the funding received from the Quality of Life (4B) fund for park operations.

In the midst of the economic downturn the City continues its emphasis on *Project Renewal*, a bold, strategic initiative to bring about real change and enhance Mesquite's competitive position in the commercial, retail and residential arenas. The goal of *Project Renewal* is to achieve long-term economic vitality through reinvestment and restoration throughout the City. The City has experienced great results from this program thus far with the Peachtree Towne Center development, completion of the Super Target and continued redevelopment of the Market East shopping area. Several new restaurants have been added to the City as well as many renovation projects that are revitalizing existing unoccupied buildings.

In the 2009-10 budget General Fund revenues and transfers in are projected to decrease by 3.6 percent from the 2008-09 final budget with the majority of this decrease coming from general property tax revenues. General property tax revenue (Ad valorem tax revenue) is determined by two major factors: the total assessed property value established by the Dallas Central Appraisal District and the tax rate set by City Council. Certified assessed valuations decreased 6.1 percent over the preceding year while the City tax rate will remain the same at \$.64 per \$100 of assessed valuation. The 2009-10 budget does include modest increases to some of the other revenue line items that offset the decrease in General property tax revenue. General Fund expenditures and transfers out are budgeted at a 3.6 percent decrease over the 2008-09 final budget as well. This decrease is attributable to the expenditure reductions noted above.

The Dallas-Fort Worth metroplex has experienced an exceptionally strong and expanding economy until recent years when signs of economic weakness have surfaced. Decreased consumer spending, increasing high energy costs, unemployment, the downturn in the housing market and a slowdown in regional growth have again impacted the City budget for the upcoming fiscal year. General sales tax receipts are projected to recover slightly with an approximate 3.1 percent increase over the prior year's receipts. This revenue source

comprises almost 25 percent of General Fund revenues and transfers in. This revenue source is the most volatile and subject to decline if the economic slowdown worsens.

It is anticipated that under the proposed budget that the City will be able to maintain service levels and goals developed in the strategic plan and continue the major initiatives under *Project Renewal*. The adopted 2009-10 General Fund budget totals \$96.6 million in expenditures and transfers out, a decrease of \$3.6 million (3.6 percent). Total fund balance is projected to remain unchanged in fiscal year 2010.

Contacting the City's Financial Management

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Finance Department, Attn: Accounting Manager, at P. O. Box 850137, Mesquite, Texas 75185-0137, call (972) 216-6287 or e-mail at dmol@ci.mesquite.tx.us.

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City of Mesquite, Texas

**Statement of Net Assets
September 30, 2009**

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Pooled cash and investments	\$ 62,336,425	\$ 35,607,246	\$ 97,943,671
Receivables (net of allowance for uncollectibles)	13,605,193	6,351,672	19,956,865
Internal balances	301,848	(301,848)	-
Inventory	753,988	373,630	1,127,618
Prepays and other assets	1,631,438	1,148,000	2,779,438
Accrued interest	117,095	27,638	144,733
Net Other Post Employment Benefit (OPEB) Asset	935,853	-	935,853
Capital assets-			
Land and construction in progress	82,148,926	18,098,072	100,246,998
Other capital assets (net of accumulated depreciation)	<u>150,306,458</u>	<u>155,282,999</u>	<u>305,589,457</u>
Total Assets	<u>312,137,224</u>	<u>216,587,409</u>	<u>528,724,633</u>
LIABILITIES:			
Accounts payable	\$ 7,672,707	\$ 2,627,798	\$ 10,300,505
Accrued interest payable	721,786	257,663	979,449
Deposits and other liabilities	789,146	3,333,795	4,122,941
Long-term liabilities:			
Due within one year:			
Capital lease payable	19,083	38,965	58,048
Bonds payable	7,100,000	5,125,000	12,225,000
Notes payable	472,439	-	472,439
Accrued compensated absences	6,701,463	258,032	6,959,495
Estimated claims payable	1,291,963	-	1,291,963
Due in more than one year:			
Capital lease payable	13,117	48,455	61,572
Bonds payable	98,872,313	68,842,504	167,714,817
Notes payable	4,422,953	-	4,422,953
Accrued compensated absences	11,864,321	978,819	12,843,140
Estimated claims payable	<u>693,926</u>	<u>-</u>	<u>693,926</u>
Total Liabilities	<u>140,635,217</u>	<u>81,511,031</u>	<u>222,146,248</u>
NET ASSETS:			
Invested in capital assets, net of related debt	149,214,163	118,870,430	268,084,593
Restricted for:			
Capital projects	4,322,943	-	4,322,943
Housing grants	1,196,089	-	1,196,089
Debt service	612,164	3,385,949	3,998,113
Unrestricted	<u>16,156,648</u>	<u>12,819,999</u>	<u>28,976,647</u>
Total Net Assets	<u>\$ 171,502,007</u>	<u>\$ 135,076,378</u>	<u>\$ 306,578,385</u>

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

**Statement of Activities
For the Year Ended September 30, 2009**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
FUNCTION / PROGRAM ACTIVITIES:				
Governmental activities:				
General government	\$ 19,888,003	\$ 5,214,118	\$ 147,812	\$ -
Fire services	23,531,205	2,129,991	430,794	-
Police services	31,767,343	4,734,922	197,641	-
Field services	13,608,158	6,992,037	-	1,295,568
Public works	3,551,737	805,774	63,043	8,762
Community development	3,509,593	5,437,650	628,107	56,231
Housing & community services	14,016,611	237,637	10,713,072	-
Library services	1,939,013	82,322	26,182	-
Parks and recreation	12,940,100	1,438,892	14,895	-
Interest on long-term debt	4,649,243	-	-	-
Total governmental activities	<u>129,401,006</u>	<u>27,073,343</u>	<u>12,221,546</u>	<u>1,360,561</u>
Business-type activities:				
Water and sewer	33,430,803	35,713,630	-	3,110,062
Drainage utility	1,713,996	2,170,494	-	-
Municipal airport	1,601,994	1,336,083	-	-
Total business-type activities	<u>36,746,793</u>	<u>39,220,207</u>	<u>-</u>	<u>3,110,062</u>
Total function / program activities	<u>\$ 166,147,799</u>	<u>\$ 66,293,550</u>	<u>\$ 12,221,546</u>	<u>\$ 4,470,623</u>
General revenues:				
Ad valorem taxes				
Gross receipts taxes				
Sales taxes				
Sale of capital assets				
Investment income				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning as restated				
Net assets - ending				

The accompanying notes are an integral part of this statement.

Net (Expenses) Revenues and Changes in Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ (14,526,073)	\$ -	\$ (14,526,073)
(20,970,420)	-	(20,970,420)
(26,834,780)	-	(26,834,780)
(5,320,553)	-	(5,320,553)
(2,674,158)	-	(2,674,158)
2,612,395	-	2,612,395
(3,065,902)	-	(3,065,902)
(1,830,509)	-	(1,830,509)
(11,486,313)	-	(11,486,313)
<u>(4,649,243)</u>	<u>-</u>	<u>(4,649,243)</u>
<u>(88,745,556)</u>	<u>-</u>	<u>(88,745,556)</u>
-	5,392,889	5,392,889
-	456,498	456,498
-	<u>(265,911)</u>	<u>(265,911)</u>
-	<u>5,583,476</u>	<u>5,583,476</u>
<u>(88,745,556)</u>	<u>5,583,476</u>	<u>(83,162,080)</u>
40,791,034	-	40,791,034
7,617,049	-	7,617,049
33,347,607	-	33,347,607
91,640	11,511	103,151
1,466,971	667,892	2,134,863
<u>2,202,385</u>	<u>(2,202,385)</u>	<u>-</u>
<u>85,516,686</u>	<u>(1,522,982)</u>	<u>83,993,704</u>
(3,228,870)	4,060,494	831,624
<u>174,730,877</u>	<u>131,015,884</u>	<u>305,746,761</u>
<u>\$ 171,502,007</u>	<u>\$ 135,076,378</u>	<u>\$ 306,578,385</u>

City of Mesquite, Texas

**Balance Sheet - Governmental Funds
September 30, 2009**

	<u>General</u>	<u>Housing Grants</u>	<u>Quality of Life Corporation (4B Sales Tax)</u>	<u>Bond Finance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:						
Pooled cash and investments	\$ 13,401,801	\$ 1,231,761	\$ 4,351,719	\$ 23,360,012	\$ 16,370,053	\$ 58,715,346
Receivables (net of allowance):						
Accounts receivable	3,832,537	53,125	-	41,196	-	3,926,858
Ad valorem taxes	1,401,502	-	-	-	-	1,401,502
Other taxes receivable	1,633,855	-	-	-	-	1,633,855
Assessments	-	-	-	324,954	-	324,954
Intergovernmental	4,134,899	-	1,355,682	-	827,444	6,318,025
Due from other funds	992,097	-	-	-	-	992,097
Inventory	753,988	-	-	-	-	753,988
Prepays	60,966	-	-	-	6,926	67,892
Accrued interest	37,238	3,027	23,718	48,938	1,674	114,595
	<u>37,238</u>	<u>3,027</u>	<u>23,718</u>	<u>48,938</u>	<u>1,674</u>	<u>114,595</u>
Total Assets	\$ 26,248,883	\$ 1,287,913	\$ 5,731,119	\$ 23,775,100	\$ 17,206,097	\$ 74,249,112
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts payable	\$ 3,874,953	\$ 38,699	\$ 885,176	\$ 91,624	\$ 221,220	\$ 5,111,672
Contracts payable	-	-	523,000	1,368,708	20,050	1,911,758
Deposits	315,338	-	-	-	473,808	789,146
Due to other funds	-	-	-	-	824,992	824,992
Deferred revenues	4,098,926	53,125	-	353,154	5,000	4,510,205
	<u>4,098,926</u>	<u>53,125</u>	<u>-</u>	<u>353,154</u>	<u>5,000</u>	<u>4,510,205</u>
Total Liabilities	8,289,217	91,824	1,408,176	1,813,486	1,545,070	13,147,773
Fund Balances:						
Reserved for:						
Encumbrances	625,214	-	2,030,947	4,430,282	1,020,742	8,107,185
Prepays	60,966	-	-	-	-	60,966
Inventory	753,988	-	-	-	-	753,988
Debt retirement	-	-	-	-	612,164	612,164
Unreserved reported in:						
General fund	16,519,498	-	-	-	-	16,519,498
Special revenue funds	-	1,196,089	2,291,996	-	3,360,085	6,848,170
Capital project funds	-	-	-	17,531,332	10,668,036	28,199,368
	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,531,332</u>	<u>10,668,036</u>	<u>28,199,368</u>
Total Fund Balances	17,959,666	1,196,089	4,322,943	21,961,614	15,661,027	61,101,339
Total Liabilities and Fund Balances	\$ 26,248,883	\$ 1,287,913	\$ 5,731,119	\$ 23,775,100	\$ 17,206,097	\$ 74,249,112

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

**Reconciliation of the Balance Sheet
of Governmental Funds
To the Statement of Net Assets
As of September 30, 2009**

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

Total fund balance per balance sheet	\$ 61,101,339
Net other post employment benefit asset in the governmental type activities is not a current financial resource and therefore is not reported in the governmental funds balance sheet.	935,853
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	232,455,384
Other long-term assets less related uncollectibles are not available to pay for current period expenditures and therefore are offset by deferred revenues in the governmental funds.	4,510,205
Internal service funds are used by management to charge the costs of health claims and general liability to individual funds. The assets and liabilities are included in governmental activities in the statement of net assets.	1,443,877
Accrued interest payable on long-term debt does not require current financial resources and therefore is not reported as a liability in the balance sheet of governmental funds.	(721,787)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities consist of:	
General obligation bonds payable	(37,880,000)
Certificate of obligation bonds payable	(61,560,000)
Public property finance contractual obligations payable	(7,440,000)
Notes Payable	(4,895,392)
Capital lease payable	(32,200)
Less: deferred amounts	2,150,512
Accrued compensated absences	<u>(18,565,784)</u>
	<u>(128,222,864)</u>
Net assets of governmental activities	<u>\$ 171,502,007</u>

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2009**

	<u>General</u>	<u>Housing Grants</u>	<u>Quality of Life Corporation (4B Sales Tax)</u>	<u>Bond Finance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:						
Taxes-						
Ad valorem	\$ 40,570,925	\$ -	\$ -	\$ -	\$ -	\$ 40,570,925
Gross receipts	7,541,084	-	-	-	75,965	7,617,049
Sales	24,238,633	-	8,015,837	-	1,093,137	33,347,607
Licenses and permits	1,105,976	-	-	-	1,540	1,107,516
Fines and forfeitures	2,598,144	-	-	-	802,762	3,400,906
Investment income	495,387	37,623	163,262	490,578	233,920	1,420,770
Charges for services	11,201,563	-	-	88,538	5,814,049	17,104,150
Intergovernmental	720,855	9,723,402	-	-	1,784,674	12,228,931
Contributions and donations	147,812	-	59,117	-	89,822	296,751
Other revenues	784,210	57,064	-	1,200	291,911	1,134,385
Total Revenues	89,404,589	9,818,089	8,238,216	580,316	10,187,780	118,228,990
EXPENDITURES:						
Current-						
General government	10,296,422	-	40,000	207,889	4,487,393	15,031,704
Fire services	23,824,530	-	-	46,764	117,814	23,989,108
Police services	29,464,417	-	-	-	819,947	30,284,364
Field services	9,699,858	-	-	436,575	-	10,136,433
Public works	2,792,583	-	321	-	6,622	2,799,526
Community development	2,583,926	-	-	-	849,875	3,433,801
Library services	1,882,758	-	-	44,838	21,097	1,948,693
Parks and recreation	7,448,909	-	4,622,354	-	50,523	12,121,786
Housing and community services	1,905,700	11,587,196	-	-	495,904	13,988,800
Capital outlay	-	-	8,016,461	11,172,668	1,029,229	20,218,358
Debt service						
Principal	-	-	-	-	8,122,664	8,122,664
Interest and fiscal charges	-	-	-	-	4,353,658	4,353,658
Bond issuance costs	22,380	-	-	268,270	-	290,650
Total Expenditures	89,921,483	11,587,196	12,679,136	12,177,004	20,354,726	146,719,545
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(516,894)	(1,769,107)	(4,440,920)	(11,596,688)	(10,166,946)	(28,490,555)
OTHER FINANCING SOURCES (USES):						
Transfers in	8,394,261	-	-	12	12,180,778	20,575,051
Transfers out	(9,146,175)	(150,000)	(1,358,943)	(551,622)	(4,623,012)	(15,829,752)
Issuance of debt	1,865,000	-	-	11,260,000	-	13,125,000
Issuance of refunding debt	-	-	-	4,245,000	-	4,245,000
Payment to refunding bond agent	-	-	-	(4,203,625)	-	(4,203,625)
Total Other Financing Sources (Uses)	1,113,086	(150,000)	(1,358,943)	10,749,765	7,557,766	17,911,674
NET CHANGE IN FUND BALANCES	596,192	(1,919,107)	(5,799,863)	(846,923)	(2,609,180)	(10,578,881)
FUND BALANCES AT BEGINNING OF YEAR	17,363,474	3,115,196	10,122,806	22,808,537	18,270,207	71,680,220
FUND BALANCES AT END OF YEAR	\$ 17,959,666	\$ 1,196,089	\$ 4,322,943	\$ 21,961,614	\$ 15,661,027	\$ 61,101,339

The accompanying notes are an integral part of this statement.

City of Mesquite, 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, 2009**

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

Net change in fund balance - total governmental funds	\$ (10,578,881)
<p>All payments for other post employment benefits for the year are recorded as expenditures. However, in the government-wide statement of activities only the actuarially required contribution is considered expense. Any excess payment is recorded as an asset. Change in net other post employment benefits (OPEB) asset,</p>	
	935,853
<p>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 by which capital outlays exceeded depreciation in the current period.</p>	
Capital outlay expenditures	21,038,999
Depreciation expense	<u>(11,001,932)</u>
	10,037,067
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. This adjustment is to recognize contributions of capital assets by developers.</p>	
	1,236,451
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. This adjustment is to recognize the net change in deferred revenues.</p>	
	113,309
<p>The issuance of long-term debt (e.g. bond proceeds) 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. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
Principal amount of debt issued	(17,370,000)
Refunded bond debt amortization	(98,264)
Principal amount of debt paid to bondholders	11,670,000
Principal amount of capital lease paid	48,225
Principal amount of notes paid	454,361
Net change in accrued interest payable	(4,935)
Net deferred offering costs and related debt issuance items	<u>386,231</u>
	(4,914,382)
<p>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. This adjustment is to reflect the net change in accrued compensated absences.</p>	
	(287,750)
<p>Internal service funds are used by management to charge the costs of health claims and general liability to individual funds. The net expenses of certain activities of internal service funds is reported within governmental activities.</p>	
	<u>229,463</u>
Change in net assets of governmental activities	<u>\$ (3,228,870)</u>

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

General Fund

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes-				
Ad valorem	\$ 40,568,000	\$ 40,485,000	\$ 40,570,925	\$ 85,925
Gross receipts	7,653,100	7,583,500	7,541,084	(42,416)
Sales	25,400,000	24,390,000	24,238,633	(151,367)
Licenses and permits	1,254,530	1,113,900	1,105,976	(7,924)
Fines and forfeitures	2,542,500	2,601,500	2,598,144	(3,356)
Investment income	1,070,000	580,000	495,387	(84,613)
Charges for services	11,450,950	11,158,375	11,201,563	43,188
Intergovernmental	842,154	791,900	720,855	(71,045)
Contributions and donations	298,600	147,000	147,812	812
Other revenues	936,066	713,500	784,210	70,710
TOTAL REVENUES	<u>92,015,900</u>	<u>89,564,675</u>	<u>89,404,589</u>	<u>(160,086)</u>
EXPENDITURES:				
General government	11,102,343	10,896,014	10,296,422	599,592
Fire services	22,768,148	24,564,930	23,824,530	740,400
Police services	30,598,750	29,042,717	29,464,417	(421,700)
Field services	10,256,954	9,878,263	9,699,858	178,405
Public works	2,901,322	2,747,439	2,792,583	(45,144)
Community development	3,061,613	2,654,733	2,583,926	70,807
Library services	2,043,116	1,914,876	1,882,758	32,118
Parks and recreation	7,244,384	6,929,188	7,448,909	(519,721)
Housing and community services	1,821,394	1,849,168	1,905,700	(56,532)
Debt service:				
Bond issuance costs	80,000	19,500	22,380	(2,880)
TOTAL EXPENDITURES	<u>91,878,024</u>	<u>90,496,828</u>	<u>89,921,483</u>	<u>575,345</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>137,876</u>	<u>(932,153)</u>	<u>(516,894)</u>	<u>415,259</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	7,815,000	8,745,165	8,394,261	(350,904)
Transfers out	(9,793,954)	(9,655,570)	(9,146,175)	509,395
Issuance of debt	1,845,000	1,865,000	1,865,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(133,954)</u>	<u>954,595</u>	<u>1,113,086</u>	<u>158,491</u>
NET CHANGE IN FUND BALANCES	<u>\$ 3,922</u>	<u>\$ 22,442</u>	596,192	<u>\$ 573,750</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>17,363,474</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 17,959,666</u>	

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

Housing Grants Special Revenue Fund

**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment income	\$ 50,000	\$ 50,000	\$ 37,623	\$ (12,377)
Intergovernmental	10,353,077	11,346,842	9,723,402	(1,623,440)
Other revenues	<u>22,000</u>	<u>25,636</u>	<u>57,064</u>	<u>31,428</u>
TOTAL REVENUES	<u>10,425,077</u>	<u>11,422,478</u>	<u>9,818,089</u>	<u>(1,604,389)</u>
EXPENDITURES:				
Current-				
Housing and community services	<u>10,275,077</u>	<u>11,272,478</u>	<u>11,587,196</u>	<u>(314,718)</u>
TOTAL EXPENDITURES	<u>10,275,077</u>	<u>11,272,478</u>	<u>11,587,196</u>	<u>(314,718)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>150,000</u>	<u>150,000</u>	<u>(1,769,107)</u>	<u>(1,919,107)</u>
OTHER FINANCING USES:				
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
TOTAL OTHER FINANCING USES	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>(1,919,107)</u>	<u>\$ (1,919,107)</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>3,115,196</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 1,196,089</u>	

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

**Mesquite Quality of Life Corporation (4B Sales Tax) Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Sales tax	\$ 8,400,000	\$ 8,066,600	\$ 8,015,837	(50,763)
Investment income	500,000	350,000	163,262	(186,738)
Contributions and donations	<u>1,180,000</u>	<u>1,136,700</u>	<u>59,117</u>	<u>(1,077,583)</u>
TOTAL REVENUES	<u>10,080,000</u>	<u>9,553,300</u>	<u>8,238,216</u>	<u>(1,315,084)</u>
EXPENDITURES:				
Current-				
General government	40,000	40,000	40,000	-
Public works	-	-	321	(321)
Parks and recreation	3,077,106	3,077,106	4,622,354	(1,545,248)
Capital Projects				
Public safety projects	478,956	478,844	28,655	450,189
Transportation projects	9,549,192	12,426,090	7,698,895	4,727,195
Parks and recreation projects	<u>7,683,923</u>	<u>7,762,926</u>	<u>288,911</u>	<u>7,474,015</u>
TOTAL EXPENDITURES	<u>20,829,177</u>	<u>23,784,966</u>	<u>12,679,136</u>	<u>11,105,830</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(10,749,177)</u>	<u>(14,231,666)</u>	<u>(4,440,920)</u>	<u>9,790,746</u>
OTHER FINANCING USES:				
Transfers out	<u>-</u>	<u>-</u>	<u>(1,358,943)</u>	<u>(1,358,943)</u>
TOTAL OTHER FINANCING USES	<u>-</u>	<u>-</u>	<u>(1,358,943)</u>	<u>(1,358,943)</u>
NET CHANGE IN FUND BALANCES	<u>\$ (10,749,177)</u>	<u>\$ (14,231,666)</u>	<u>(5,799,863)</u>	<u>\$ 8,431,803</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>10,122,806</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 4,322,943</u>	

The accompanying notes are an integral part of this statement.

MESQUITE

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Real. Texas. Flavor.

City of Mesquite, Texas

**Statement of Net Assets
Proprietary Funds
September 30, 2009**

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Major Funds		Non-Major Fund		
	Water and Sewer	Drainage Utility District	Municipal Airport	Totals	
ASSETS:					
Current assets:					
Pooled cash and investments	\$ 9,505,322	\$ 1,480,385	\$ 100	\$ 10,985,807	\$ 3,621,079
Restricted pooled cash and investments	23,249,038	385,962	12,985	23,647,985	-
Restricted accrued interest	7,497	-	-	7,497	-
Receivables (net of allowance for uncollectibles)	6,126,611	143,257	81,804	6,351,672	-
Inventory	344,850	-	28,780	373,630	-
Prepays and other assets	1,085,396	62,604	-	1,148,000	320,722
Accrued interest	18,042	2,099	-	20,141	2,499
Total current assets	<u>40,336,756</u>	<u>2,074,307</u>	<u>123,669</u>	<u>42,534,732</u>	<u>3,944,300</u>
Noncurrent assets:					
Revenue bond reserve-					
Pooled cash and investments	283,675	689,779	-	973,454	-
Capital assets-					
Land and construction in progress	8,898,347	2,041,425	7,158,300	18,098,072	-
Other capital assets (net of accumulated depreciation)	118,903,740	27,493,353	8,885,906	155,282,999	-
Total noncurrent assets	<u>128,085,762</u>	<u>30,224,557</u>	<u>16,044,206</u>	<u>174,354,525</u>	<u>-</u>
Total Assets	<u>168,422,518</u>	<u>32,298,864</u>	<u>16,167,875</u>	<u>216,889,257</u>	<u>3,944,300</u>
LIABILITIES:					
Current liabilities:					
Accounts payable	1,182,594	25,256	13,234	1,221,084	649,277
Estimated claims payable	-	-	-	-	1,291,963
Due to other funds	-	-	167,105	167,105	-
Deposits and other liabilities	3,306,129	1,056	26,610	3,333,795	-
Capital lease payable	38,965	-	-	38,965	-
Accrued compensated absences	226,397	31,635	-	258,032	-
Total current liabilities	<u>4,754,085</u>	<u>57,947</u>	<u>206,949</u>	<u>5,018,981</u>	<u>1,941,240</u>
Current liabilities payable from restricted assets:					
Accounts payable	1,406,714	-	-	1,406,714	-
Accrued interest payable	233,186	24,477	-	257,663	-
Bonds payable	4,205,000	920,000	-	5,125,000	-
Total current liabilities payable from restricted assets	<u>5,844,900</u>	<u>944,477</u>	<u>-</u>	<u>6,789,377</u>	<u>-</u>
Total current liabilities	<u>10,598,985</u>	<u>1,002,424</u>	<u>206,949</u>	<u>11,808,358</u>	<u>1,941,240</u>
Noncurrent liabilities:					
Estimated claims payable	-	-	-	-	693,926
Capital lease payable	48,455	-	-	48,455	-
Bonds payable	62,995,285	5,847,219	-	68,842,504	-
Accrued compensated absences	844,311	87,747	46,761	978,819	-
Total noncurrent liabilities	<u>63,888,051</u>	<u>5,934,966</u>	<u>46,761</u>	<u>69,869,778</u>	<u>693,926</u>
Total Liabilities	<u>74,487,036</u>	<u>6,937,390</u>	<u>253,710</u>	<u>81,678,136</u>	<u>2,635,166</u>
NET ASSETS:					
Invested in capital assets, net of related debt	80,058,666	22,767,559	16,044,205	118,870,430	-
Restricted for debt service	2,334,685	1,051,264	-	3,385,949	-
Unrestricted	11,542,131	1,542,651	(130,040)	12,954,742	1,309,134
Total Net Assets	<u>\$ 93,935,482</u>	<u>\$ 25,361,474</u>	<u>\$ 15,914,165</u>	<u>\$ 135,211,121</u>	<u>\$ 1,309,134</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				(134,743)	
Total Net Assets for Business Type Activities				<u>\$ 135,076,378</u>	

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Funds
 For the Year Ended September 30, 2009

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Major Funds		Non-Major Fund		
	Water and Sewer	Drainage Utility District	Municipal Airport	Totals	
Operating revenues:					
Customer charges	\$ 35,713,630	\$ 2,170,494	\$ 1,253,935	\$ 39,138,059	\$ -
Contributions - City	-	-	-	-	11,228,234
Contributions - other	-	-	-	-	3,388,451
Other Revenues	-	-	82,148	82,148	-
Total operating revenues	<u>35,713,630</u>	<u>2,170,494</u>	<u>1,336,083</u>	<u>39,220,207</u>	<u>14,616,685</u>
Operating expenses:					
Personal services	5,389,498	490,363	261,964	6,141,825	-
Supplies	843,657	13,897	654,735	1,512,289	-
Contractual services	20,424,559	169,002	245,511	20,839,072	14,430,747
Depreciation	<u>3,756,755</u>	<u>688,740</u>	<u>439,784</u>	<u>4,885,279</u>	<u>-</u>
Total operating expenses	<u>30,414,469</u>	<u>1,362,002</u>	<u>1,601,994</u>	<u>33,378,465</u>	<u>14,430,747</u>
Operating income (loss)	<u>5,299,161</u>	<u>808,492</u>	<u>(265,911)</u>	<u>5,841,742</u>	<u>185,938</u>
Nonoperating revenues (expenses):					
Investment income	619,246	48,646	-	667,892	46,201
Gain (loss) on sale of capital assets	11,511	-	-	11,511	-
Interest expense	(2,732,399)	(320,209)	-	(3,052,608)	-
Other nonoperating expenses	<u>(149,192)</u>	<u>(31,785)</u>	<u>-</u>	<u>(180,977)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(2,250,834)</u>	<u>(303,348)</u>	<u>-</u>	<u>(2,554,182)</u>	<u>46,201</u>
Income (loss) before contributions and transfers	3,048,327	505,144	(265,911)	3,287,560	232,139
Capital contributions	3,110,062	-	2,542,914	5,652,976	-
Transfers out	<u>(4,573,495)</u>	<u>-</u>	<u>(171,804)</u>	<u>(4,745,299)</u>	<u>-</u>
Change in net assets	1,584,894	505,144	2,105,199	4,195,237	232,139
Total net assets - beginning as restated	<u>92,350,588</u>	<u>24,856,330</u>	<u>13,808,966</u>		<u>1,076,995</u>
Total net assets - ending	<u>\$ 93,935,482</u>	<u>\$ 25,361,474</u>	<u>\$ 15,914,165</u>		<u>\$ 1,309,134</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				<u>(134,743)</u>	
Change in net assets of business-type activities				<u>\$ 4,060,494</u>	

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended September 30, 2009

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Major Funds		Non-Major Fund		
	Water and Sewer	Drainage Utility District	Municipal Airport	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 35,777,616	\$ 2,159,930	\$ 1,330,901	\$ 39,268,447	\$ -
Cash received from City funds	-	-	-	-	11,228,234
Cash received from other operating sources	-	-	-	-	3,388,451
Cash paid to suppliers for goods and services	(21,209,615)	(183,075)	(895,091)	(22,287,781)	(4,241,608)
Cash paid to employees for services	(5,364,631)	(476,192)	(258,407)	(6,099,230)	-
Cash paid to claimants	-	-	-	-	(10,349,425)
Net cash provided by operating activities	<u>9,203,370</u>	<u>1,500,663</u>	<u>177,403</u>	<u>10,881,436</u>	<u>25,652</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers out to other funds	<u>(4,573,495)</u>	<u>-</u>	<u>(171,804)</u>	<u>(4,745,299)</u>	<u>-</u>
Net cash used for noncapital financing activities	<u>(4,573,495)</u>	<u>-</u>	<u>(171,804)</u>	<u>(4,745,299)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from the sale of revenue bonds	8,380,000	-	-	8,380,000	-
Premium from the sale of revenue bonds	24,531	-	-	24,531	-
Proceeds from the sale of capital assets	11,511	-	-	11,511	-
Acquisition and construction of capital assets	(5,112,777)	(394,258)	(5,599)	(5,512,634)	-
Principal paid on revenue bond maturities	(3,740,000)	(885,000)	-	(4,625,000)	-
Interest paid on revenue bonds	(2,717,645)	(322,702)	-	(3,040,347)	-
Principal paid on capital lease obligation	(68,225)	-	-	(68,225)	-
Bond issuance costs and other debt related expense	(199,500)	-	-	(199,500)	-
Net cash used for capital and related financing activities	<u>(3,422,105)</u>	<u>(1,601,960)</u>	<u>(5,599)</u>	<u>(5,029,664)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received on investments	<u>669,272</u>	<u>53,425</u>	<u>-</u>	<u>722,697</u>	<u>52,898</u>
Net cash provided by investing activities	<u>669,272</u>	<u>53,425</u>	<u>-</u>	<u>722,697</u>	<u>52,898</u>
NET INCREASE (DECREASE) IN POOLED CASH AND CASH EQUIVALENTS	1,877,042	(47,872)	-	1,829,170	78,550
POOLED CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>31,160,993</u>	<u>2,603,998</u>	<u>13,085</u>	<u>33,778,076</u>	<u>3,542,529</u>
POOLED CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 33,038,035</u>	<u>\$ 2,556,126</u>	<u>\$ 13,085</u>	<u>\$ 35,607,246</u>	<u>\$ 3,621,079</u>

(Continued on following page)

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended September 30, 2008

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Major Funds		Non-Major Fund		
	Water and Sewer	Drainage Utility District	Municipal Airport	Totals	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:					
Operating income (loss)	\$ 5,299,161	\$ 808,492	\$ (265,911)	\$ 5,841,742	\$ 185,938
Adjustments to reconcile operating income to net cash provided by (used for) operating activities-					
Depreciation	3,756,755	688,740	439,784	4,885,279	-
Changes in assets and liabilities-					
(Increase)decrease in accounts receivable	(25,371)	(10,564)	(72,861)	(108,796)	-
(Increase)decrease in inventory	(11,014)	-	49,457	38,443	-
(Increase)decrease in prepaid items	(800)	(259)	-	(1,059)	290,082
Increase (decrease) in accounts payable	78,597	1,701	(42,773)	37,525	(52,816)
Increase(decrease) in estimated claims payable	-	-	-	-	(397,552)
Increase(decrease) in deposits	102,563	-	67,678	170,241	-
Increase(decrease) in accrued compensated absences	3,479	12,553	2,029	18,061	-
Total adjustments	3,904,209	692,171	443,314	5,039,694	(160,286)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 9,203,370	\$ 1,500,663	\$ 177,403	\$ 10,881,436	\$ 25,652
NONCASH CAPITAL ACTIVITIES:					
Contribution of capital assets from developers	\$ 3,110,062	\$ -	\$ -	\$ 3,110,062	\$ -
Contribution of capital assets from government	-	-	2,542,914	2,542,914	-
Total noncash capital activities	\$ 3,110,062	\$ -	\$ 2,542,914	\$ 5,652,976	\$ -

(Concluded)

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

**Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
September 30, 2009**

	<u>Agency Fund</u> Tax Clearing Fund
ASSETS:	
Current assets:	
Pooled cash and investments	\$ 185,056
Taxes receivable levied for other government (net of allowance for uncollectibles)	<u>4,199,892</u>
Total Assets	<u>\$ 4,384,948</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 185,056
Due to other governments	<u>4,199,892</u>
Total Liabilities	<u>\$ 4,384,948</u>

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2009**

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City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Mesquite, Texas (the "City") was incorporated on December 3, 1887. It has been a home rule charter city since August 1953, pursuant to Article XI, Section 5 of the State Constitution. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, public services, culture, recreation, and community development.

The financial statements of the City have been prepared to conform to generally accepted accounting principles ("GAAP") as applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance. The more significant accounting and reporting policies and practices used by the City are described below:

Reporting Entity-The City is a municipal corporation governed by an elected mayor and six-member Council. As required by GAAP, these financial statements present the City (the primary government) and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the primary government.

The Quality of Life Corporation (the "Corporation") 4B Sales Tax Special Revenue Fund is presented as a "blended" fund in the financial statements. The Corporation is administered by a seven-member City Council appointed board of directors which are removable by the City Council at any time without cause. No more than four of the seven directors may be City Council members or City of Mesquite employees. Presently, all members of the Board are residents who are neither City Council members nor City employees. The purpose of the Corporation is to study and fund permissible projects for public safety, transportation or parks and recreation purposes from a one-half of one percent general sales tax. The Corporation's activities are subject to Council approval and are for the exclusive benefit of the City. In this respect, the Corporation acts as a financing authority to obtain resources for the projects. When the project is completed the capital assets are owned by the City not the Corporation. Complete financial statements for the Quality of Life Corporation are available upon request from the City.

Included in the financial statements are the activities of other legally separate entities whose very limited activities have been combined in various governmental funds for financial statement presentation purposes. These include two Tax Increment Financing Districts which provide for public improvements within these districts, the Mesquite Cemetery Board which provides funds to maintain a small cemetery within the city, Historic Mesquite, Inc. which provides funding to maintain historical sites within the city, the Mesquite Arts Council which provides funding for arts and culture to the Mesquite Art Center, and Keep Mesquite Beautiful, Inc. which provides funding for local beautification projects within the city. The City does not have a majority position on these boards, however, the City does have the ability to influence the financial decisions of these groups in that City Council reviews and approves the annual budgets of these entities. The activity of these entities is almost entirely for the benefit of the City as well. Separate financial statements for

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2009

these entities are not available. Also included in the financial statements are the operating activities of the Mesquite Housing Finance Corporation, the Mesquite Health Facilities Corporation, and the Mesquite Industrial Development Corporation which provide services almost entirely to the primary government. These corporations have substantively the same governing body as the City. The issuance of conduit debt for the corporations is discussed in Note 12. Separate financial statements for these entities are not available.

Government-Wide Financial Statements- The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the reporting entity. These statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The effect of interfund activity has been removed from these statements with the exception of some vehicle maintenance charges and management information services provided to user departments. Governmental activities, which are partially supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Mesquite is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the fiscal year. This statement also demonstrates the degree to which the direct expenses of a given activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. 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 activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements- Fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All non-major funds are aggregated and presented in a single column. 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 Mesquite, like other local governments, uses fund accounting to aid financial management and demonstrate legal compliance.

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

The City of Mesquite maintains ten 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, Grants Special Revenue, Mesquite Quality of Life (4B Sales Tax) Special Revenue and Bond Finance Capital Projects funds, all of which are considered to be major funds. A budgetary comparison statement has also been provided for the General, Grants Special Revenue, and the 4B Sales Tax Special Revenue fund in the basic financial statements. Data from the other six governmental funds

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2009

are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. Budgetary comparison schedules follow these combining statements for those nonmajor funds, which adopt annual budgets.

Proprietary funds are maintained for enterprise and internal service operations of the City. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Water and Sewer and the Drainage Utility District funds are considered to be major enterprise funds and the Municipal Airport is presented in a separate column as the only non-major proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its health claims and general liability operations. Because both of these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. Both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The resources of these funds are not reflected in the government-wide financial statements because they are not available to support the City's own programs. The City reports only one fiduciary fund, an agency fund used to account for ad valorem taxes collected on behalf of the Mesquite Independent School District. The fiduciary fund, an agency fund, applies the accrual basis of accounting but has no measurement focus.

Measurement Focus and Basis of Accounting- The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. With the economic resources measurement focus, all assets and liabilities (whether current or noncurrent) are reported on the statement of net assets.

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. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the fiscal year-end except investment income, which is recorded as earned. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, accrued interest on long-term debt, as well as expenditures related to compensated absences are recorded only when the payment is due.

Those revenues susceptible to accrual in governmental funds are ad valorem taxes, gross receipts taxes, sales taxes, interest earned, certain charges for services, and intergovernmental revenues, if such revenues are both measurable and available as previously defined. Licenses and permits, and charges for services related to paving assessments and ambulance service billings are recognized when payment is received. The deferred revenues account is utilized in governmental funds to record earned amounts, which are unavailable to liquidate liabilities of the current period (i. e., not collectible within 60 days).

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2009

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer, drainage utility and other proprietary operations are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses that do not meet this definition are reported as nonoperating revenues and expenses.

The City of Mesquite reports the following major governmental funds:

- 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.
- The Housing Grants special revenue fund is used to account for funds awarded the City by the U. S. Department of Housing and Urban Development ("HUD") under their housing assistance program (HAP).
- The Quality of Life (4B Sales Tax) special revenue fund is used to account for funds received from a one-half of one percent general sales tax, which can be utilized for public safety, transportation, or parks and recreation purposes.
- The Bond Finance capital project fund is used to account for financial resources generated primarily from bond proceeds to be expended for various capital projects. The individual projects are budgeted over the life of the project and not on an annual basis; therefore, budgetary data for these funds have not been presented in the financial statements.

The City of Mesquite reports the following major proprietary funds:

- The Water and Sewer enterprise fund is used to account for the rendering of water and sewer services to the residents and businesses of the City. All activities necessary to provide such services are accounted for in this fund, including administration, operation, maintenance, debt service, and billing and collecting.
- The Drainage Utility District enterprise fund is used to account for those expenditures incurred as a result of the federally mandated National Pollutant Discharge Elimination System ("NPDES") permit program. This federal program requires the City to educate the general public about pollutants and their presence in stormwater runoff; adopt a comprehensive storm water ordinance; operate a street sweeping program; design, establish and review stormwater drainage improvements; and monitor storm water quality. Funding for the District is from monthly drainage charges to commercial and residential customers, revenue bond proceeds and interest earnings.

Additionally, the City of Mesquite reports the following fiduciary fund:

- An agency fund is used to account for ad valorem taxes collected on behalf of the Mesquite Independent School District.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2009

Budgetary Data- Budgets are a plan of financial operation providing an estimate of proposed expenditures for a given period and the proposed means of financing them. The budgetary process begins with City department heads (or, in the case of the Quality of Life Corporation, its Board of Directors) developing expenditure budget requests and revenue estimates in April for the fiscal year beginning the following October 1. These requests and estimates are then submitted to the City Manager for review and input. As required by City Charter, the City Manager is to have prepared an annual operating budget by August 15 for the General, Debt Service and certain budgeted Special Revenue funds. The proposed budget is then presented to the City Council for its consideration and adoption through passage of an ordinance.

Between the time the budget is made available to the public and the time it is legally adopted, the City Council provides for several public hearings to gather input from the public. During the public hearings, citizens are encouraged to offer their suggestions and ideas of what programs they would like to be included (or not included) in the budget. During the preparation of the 2008-2009 budget, the City Council conducted three public hearings and held numerous work sessions in an effort to obtain as much citizen input as possible. The adopted budget is reassessed by departments midway through the fiscal year and revenue and expenditure projections are revised. The City Manager then presents these revisions to the City Council for adoption, resulting in what is termed an amended budget. While infrequent, the City Council may amend the budget prior to or after this mid-year review. All revisions to the budget, however, must be adopted by ordinance. Unexpended appropriations lapse at fiscal year-end.

In 2008-2009 the City Council amended the budget in May and again in September. Individual amendments were not material in relation to the original appropriations. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that would increase total fund appropriations must be approved by the City Council. Expenditures may not legally exceed budgeted appropriations at the fund level.

Budgets for the General, Debt Service, and the following special revenue funds: Housing Grants, Quality of Life Corporation, Hotel/Motel, and Confiscated Drug are legally adopted on a basis consistent with GAAP on the modified accrual basis of accounting. Accordingly, the budgetary comparison statements and schedules present actual expenditures on a basis consistent with the legally adopted budgets as amended. Capital Project funds are budgeted over the life of the project and not on an annual basis; therefore, budgetary data for these funds have not been presented in the financial statements.

Encumbrances- An encumbrance system is maintained in governmental funds to account for commitments resulting from approved purchase orders, contracts, or other forms of legal commitments. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Pooled Cash and Investments- Cash balances of all City funds, excluding the accounts payable account and payroll clearing account are pooled into one bank account in order to maximize investment opportunities. Negative balances, if applicable, incurred in pooled cash at year-end are treated as interfund receivables of the General Fund and interfund payables of the deficit fund.

Investments purchased with pooled cash are classified as pooled cash and investments in the accompanying balance sheet and statement of net assets. Earnings from these investments are allocated monthly to each fund based on each fund's relative month-end cash and investment balance, except for the debt service fund, which

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2009**

is allocated to the General Fund. Investments are recorded at cost, and at fiscal year-end investments with original maturity greater than one year are reflected at fair value on the accompanying balance sheet and statement of net assets.

The relationship of an individual fund to the pooled cash and investments account is essentially that of a demand deposit account. Individual funds can withdraw cash from the account as needed, and therefore all equity that the fund has in the pooled cash and investments account is highly liquid. For the purpose of the accompanying statement of cash flows, the City has chosen to reconcile to "pooled cash and investments," as all investments of the funds are regarded as cash equivalents. Deposit and investment risk disclosures are in accordance with GASB Statement No. 40 *Deposit and Investment Risk Disclosures*.

Interfund Receivables and Payables- Short-term amounts owed between funds are classified as "Due to/from other funds" in the fund financial statements. On the government-wide statement of net assets, payables and receivables within governmental and business-type activities are eliminated and balances between these activities are reported on a single line entitled "internal balances."

Inventory- Inventory is valued at cost using the first-in / first-out ("FIFO") method. Inventories are maintained on a perpetual inventory system and adjustments are made at fiscal year-end based upon a physical count. Inventory consists of expendable supplies held for consumption and are recorded as an expenditure upon consumption in governmental funds.

Prepaid Items- Payments made to vendors for services that will benefit periods beyond September 30, 2009, are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are accounted for on the consumption basis in governmental funds.

Restricted Assets- Proceeds of Water and Sewer Fund and Drainage Utility District Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as both current and noncurrent assets in the City's financial accounting system because their use is limited by applicable bond covenants. 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 they are needed.

Capital Assets- Capital assets, which includes land, right-of-way, buildings, infrastructure, improvements, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Construction in progress is not depreciated until the assets are placed into service. Interest has not been capitalized during the construction period for proprietary capital assets as such amounts are not material.

The City's capitalization policy requires that assets capitalized have an original cost of \$5,000 or more and a useful life of at least five years. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	25 - 50 years
Infrastructure/improvements	15 - 50 years
Equipment	5 - 20 years

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2009

Estimated Claims Payable- Property, general liability, and workers' compensation insurance coverage is accounted for in the General Liability Fund, an internal service fund. At year-end, the estimated settlement value of claims reported and of claims incurred but not reported in excess of liability insurance limits is classified as estimated claims payable. Group health insurance is accounted for in the Health Claims Fund, an internal service fund. At year-end, an estimate of unpaid claims that were incurred prior to September 30, 2009 is accrued based on past claims experience.

Accrued Compensated Absences- City employees earn vacation and sick leave in varying amounts. Vacation leave accrues for employees with less than five years of service at the annual rate of 10 working days. Upon attaining five years of service, an additional five working days are awarded annually until 15 years of service when vacation leave is earned at an annual rate of 20 days. Employees with over 25 service years accrue 25 days annually. Any employee leaving the City in good standing following one year of continuous service is paid for accumulated vacation leave not to exceed 20 working days at their current pay rate. Sick leave accrues at an annual rate of 15 working days. Upon termination, unused accumulated sick leave is paid to employees with three to five years of service at one-third, employees with five to six years of service at two-thirds, and six years and over is paid all accumulated sick leave up to a maximum of 90 days. Police and firemen are reimbursed upon termination for all unused accumulated sick leave up to the maximum of 90 days no matter how long they were employed by the City as required by State Civil Service law.

The measurement of the liability for compensated absences was determined by applying a vesting method approach to accumulated vacation and sick leave balances at fiscal year-end and includes additional salary related payments for Social Security, Medicare, and retirement contributions, in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. No liability is recorded in the fund statements of governmental funds unless they have matured, as payment of this liability will not be made with expendable available financial resources unless an employee has terminated employment as of the end of a fiscal year. In the government-wide financial statements and proprietary fund statements, the liability for employees with over 20 years of service is recorded as a current liability as these employees are eligible for retirement regardless of their age.

Long-Term Debt- In the government-wide financial statements and the fund level proprietary financial statements, long-term debt is reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized using the interest method over the life of the bonds. In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs as expenditures, during the current period. The face amount of debt issued is recorded as other financing sources. Issuance costs are reported as expenditures in the funds receiving the bond proceeds.

Net Assets- In the government-wide financial statements and the fund level proprietary financial statements, net assets represent the difference between assets and liabilities. The net assets are reported in three components (1) invested in capital assets, net of related debt, (2) restricted, and (3) unrestricted. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2009

New Accounting Pronouncements- GASB has issued Statement No. 51 *Accounting and Financial Reporting for Intangible Assets* (“GASB 51”), which is effective for the City in fiscal year 2010. GASB 51 requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets.

GASB has issued Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments* (“GASB 53”), which is effective for the City in fiscal year 2010. GASB 53 is intended to improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting.

GASB has issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* (“GASB 54”), which is effective for the City in fiscal year 2011. GASB 54 is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types.

GASB has issued Statement No. 55 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (“GASB 55”), which was effective for the City in fiscal year 2009. GASB 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB’s authoritative literature. It is intended to make it easier for preparers of state and local government financial statements to identify and apply the “GAAP hierarchy,” which consists of sources of accounting principles used in the preparation of financial statements so that they are presented in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles.

GASB has issued Statement No. 56 *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards* (“GASB 56”), which was effective for the City in fiscal year 2009. GASB 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB’s accounting and financial reporting literature for state and local governments.

GASB has issued Statement No. 57 *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans* (“GASB 57”), which was effective for the City in fiscal year 2009. GASB 57 addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans.

GASB has issued Statement No. 58 *Accounting and Financial Reporting for Chapter 9 Bankruptcies* (“GASB 58”), which is effective for the City in fiscal year 2010. GASB 58 provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

Management has not yet determined the impact on the financial statements of the statements effective in future years.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2009

2. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that combines cash of the various funds in order to maximize investment opportunities. The amounts reflected below include the revenue bond reserve cash and investments reflected on the government-wide and proprietary fund financial statements of net assets.

Deposits

At September 30, 2009, the carrying amount of the City's demand deposits was \$(2,460,888) and the bank balance was \$1,345,346. The demand deposits balance for the blended component units was \$93,466. Cash on hand for the City was \$15,200. The carrying value of the City's investment annuity was \$434,329. The remaining cash balance of \$6,167 represents accrued interest received at purchase and a recreation cash clearing account.

Investments

The City's investments at September 30, 2009, are:

Investment type	Fair Value	Weighted Average Maturity (Years)
Managed Pools:		
Texpool	\$26,723,548	0.00074
Texstar	14,753,821	0.00041
Money Market:		
Fidelity Investments	3,575,476	0.00010
US Agency Notes	53,642,261	0.79050
Total	<u>\$98,695,107</u>	<u>0.79175</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from increasing interest rates, the City's investment policy establishes the portfolio's maximum average dollar-weighted maturity to no more than one year. By policy, the City will not directly invest in securities maturing more than three years from the date of purchase.

Credit Risk. The City's investment policy, in conjunction with state law, specifies the type of credit rating of all authorized investments. The City's investments in U.S. Agency securities (FHLB and FFCB) are rated AAA by Standard and Poor's and Aaa by Moody's Investor's Service at the date of purchase. The investment in Texas Local Government Pools (Texpool and Texstar) carried a credit rating of AAAM by Standard and Poor's as of September 30, 2009. The City's investments in Fidelity Money Market funds carried a credit rating of AAAM by Standard and Poor's and Aaa by Moody's Investor's Service as of September 30, 2009.

Concentration of Credit Risk. With the exception of U.S. Treasury securities, the City's investment policy limits the amount that may be invested in any single security type to 85% of the total investment portfolio.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2009

As of September 30, 2009, the City's total investments are in the following: Agency issues (54.4%) consisting of FHLB (40.6%) and FFCB (13.8%), investment pools (42.0%), and money market funds (3.6%).

Custodial Credit Risk. Pursuant to provisions of both the Texas Public Funds Investment Act and the Public Funds Investment Policy of the City, all deposits of the City that exceed the federal depository insurance coverage levels are collateralized with securities held by a third party custodian in the City's name. Investments, other than investments that are obligations of the U.S. government, its agencies and instrumentalities, are insured or registered in the City's name and held by a third party custodian. In order to anticipate market changes and to provide a level of security for all funds, the collateralization level will be 102% (on a market value basis) of principal and accrued interest on the deposits.

3. AD VALOREM TAXES

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraised value less applicable exemptions authorized by the City Council. Appraised values are established by the Dallas Central Appraisal District and the Kaufman Central Appraisal District at 100% of estimated market value. The total assessed value for the tax roll of January 1, 2008, upon which the 2009 fiscal year levy was based, was \$6,600,000,179. Taxes are due on October 1, immediately following the January 1 lien date and are delinquent after the following January 31st. Penalty and interest is charged at 7% on delinquent taxes beginning February 1, and increases each month to 18% on July 1, additional interest accrues at the rate of 1% each month.

Current tax collections for the year ended September 30, 2009, were \$40,894,299 or 97.34% of the current tax levy and total tax collections (including collections on previous years) were \$41,314,837 or 98.35% of the current tax levy.

In Texas, countywide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

The City Charter does not provide for a debt limit; therefore, no computation of legal debt margin can be made. However, at September 30, 2009, the City had a tax margin of \$1.86000 for every \$100 of valuation based upon a maximum ad valorem tax rate of \$2.50 for every \$100 of valuation imposed by Texas Constitutional law.

City of Mesquite, Texas

Notes to Basic Financial Statements
September 30, 2009

4. RECEIVABLES

Receivables at September 30, 2009 for the government's individual major funds, which have receivables and non-major, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Grants</u>	<u>Quality of Life Corporation (4B Sales Tax)</u>	<u>Bond Finance</u>	<u>Water and Sewer</u>	<u>Drainage Utility District</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:								
Accounts	\$ 9,216,161	\$ 53,125	\$ -	\$ 55,018	\$ 6,348,689	\$ 143,257	\$ 81,804	\$15,898,053
Ad valorem taxes	1,979,604	-	-	-	-	-	-	1,979,604
Other taxes	1,633,855	-	-	-	-	-	-	1,633,855
Assessments	-	-	-	324,954	-	-	-	324,954
Intergovernmental	4,134,899	-	1,355,682	-	-	-	886,653	6,377,234
Gross receivables	16,964,519	53,125	1,355,682	379,972	6,348,689	143,257	968,457	26,213,700
Less: allowance for uncollectibles	(5,961,726)	-	-	(13,822)	(222,078)	-	(59,209)	(6,256,835)
Net total receivables	<u>\$11,002,793</u>	<u>\$ 53,125</u>	<u>\$1,355,682</u>	<u>\$ 366,150</u>	<u>\$6,126,611</u>	<u>\$ 143,257</u>	<u>\$ 909,248</u>	<u>\$19,956,865</u>

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

General fund - ambulance accounts receivable	\$ 1,495,690
General fund - ad valorem taxes receivable	1,284,632
General fund - court fines receivable	553,674
General fund - accounts receivable, grass and weed mowing	764,930
Housing Grants fund - HUD vouchers	53,125
Bond Finance capital projects fund - assessments receivable	324,954
Bond Finance capital projects fund - other receivable	28,200
Nonmajor Special Revenue Funds	5,000
Total deferred revenues for governmental funds	<u>\$ 4,510,205</u>

City of Mesquite, Texas

Notes to Basic Financial Statements
September 30, 2009

5. CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended September 30, 2009:

	<u>Beginning Balance</u>	<u>Additions and Transfers</u>	<u>Deletions and Transfers</u>	<u>Ending Balance</u>
Governmental activities:	(Restated)			
Capital assets, not being depreciated:				
Land	\$ 19,851,625	\$ 1,849,064	\$ -	\$ 21,700,689
Construction in progress	48,534,231	17,718,584	5,804,578	60,448,237
Total capital assets, not being depreciated	<u>68,385,856</u>	<u>19,567,648</u>	<u>5,804,578</u>	<u>82,148,926</u>
Capital assets, being depreciated:				
Buildings	46,793,786	1,227,366	-	48,021,152
Infrastructure	201,654,875	1,236,451	-	202,891,326
Improvements	13,336,444	1,167,124	-	14,503,568
Equipment	38,961,351	4,925,470	1,168,244	42,718,577
Total capital assets, being depreciated	<u>300,746,456</u>	<u>8,556,411</u>	<u>1,168,244</u>	<u>308,134,623</u>
Less accumulated depreciation for:				
Buildings	13,519,496	1,230,788	-	14,750,284
Infrastructure	108,667,079	4,611,735	-	113,278,814
Improvements	4,968,238	694,743	-	5,662,981
Equipment	20,795,633	4,464,666	1,124,213	24,136,086
Total accumulated depreciation	<u>147,950,446</u>	<u>11,001,932</u>	<u>1,124,213</u>	<u>157,828,165</u>
Total capital assets, being depreciated, net	<u>152,796,010</u>	<u>(2,445,521)</u>	<u>44,031</u>	<u>150,306,458</u>
Governmental activities capital assets, net	<u>\$ 221,181,866</u>	<u>\$ 17,122,127</u>	<u>\$ 5,848,609</u>	<u>\$ 232,455,384</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 7,128,735	\$ 2,538,544	\$ -	\$ 9,667,279
Construction in progress	5,381,113	9,279,846	6,230,166	8,430,793
Total capital assets, not being depreciated	<u>12,509,848</u>	<u>11,818,390</u>	<u>6,230,166</u>	<u>18,098,072</u>
Capital assets, being depreciated:				
Buildings	4,265,535	1,367,107	-	5,632,642
Infrastructure	210,371,869	4,917,604	-	215,289,473
Improvements	366,008	-	-	366,008
Equipment	4,510,994	408,325	18,500	4,900,819
Total capital assets, being depreciated	<u>219,514,406</u>	<u>6,693,036</u>	<u>18,500</u>	<u>226,188,942</u>
Less accumulated depreciation for:				
Buildings	1,265,373	111,052	-	1,376,425
Infrastructure	61,918,884	4,351,899	-	66,270,783
Improvements	71,824	19,721	-	91,545
Equipment	2,783,083	402,607	18,500	3,167,190
Total accumulated depreciation	<u>66,039,164</u>	<u>4,885,279</u>	<u>18,500</u>	<u>70,905,943</u>
Total capital assets, being depreciated, net	<u>153,475,242</u>	<u>1,807,757</u>	<u>-</u>	<u>155,282,999</u>
Business-type activities capital assets, net	<u>\$ 165,985,090</u>	<u>\$ 13,626,147</u>	<u>\$ 6,230,166</u>	<u>\$ 173,381,071</u>

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2009**

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

Governmental activities:	
General government	\$ 1,505,961
Fire services	1,125,565
Police services	1,651,649
Field services	4,302,581
Public works	1,166,966
Community development	74,781
Library services	20,926
Parks and recreation	930,643
Housing and community services	222,860
Total governmental activities	<u>\$ 11,001,932</u>
Business-type activities:	
Water and sewer	\$ 3,756,755
Drainage utility	688,740
Municipal airport	439,784
Total business-type activities	<u>\$ 4,885,279</u>

The City has active construction projects as of September 30, 2009. Projects include street construction primarily in the southeast section of Mesquite, various traffic signalization projects throughout the City, as well as improvements in water storage and distribution facilities. Construction in progress has been categorized by the primary revenue source being used to fund the construction as follows:

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2009**

	<u>Spent-to-date</u>	<u>Construction Commitments</u>
Governmental activities:		
Projects funded by general obligation bonds:		
Street	\$ 4,699,166	\$ 2,441,521
Municipal building	30,137,021	1,987,390
Library	140,958	-
Traffic signal	14,805	1,121
Projects funded by local finance sources:		
Street	169,942	355,379
Municipal building	600,134	264,109
Traffic Signal	14,348	72,851
Finance	-	176,598
Equipment Replacement	-	884,987
Projects funded by general sales tax (4B portion):		
Public safety	21,811	426,320
Transportation	21,541,256	778,634
Parks and recreation	3,108,796	825,994
	<u>\$ 60,448,237</u>	<u>\$ 8,214,904</u>
Business-type activities:		
Projects funded by revenue bonds:		
Water and sewer	\$ 7,941,919	\$ 3,564,117
Drainage utility district	448,280	33,754
Projects funded by general obligation bonds:		
Municipal airport	12,000	250
Projects funded by general sales tax (4B portion):		
Municipal airport	28,594	-
	<u>\$ 8,430,793</u>	<u>\$ 3,598,121</u>

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Due to/from other funds-

These amounts represent intergovernmental revenue accrued but not received in the Other Grants special revenue fund in the "Other Governmental Funds" and an amount for a loan to the Airport to cover additional cash needed. The current portion of lending/ borrowing arrangements outstanding at September 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Grants Special Revenue Fund	\$824,992
General Fund	Airport Fund	\$167,105

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2009**

Transfers-

Transfers were as follows for the fiscal year ended September 30, 2009:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 8,394,261	\$ 9,146,175
Housing Grants	-	150,000
4B Sales Tax Special Revenue	-	1,358,943
Bond Finance	12	551,622
Non-Major Governmental Funds	12,180,778	4,623,012
Water and Sewer	-	4,573,495
Non-Major Enterprise Fund	-	171,804
	<u>\$ 20,575,051</u>	<u>\$ 20,575,051</u>

The transfers were for the following purposes:

<u>Transfer from Fund / Purpose</u>	<u>Transfer to Fund</u>	<u>Amount</u>
General Fund-		
Property tax debt service levy	Debt Service	\$ 8,911,950
Additional Bond Proceeds	Debt Service	2,620
Unreserved Council Funds	Capital Projects- Local Finance	231,605
Grants Fund-		
Indirect cost charge	General	150,000
4B Sales Tax Special Revenue -		
Operating Subsidy - Parks & Recreation	General	1,358,943
Bond Finance Fund-		
Interest Income Allocation	General	520,318
Additional Bond Proceeds	Debt Service	7,255
Residual Equity Transfer	Debt Service	24,049
Non-Major Governmental Funds-		
Hotel / Motel Tax General Obligation Debt Allocation	Debt service	158,000
Other Special Revenue -		
9-1-1 Operations Subsidy	General	840,000
Local Finance Capital Project -		
Debt Service - General Obligation	Bond Finance	12
Roadway Impact Fees Debt Service	Debt service	1,400,000
Unreserved Council Funds	General	975,000
Capital Projects Funding	Debt service	1,250,000
Water and Sewer Enterprise Fund-		
Nonoperating administrative and overhead charge	General	4,550,000
General Obligation Debt Allocation	Debt Service	23,495
Non-Major Enterprise Fund-		
Airport general obligation debt allocation	Debt service	171,804
	Total	<u>\$ 20,575,051</u>

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2009

The Water and Sewer fund contributes on behalf of the other City funds to the General Liability fund. The total amount contributed to the General Liability fund was \$1,405,000. The General fund also contributed \$100,000 to the General Liability fund in fiscal year 2009.

In the government wide statement of activities an additional transfer is shown for assets purchased by the City's governmental type funds for the airport enterprise fund in the amount of \$2,542,914. In the fund level statements it is shown as a capital contribution in the airport fund.

7. LONG-TERM DEBT

Various types of long-term debt have been issued by the City for the acquisition and construction of major capital facilities and equipment as follows:

- General obligation bonds are issued pursuant to voter authorization for infrastructure and facility projects accounted for in a governmental capital project fund. General obligation bonds have also been issued in previous fiscal years to refund prior debt issues. During the year \$4,245,000 was issued to advance refund prior tax-exempt bonds. The City intends to retire this debt, plus interest, from ad valorem taxes.
- Certificate of obligation debt is similar to general obligation bonds in their usage and retirement but do not require voter authorization and are not used for refunding debt. Included in the June 2009 bond sale was \$11,260,000 for constructing, improving, equipping and renovating a Police/City Hall facility, acquisition of land for municipal airport purposes, professional fees and costs to provide electronic records management, major repairs and improvements to existing municipal buildings, and other street, alley, and sidewalk improvements.
- Contractual obligations are issued to acquire equipment and will also be repaid from ad valorem property taxes. During the year, \$1,865,000 in obligations was issued to purchase computer equipment, software, motor vehicles, park equipment, and other equipment used in General fund operations.
- Water and sewer revenue bonds are issued to provide funds for certain improvements to the water distribution and wastewater collection systems as well as to refund prior water and sewer debt issues. These bonds are reported in the Water and Sewer fund as the debt will be repaid from revenues of this enterprise fund operation. Included in the June 2009 bond sale was \$8,380,000 to provide funds to improve and extend the City's combined waterworks and sewer systems and to fund the Reserve Fund requirement for the bonds.
- Municipal drainage utility system revenue bonds are issued to provide funds for drainage improvements, including the acquisition and construction of structures, equipment, and facilities for the Drainage Utility District. Debt for this enterprise operation is being repaid from revenues generated from customer charges.

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2009**

Long-term bonded debt at September 30, 2009, includes the following individual issues:

<u>Governmental Activities</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
General Obligation Bonds-				
Series 2000 improvements	4.40-5.50	02/15/14	\$ 60,000	\$ -
Series 2001 refunding and improvements	3.00-5.00	02/15/21	2,845,000	625,000
Series 2002 improvements	2.875-4.90	02/15/22	3,985,000	250,000
Series 2004A refunding and improvements	2.50-4.625	02/15/24	8,745,000	1,125,000
Taxable Series 2004B refunding	1.40-4.65	02/15/15	3,360,000	505,000
Series 2005 refunding and improvement	3.25-5.00	02/15/25	11,170,000	960,000
Series 2006 improvements	4.00-5.00	02/15/26	1,775,000	-
Series 2008 refunding and improvements	3.50-3.625	02/15/21	1,695,000	120,000
Series 2009 refunding	2.00-4.60	02/15/29	4,245,000	85,000
			<u>37,880,000</u>	<u>3,670,000</u>
Certificate of Obligation Bonds-				
Series 2001	3.00-4.25	02/15/11	70,000	35,000
Series 2002	2.25-4.20	02/15/14	350,000	80,000
Series 2004	2.00-4.625	02/15/24	5,085,000	255,000
Series 2004A	2.00-5.00	02/15/24	1,745,000	85,000
Series 2005	3.25-5.00	02/15/25	7,295,000	80,000
Series 2006	4.00-5.00	02/15/26	7,760,000	-
Series 2007	4.00-5.00	02/15/27	18,130,000	-
Series 2008	3.50-4.00	02/15/28	9,865,000	205,000
Series 2009	2.00-4.60	02/15/29	11,260,000	225,000
			<u>61,560,000</u>	<u>965,000</u>
Public Property Finance Contractual Obligations-				
Series 2004	2.00-2.90	02/15/10	255,000	255,000
Series 2005	3.25-4.00	02/15/10	370,000	370,000
Series 2006	4.00-4.125	02/15/11	735,000	360,000
Series 2007	3.65-3.75	02/15/12	1,405,000	450,000
Series 2008	3.50-3.375	02/15/13	2,810,000	670,000
Series 2009	2.00-3.00	02/15/14	1,865,000	360,000
			<u>7,440,000</u>	<u>2,465,000</u>
Total governmental activities long-term bonded debt			106,880,000	7,100,000
Less: deferred loss on refunding			(907,687)	-
Net governmental activities long-term bonded debt			<u>\$105,972,313</u>	<u>\$ 7,100,000</u>

City of Mesquite, Texas

Notes to Basic Financial Statements
September 30, 2009

	Interest Rate (%)	Maturity Date	Amount Outstanding	Due Within One Year
<u>Business-type Activities-</u>				
Water and Sewer Revenue Bonds-				
Series 2001 refunding and improvements	2.25-5.00	03/01/21	\$ 5,340,000	\$ 685,000
Series 2002 improvements	2.00-5.00	03/01/22	5,565,000	325,000
Series 2004 refunding and improvements	2.625-5.00	03/01/24	9,855,000	810,000
Series 2005 refunding and improvements	3.25-5.25	03/01/25	12,565,000	720,000
Series 2006 improvements	4.00-5.00	03/01/26	7,985,000	240,000
Series 2007 improvements	4.00-5.00	03/01/27	7,260,000	240,000
Series 2008 improvements	3.50-4.50	03/01/28	10,485,000	885,000
Series 2009 improvements	2.00-4.60	03/01/29	8,380,000	300,000
			<u>67,435,000</u>	<u>4,205,000</u>
Drainage Utility System Revenue Bonds-				
Series 1998 refunding and improvements	4.25-5.50	03/01/18	1,570,000	255,000
Series 2000 improvements	4.40-5.50	03/01/20	1,375,000	95,000
Series 2002 improvements	2.00-5.00	03/01/22	2,555,000	150,000
Series 2004 refunding	2.00-5.00	03/01/12	1,325,000	420,000
			<u>6,825,000</u>	<u>920,000</u>
Total business-type activities long-term debt			74,260,000	5,125,000
Less: premium and deferred loss on refunding			(292,496)	-
Net business-type activities long-term debt			<u>73,967,504</u>	<u>5,125,000</u>
Net long-term bonded debt			<u>\$ 179,939,817</u>	<u>\$ 12,225,000</u>

Annual debt service requirements to maturity for long-term bonded debt are as follows:

<u>Fiscal Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 7,100,000	\$ 4,361,421	\$ 5,125,000	\$ 3,124,921
2011	7,020,000	4,104,411	5,370,000	2,929,816
2012	6,720,000	3,844,431	5,625,000	2,712,156
2013	6,115,000	3,594,868	5,285,000	2,488,278
2014	6,265,000	3,341,211	4,940,000	2,271,961
2015-2019	27,765,000	13,132,217	22,280,000	8,296,766
2020-2024	28,615,000	7,085,474	17,335,000	3,667,794
2025-2029	17,280,000	1,498,140	8,300,000	709,593
Total	<u>\$ 106,880,000</u>	<u>\$ 40,962,173</u>	<u>\$ 74,260,000</u>	<u>\$ 26,201,285</u>

City of Mesquite, Texas

Notes to Basic Financial Statements
September 30, 2009

Advance Refundings- The June 2009 general obligation bond issue proceeds were used to advance refund and defease in substance certain maturities of its existing outstanding bond issuances. The advance refunding allowed the City to restructure future debt payments in order to extend their maturities. The refunding resulted in an increase in total debt service payments of \$2,172,851 of the new debt over the old debt therefore an economic loss was realized. The refunding portion of the issue provided resources to purchase direct obligations of the U. S. government that were placed in a separate irrevocable trust for the purpose of generating resources for all future debt service payments of the debt being refunded. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets in the government-wide financial statements. The difference between the reacquisition price and the net carrying amount of the old debt (deferred amount on refunding) will be amortized over the remaining life of the original debt issued. The statement of net assets on the government-wide financial statements reports this deferred amount as a contra-liability to the new debt obligation. The details of the refunding debt transaction were as follows:

	General Obligation Bonds Series 2009
Amount of new debt issue	\$ 4,245,000
Less: Bond premium	(9,881)
Less: net issuance costs	(31,494)
	<hr/>
Reacquisition price	\$ 4,203,625
	<hr/>
Net carrying amount of old debt	3,950,000
	<hr/>
Deferred amount on refunding	\$ 253,625
	<hr/> <hr/>
Increase in total debt service payments of new debt over old debt	\$ 2,172,851
	<hr/> <hr/>
Economic loss on refunding	\$ 2,172,851
	<hr/> <hr/>

In prior years, the City defeased certain general obligation and other bonds by using the proceeds of new bonds to purchase direct obligations of the U. S. government that were placed in separate irrevocable trusts for the purpose of generating resources for all future debt service payments of the debt being refunded. As a result, the refunded bonds are considered to be defeased and the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. The principal balance of refunded bonds still outstanding at September 30, 2009 was: water and sewer \$3,415,000 and general obligation \$4,475,000.

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2009**

Capital Leases- The City enters into lease agreements as lessee for financing the acquisition of various equipment which is payable from both governmental and business-type activities. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Asset:		
Equipment	\$ 277,321	\$ 382,655
Less: Accumulated depreciation	<u>(142,648)</u>	<u>(187,341)</u>
 Total	 <u>\$ 134,673</u>	 <u>\$ 195,314</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2009, were as follows:

Year ending <u>September 30</u>	Governmental <u>Activities</u>	Business-type <u>Activities</u>
2010	\$ 19,948	\$ 41,530
2011	13,299	38,377
2012	<u>-</u>	<u>11,308</u>
Total minimum future lease payments	33,247	91,215
Less: Amount representing interest	<u>(1,047)</u>	<u>(3,795)</u>
Present value of minimum lease payments	<u>\$ 32,200</u>	<u>\$ 87,420</u>

Notes Payable- The City entered into a loan agreement with the State Infrastructure Bank in the original amount of \$5,615,287 for Mesquite's participation with the State of Texas for the LBJ Corridor Improvements. The interest rate on the note is 4.1%. Debt service payments are being made through available revenues from the Towne Center TIF. The outstanding balance at year end is \$4,454,246.

The City entered into a revolving loan agreement in the amount of \$555,328 with the State Energy Conservation Office to implement conservation improvements at the Municipal Center. Construction was completed on July 19, 2007 and the loan was set up to amortize over 9.75 years beginning August 31, 2007. The interest rate on the note is 3%. Debt service payments will be made from available operating funds of the government. The outstanding balance at year end is \$441,146.

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2009**

Annual debt service requirements through maturity for notes payable are as follows:

<u>Fiscal Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 472,439	\$ 195,263
2011	491,241	176,461
2012	510,797	156,905
2013	531,136	136,565
2014	552,292	115,410
2015-2018	2,337,487	234,464
Total	<u>\$ 4,895,392</u>	<u>\$ 1,015,068</u>

Long-term liabilities activity for the year ended September 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 38,320,000	\$ 4,245,000	\$ 4,685,000	\$ 37,880,000	\$ 3,670,000
Certificates of obligation	55,250,000	11,260,000	4,950,000	61,560,000	965,000
Public property finance contractual obligations	<u>7,610,000</u>	<u>1,865,000</u>	<u>2,035,000</u>	<u>7,440,000</u>	<u>2,465,000</u>
Total bonds payable	101,180,000	17,370,000	11,670,000	106,880,000	7,100,000
Less deferred loss on refunding	<u>(752,326)</u>	<u>(253,625)</u>	<u>(98,264)</u>	<u>(907,687)</u>	<u>-</u>
Net bonds payable	100,427,674	17,116,375	11,571,736	105,972,313	7,100,000
Other General Fund long-term liability:					
Notes payable	5,349,753	-	454,361	4,895,392	472,439
Capital leases	80,424	-	48,224	32,200	19,083
Accrued compensated absences	18,278,034	679,840	392,090	18,565,784	6,701,463
Estimated claims payable	<u>2,383,441</u>	<u>9,951,873</u>	<u>10,349,425</u>	<u>1,985,889</u>	<u>1,291,963</u>
Total governmental activities	<u>126,519,326</u>	<u>27,748,088</u>	<u>22,815,836</u>	<u>131,451,578</u>	<u>15,584,948</u>
Business-type activities:					
Bonds payable:					
Revenue bonds -water/sewer	62,795,000	8,380,000	3,740,000	67,435,000	4,205,000
Revenue bonds -drainage	<u>7,710,000</u>	<u>-</u>	<u>885,000</u>	<u>6,825,000</u>	<u>920,000</u>
Total revenue bonds payable	70,505,000	8,380,000	4,625,000	74,260,000	5,125,000
Less premium and deferred loss on refunding	<u>(367,703)</u>	<u>23,096</u>	<u>(52,111)</u>	<u>(292,496)</u>	<u>-</u>
Net revenue bonds payable	70,137,297	8,403,096	4,572,889	73,967,504	5,125,000
Capital leases	155,645	-	68,225	87,420	38,965
Accrued compensated absences	<u>1,218,790</u>	<u>64,424</u>	<u>46,363</u>	<u>1,236,851</u>	<u>258,032</u>
Total business-type activities	<u>71,511,732</u>	<u>8,467,520</u>	<u>4,687,477</u>	<u>75,291,775</u>	<u>5,421,997</u>
Total long-term liabilities	<u>\$ 198,031,058</u>	<u>\$ 36,215,608</u>	<u>\$ 27,503,313</u>	<u>\$ 206,743,353</u>	<u>\$ 21,006,945</u>

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2009**

8. RETIREMENT PLAN

Plan Description- The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System ("TMRS") one of 833 administered by TMRS, an agent multiple-employer public employee retirement system. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for TMRS. That report may be obtained by writing TMRS, P. O. Box 149153, Austin, Texas, 78714-9153 or by calling 800-924-8677.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Plan provisions for the City were as follows:

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

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

Contributions- Under the state law governing TMRS, the City is required to contribute at an actuarially determined rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2009**

the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2007, valuation is effective for rates beginning January 2009).

Annual Pension Cost- For fiscal year 2009, the City's annual pension cost of \$10,081,846 was equal to the City's required and actual contributions at a contribution rate of 16.93% of covered payroll. The required contribution was determined as part of the December 31, 2007, actuarial valuation using the projected unit credits actuarial cost method. The actuarial assumptions included (a) 7% investment rate of return (net of administrative expenses), (b) salary increases vary by age and service, (c) 2.1% cost of living adjustment, and (d) 3% inflation rate adjustment. The actuarial value of assets is amortized cost. The City's unfunded actuarial accrued liability is being amortized over a 30-year closed period as a level percentage of payroll.

The City's net pension obligation for TMRS for the past three years is calculated as follows:

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2009	\$ 10,081,846	100%	-
9/30/2008	\$ 9,831,841	100%	-
9/30/2007	\$ 9,067,506	100%	-

All annual required contributions have been paid; therefore, there is no net pension obligation.

Future Funding Requirements- Major changes have occurred at TMRS over the past several years which have caused a significant increase in member cities contribution rates. TMRS has traditionally invested its funds in high-quality long-term bonds which, of course, have seen significant reductions in their rate of return. In addition, TMRS management has undertaken a major study and analysis of actuarial assumptions which resulted in revisions to several of the assumptions. The first set of actuarial changes was implemented in 2007 which created an initial set of increases to member cities in 2009 and additional actuarial changes were approved by the TMRS Board of Directors in 2008 which will cause further increases in 2010.

TMRS is a flexible system that allows member cities to adopt benefit levels that they determine appropriate for their city. Among those benefit levels, cities can choose to adopt Updated Service Credits (USC) and annual Cost of Living Adjustments (COLA). Mesquite has chosen to fund the USC at 100% of the based calculated USC amount and the COLA at 70% of CPI. These levels are similar to those chosen by other comparable North Texas cities. In addition to the option for setting various levels of these benefits, a member city may choose to establish these benefits as automatically repeating. With the adoption of these benefits as automatically repeating, a city's annual contribution rate is set to assume that the city will adopt these benefits each year in the future. This automatically repeating assumption has a major impact on a member city's annual contribution rate.

After receiving Mesquite's proposed rates for 2010 and future years, the city concluded that it could reduce the 2010 TMRS annual contribution rate and continue to offer the existing level of benefit for USC and COLA by terminating the annual automatic repeating option for these benefits and adopt them as ad hoc. In future years, these benefit levels will need to be established during the annual budget process.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2009

The City's full contribution rate with USC and COLA as automatically repeating was proposed at 24.89% of covered payroll with the 2010 phase-in rate proposed at 18.89%. The City's member contribution rate with the USC and COLA at the same benefit levels is 14.89% when adopted as ad hoc. City staff is currently working with an outside consultant to examine the TMRS actuarial assumptions and their impact on the City's contribution rate. Information gathered from this study can be used for long-term planning and for discussions with TMRS decision makers.

Required Supplementary Information - Required supplementary information for the analysis of funding progress for the past three years is presented immediately following the Notes to the Basic Financial Statements.

9. REGIONAL SYSTEMS FOR WATER SUPPLY AND WASTEWATER TREATMENT

The City secures substantially all of its water supply and sewer services from the North Texas Municipal Water District (the "District"). The District has police, taxation, and eminent domain powers and is authorized to issue revenue bonds with State approval and functions as a political subdivision independent of the City. The District is governed by a 17-member board (the "Board"), the City being authorized by statute to appoint two of those members. The Board has full power and discretion to establish its budget and to set the rates for services it provides by contracts with its member cities and customers. The Board is empowered by statute and contract, or otherwise permitted by law, to discontinue a facility or to enforce payment of an unpaid charge, fee, or rental due to the District. A portion of the outstanding bonds of the District are contract revenue bonds based on contracts with certain member cities of the District. The City provides for the payment of its contractual obligations with the District from revenue generated by its waterworks and sewer systems. Such contractual payments provide for the payment of the principal and interest requirements on specified indebtedness and associated operation and maintenance expenses of the District. Because of the factors mentioned above the District is not included in the City's basic financial statements.

Water Supply- On August 1, 1988, the City entered into a contract with the District whereby the District agreed to provide water supply for the benefit of the City. The provisions of this contract are similar in concept, essence and intent to the provisions of the contract originally entered into on December 12, 1953. In return for this service, the City agreed to pay the District at a rate per 1,000-gallon basis, subject to minimum annual payments which approximated \$9.465 million for the fiscal year ended September 30, 2009.

Wastewater Treatment- On October 1, 1975, the City entered into a contract with the District whereby the District agreed to provide a wastewater treatment and disposal system for the benefit of the City and other cities located in Dallas, Collin, Kaufman and Rockwall Counties, Texas. Each member city annually pays its proportionate share of operating expenses and debt service of the District. The City's annual payment for the year ended September 30, 2009, was approximately \$5.841 million.

10. SELF-INSURANCE

Group Health Insurance- The City established the Health Claims internal service fund in 1984 to account for the provision of group life and health insurance coverage for employees and their dependents. The City's health insurance program is a "self-insured" plan funded by both the City and participating employees. The City makes a predetermined contribution to the plan each biweekly payroll for group life and health insurance coverage for qualifying City employees and a subsidy toward employee dependent coverage. Employees

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2009

contribute through payroll deductions for the balance of dependent health insurance coverage. The City's health insurance program includes stop loss coverage with a \$250,000 deductible per individual with a \$1,500,000 liability limit per claim. The coverage is consistent with prior years and settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

All claims are reviewed and processed by an independent insurance company. The insurance company pays claims based on the health plan, and the City reimburses the insurance company for the amount of each claim paid. The insurance company charges the City a fee for each claim processed.

The Health Claims internal service fund began the fiscal year with \$1,382,113 in unrestricted net assets after inclusion of \$1,009,000 of estimated outstanding health claims payable. During the year, operating expenses exceeded operating and non-operating revenues by \$134,021 after inclusion of a \$64,000 decrease in estimated claims payable resulting in a \$1,248,092 balance in unrestricted net assets at year-end. Actual claims paid totaled \$9,666,152. The decrease in net assets was due increased claims activity while contributions from the City and from the employees remained about the same. The City has continued a contract with an outside firm to assist the City in controlling and monitoring medical claims.

The estimated claims payable of \$945,000 reported in the Health Claims internal service fund is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* ("GASB No. 10"), which requires that a liability be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability for unpaid claims includes allocated loss adjustment expenses. Changes in the fund's claims liability amount in fiscal years 2008 and 2009 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2008	\$ 704,000	\$ 9,001,628	\$ 8,696,628	\$ 1,009,000
2009	\$ 1,009,000	\$ 9,602,152	\$ 9,666,152	\$ 945,000

Accrued liabilities include provisions for claims reported and claims incurred but not reported. The provision for reported claims and for claims incurred but not yet reported is determined by an independent consultant.

General Liability Insurance- The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 1985, the City established the General Liability internal service fund to account for the provision of property, general liability, and workers' compensation insurance. The City's insurance coverage is through scheduled specific policies with large deductibles with the primary carrier being the Texas Municipal League Risk Pool. Under this program, the General Liability Fund provides coverage for up to a maximum of \$10,000 retention for each real & personal property claim and a scheduled limit on coverage, \$10,000 retention for each mobile equipment claim and a scheduled limit on coverage, \$10,000 retention for each auto physical damage claim and a scheduled limit on coverage, \$100,000 retention for each auto catastrophe claim and a \$7,700,000 limit on coverage, \$100,000 retention for each law enforcement claim and a \$5,000,000 limit on coverage, \$100,000 retention for each general liability claim and a \$1,000,000 limit on coverage, \$2,500 retention for each airport hangarkeeper claim and a \$1,000,000 limit on coverage, \$100,000 retention for each auto liability claim and a \$1,000,000 limit on coverage, \$100,000 retention for each errors and omission claim and a

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2009**

\$5,000,000 limit on coverage with a \$10,000,000 annual aggregate, \$300,000 retention for each worker's compensation claim, \$10,000 retention for each crime coverage claim with a \$500,000 limit on coverage, and \$10,000 retention for each storage tank pollution claim with a \$1,000,000 limit on coverage. The General Liability Fund is funded through revenues from participating governmental and proprietary funds of the City. The above coverage is consistent with prior years and settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

The General Liability fund began the fiscal year with unrestricted net assets of (\$305,118). During the year, operating and non-operating revenues exceeded operating expenses by \$366,160 after inclusion of a \$333,552 decrease in estimated claims payable, resulting in a \$61,042 net assets balance at fiscal year-end. The City made an additional contribution in 2008/2009 from the General fund and Water and Sewer fund to cover the deficit in net assets at the beginning of the year. Actual claims paid were \$683,273. The estimated claims payable of \$1,040,889 reported in the General Liability internal service fund is based on the requirements of GASB No. 10. The liability for unpaid claims includes allocated loss adjustment expenses. Changes in the fund's claims liability amount in fiscal years 2008 and 2009 were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Fiscal Year Liability</u>
2008	\$ 1,110,022	\$ 1,073,784	\$ 809,365	\$ 1,374,441
2009	\$ 1,374,441	\$ 349,721	\$ 683,273	\$ 1,040,889

Accrued liabilities include provisions for claims reported and claims incurred but not reported. The provisions for reported claims and for claims incurred but not yet reported are determined by an independent consultant.

11. POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the City provides postretirement healthcare benefits to retirees and their dependents. These benefits are provided to retired employees under the same plan options as active employees in accordance with City ordinances. For those employees who retired prior to February 1, 2000 the premiums are almost entirely paid by the City, subject to a small cap, until the employee attains age 65. For those employees hired prior to October 1, 2004 who retire after February 1, 2000 with a minimum of ten years of service, the City will pay 4% per year of service (up to 25 years of service) subject to a small cap amount. The City's payment for the retirees' dependents is 2.6% per year of service. Employees hired after October 1, 2004 who retire at age 55 or older with 15 years of service will receive a City medical plan contribution of \$12/month for each year of service. After age 65, retired employees may continue in the City healthcare plan if they pay the premiums or will have the option to enroll in a Medicare Supplement plan and pay the monthly premium associated with the plan.

The City paid approximately \$1.7 million for 253 retirees' premiums in fiscal year 2009. City paid claims for retired employees and their dependents approximated \$1.52 million. Retiree health care activity is reported in the Health Claims Internal Service Fund.

The City implemented Governmental Accounting Standards Board (GASB) Statement 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB)* in fiscal year 2008.

Funding Policy – current retirees contribute to the retiree health care program the total blended premium for active and retired participants. The City contribution to the retiree health care program consists of pay-as-

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2009**

you-go claims in excess of the retiree contributions. Retiree contribution rates for fiscal year 2009 were \$3,880 to \$6,440 per year depending on coverage levels selected. In fiscal year 2009, total retiree contributions were \$785,430. The City contributions to the plan for fiscal year 2009, which are equal to claims and premiums paid in excess of premiums collected, were \$2,401,268.

Annual OPEB Cost and Net OPEB Asset – The City’s annual other postemployment benefit (OPEB) cost for the retiree health care program is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost for the year, the amount annually contributed to the plan, and the changes in the City’s net OPEB obligation to the plan.

Annual required contribution	\$ 1,787,567
Interest adjustment to net OPEB obligation	(12,883)
Adjustment to ARC	12,799
Annual OPEB cost (expense)	<u>1,787,483</u>
Contributions made	<u>(2,401,268)</u>
Increase in net OPEB asset	(613,785)
Net OPEB asset - beginning of year	<u>(322,068)</u>
Net OPEB asset - end of year	<u><u>\$ (935,853)</u></u>

The following table shows the assumed annual OPEB cost and net OPEB obligation for the past two years.

Fiscal Year Ended	Discout Rate	Annual OPEB Cost	% of OPEB Cost Contributed	% of Cost Contributed	Net OPEB Asset
9/30/2009	4.00%	\$ 1,787,483	\$ 2,401,268	134.3%	\$ (935,853)
9/30/2008	6.60%	\$ 2,591,340	\$ 2,913,408	112.4%	\$ (322,068)

Funding Status and Funding Progress – As of October 1, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$30,375,813, and there was not an actuarial value of net assets. During the fiscal year the City contributed \$2,401,268 to the plan, resulting in an unfunded actuarial accrued liability (UAAL) of \$27,974,545. The covered payroll was \$55,482,589 and the ratio of UAAL to the covered payroll was 50.4%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Notes to Basic Financial Statements
September 30, 2009

Actuarial Methods and Assumptions – In the October 1, 2008 actuarial valuation, the entry age cost method was used. The actuarial assumptions included a 4.0% investment rate of return which is a blended rate of the expected long-term investment returns on the plan assets and on the employer's own investments. An annual aggregate payroll increase of 3% was assumed. There is no healthcare trend increase assumed as all increases to insured plan premiums and self-funded plan funding are assumed to be borne by the retirees. The UAAL is being amortized at a level percentage of projected payroll on an open basis. The remaining amortization period at October 1, 2008 was thirty years.

Required Supplementary Information - Required supplementary information for the analysis of funding progress is presented immediately following the Notes to the Basic Financial Statements.

12. CONTINGENT LIABILITIES

Pending Litigation- Various lawsuits pending against the City involve claims relating to general liability, automobile liability, workers' compensation, civil rights action, and various contractual matters. In the opinion of the City's management, the outcome of the pending litigation will not have a material adverse effect on the City's financial position or operations.

Arbitrage Rebate Requirements- The Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the City. Under this requirement, an amount equal to the sum of (a) the excess of the aggregate amount earned on all investments over the amount that would have been earned if all investments were invested at a rate equal to the yield on the bonds and (b) any income earned on the excess described in (a) is required to be rebated to the United States Treasury, in order for the interest on the bonds to be excluded from federal taxation. Regulations implementing the rebate requirement were released by the Internal Revenue Service on May 12, 1989. Rebateable arbitrage is computed as of each installment computation date. The last computation date for the City was performed for financial information as of August 17, 2009. No rebate liability was due to the federal government. Information for the next computation period is due in May of 2010. Management does not anticipate there will be a material liability once the computation is completed.

Grant Audit- The City receives federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by the federal and state agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of City management, such disallowances, if any, will not be significant to the City's financial statements.

Conduit Debt Obligations- From time to time, various legally separate component units of the City have issued bonded debt obligations to provide financial assistance to private-sector entities. The bonds were issued to acquire and construct industrial and commercial facilities (Mesquite Industrial Development Corporation); or to construct medical and health facilities (Mesquite Health Facilities Corporation). The bonds are secured by the property financed and are payable solely from payments received on the underlying debt obligations. Upon repayment of the bonds, ownership of the acquired capital assets transfers to the private-sector entity served by the bond issuance. Even though some of the bonds are outstanding, there is no liability to the City or the component unit (no commitment debt), as all liability transfers to the trustee of the bond issue. A summary of outstanding conduit debt by component unit at September 30, 2009, is as follows.

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2009**

<u>Series</u>	<u>Mesquite Industrial Development Corporation</u>	<u>Mesquite Health Facilities Corporation</u>	<u>Total</u>
1995	\$ 390,000	\$ -	\$ 390,000
1997	1,300,000	-	1,300,000
2000B	-	2,460,217	2,460,217
2000C	-	6,956,863	6,956,863
2003A	817,882	-	817,882
2003B	600,000	-	600,000
2005	-	19,344,670	19,344,670
2005	-	11,012,906	11,012,906
2005	-	3,585,406	3,585,406
2005	-	1,006,022	1,006,022
Total	<u>\$ 3,107,882</u>	<u>\$ 44,366,084</u>	<u>\$ 47,473,966</u>

Contingent Liability for Service Agreement- The City entered into separate agreements with the North Texas Municipal Water District (the “District”) and Kingsborough Municipal Utility District Nos. 1, 2, 3, 4, and 5 (the “MUDs”) to provide sewer service within the City’s extraterritorial jurisdiction. As a member city of the District, the City’s involvement was required to develop capacity for a wastewater service requirement of 13.1 million gallons per day to service the area. The District has agreed to construct and operate a project known as the Lower East Fork Sewer Interceptor System and obtained financing on August 24, 2006 in the amount of \$19,190,000. The City’s share of the debt service payments on the project is \$105,584 per month over 20 years and is being passed through to the MUDs. As additional security for the payments due the City the MUDs agreed to establish, levy, and collect an ad valorem tax on all taxable property within the MUDs.

13. DEFICIT FUND BALANCE

The Other Grants Fund deficit fund balance of \$84,140 will be eliminated through reimbursements for projects in the next fiscal year.

14. CORRECTION OF ERROR AND RESTATEMENT OF FINANCIAL INFORMATION

During fiscal year 2009 it was discovered that certain developer contributions from previous years were actually city paid projects. The transactions were recorded twice as infrastructure assets; once through the developer contribution process and once through the regular capital projects process. Procedures have been put in place to ensure the error does not happen again in the future.

The beginning net assets line item in the Government Wide Statement of Activities, the beginning net assets line item in the Water and Sewer Fund and Drainage Utility District Fund Statement of Revenues, Expenses, and Changes in Fund Net Assets and the beginning fixed asset balances in Footnote 5, have been restated for this correction.

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2009**

The following is a summary of the changes made:

<u>Reporting Area</u>	<u>As Reported</u>	<u>Adjustment</u>	<u>Restated</u>
Government Wide Statement of Activities			
Net assets beginning			
Governmental Activities	\$ 185,901,189	\$(11,170,312)	\$ 174,730,877
Business Type Activities	146,043,690	(15,165,225)	130,878,465
Statement of Revenues, Expenses and Changes in Fund Net Assets			
Total net assets - beginning			
Water and Sewer	\$ 105,552,776	\$(13,202,188)	\$ 92,350,588
Drainage Utility District	26,819,367	(1,963,037)	24,856,330
Footnote 5 - Capital Assets			
Governmental Activities			
Infrastructure	\$ 213,223,536	\$(11,568,661)	\$ 201,654,875
Accumulated Depreciaton Infrastructure	109,065,428	(398,349)	108,667,079
Business Type Activities			
Infrastructure	\$ 226,131,837	\$(15,759,968)	\$ 210,371,869
Accumulated Depreciaton Infrastructure	62,513,627	(594,743)	61,918,884
Effect on Change in Net Assets in Fiscal Year 2008			
Governmental Activities	\$ 14,085,812	\$ (3,587,003)	\$ 10,498,809
Business Type Activities			
Water and Sewer	\$ 2,120,071	\$ (2,432,869)	\$ (312,798)
Drainage Utility District	1,592,458	(1,108,673)	483,785
Other	(55,757)	-	(55,757)
	<u>\$ 3,656,772</u>	<u>\$ (3,541,542)</u>	<u>\$ 115,230</u>

End of Notes to Basic Financial Statements

City of Mesquite, Texas

**Required Supplemental Information (Unaudited)
September 30, 2009**

**Texas Municipal Retirement System (TMRS)
Schedule of Funding Progress – Retirement Plan
Last Three Years**

As of <u>12/31</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued <u>Liability (AAL)</u>	Unfunded Actuarial Accrued <u>Liability (UAAL)</u>	Funded <u>Ratio</u>	Annual Covered <u>Payroll</u>	UAAL as a Percent of Covered <u>Payroll</u>
2006	\$ 158,532,987	\$ 225,572,028	\$ 67,039,041	70.3%	\$ 54,796,225	122.3%
2007	\$ 165,879,358	\$ 278,689,637	\$ 112,810,279	59.5	\$ 59,115,956	190.8
2008	\$ 172,795,729	\$ 290,437,645	\$ 117,641,916	59.5	\$ 61,887,949	190.1

Source: Texas Municipal Retirement System Comprehensive Annual Financial Reports.

Notes:

- Trend data presented is based on the fiscal year of the Texas Municipal Retirement System which ends December 31.
- For years prior to 2007, the actuarial accrued liability was calculated using the Unit Credit actuarial funding method. For 2007 and forward, the actuarial accrued liability was calculated using the Projected Unit Credit actuarial funding method.

Schedule of Funding Progress – Other Post Employment Benefits (OPEB)

As of <u>9/30</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued <u>Liability (AAL)</u>	Unfunded Actuarial Accrued <u>Liability (UAAL)</u>	Funded <u>Ratio</u>	Annual Covered <u>Payroll</u>	UAAL as a Percent of Covered <u>Payroll</u>
2008	\$ -	\$ 28,797,834	\$ 25,884,426	10.1%	\$ 42,613,979	60.7%
2009	\$ -	\$ 30,375,813	\$ 27,974,545	7.9%	\$ 55,482,589	50.4%

Source: Actuarial report dated September 30, 2009.

Note: The City implemented GASB Statement 45 in fiscal year 2008; therefore, information prior to fiscal year 2008 is not available.

Combining and Individual Fund

Statements and Schedules

MESQUITE
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City of Mesquite, Texas

Non-Major Governmental Funds

Special Revenue Funds:

Special Revenue funds are a governmental fund type used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specified purposes. Individual funds maintained are as follows:

Hotel/Motel Tax Fund - to account for funds received from a tax on the cost of occupancy in area hotels and motels, the revenues of which may be expended to promote tourism and the convention and hotel industry.

Confiscated Drug Fund - to account for funds awarded as a result of court forfeitures of contraband pursuant to Chapter 59 of the Texas Code of Criminal Procedure. The law provides for a special fund to be established and to be used solely for law enforcement purposes.

Other Grants Fund- to account for grant funds received from state and local sources restricted for the purposes specified in the grant.

Other Special Revenue Funds - to account for other miscellaneous non-major special revenue activities including 9-1-1 emergency service, court technology, recreation user programs, cemetery maintenance, and donation accounts.

Debt Service Fund accounts for the accumulation of resources for, and the payment of general long-term debt principal and interest. The resources for this fund are generated by a tax levy based upon property values. Payment for principal and interest are made from this fund for the general obligation bonds, certificates of obligation bonds, and contractual obligation debt when due through-out the year.

Capital Project funds are used to account for the acquisition or construction of major capital facilities (other than those financed by proprietary funds) being financed from bond proceeds, charges for services or other revenue sources. There is one non-major capital project fund:

Local Finance Fund - to account for financial resources generated from local revenue sources to be expended for various capital projects. This fund includes the resources of the three Tax Increment Financing Districts as well as the Housing Finance, Health Facilities and Industrial Development Corporations.

City of Mesquite, Texas

**Combining Balance Sheet
Non-Major Governmental Funds
September 30, 2009**

	Special Revenue			
	Hotel/Motel <u>Tax</u>	Confiscated <u>Drug</u>	Other <u>Grants</u>	Other Special <u>Revenue</u>
ASSETS:				
Pooled cash and investments	\$ 217,025	\$ 2,857,631	\$ -	\$ 1,205,064
Receivables (net of allowance for uncollectibles):				
Intergovernmental	-	-	827,444	-
Prepays	6,926	-	-	-
Accrued interest	(1,174)	2,123	-	201
Total Assets	<u>\$ 222,777</u>	<u>\$ 2,859,754</u>	<u>\$ 827,444</u>	<u>\$ 1,205,265</u>
 LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 33,968	\$ 16,388	\$ 81,592	\$ 68,586
Contracts payable	-	-	-	2,850
Deposits	-	214,623	-	18,365
Due to other funds	-	-	824,992	-
Deferred revenue	-	-	5,000	-
Total Liabilities	<u>33,968</u>	<u>231,011</u>	<u>911,584</u>	<u>89,801</u>
 Fund Balances:				
Reserved for:				
Encumbrances	-	92,434	275,000	21,357
Debt retirement	-	-	-	-
Unreserved, reported in:				
Special revenue funds	88,809	2,536,309	(359,140)	1,094,107
Capital project funds	100,000	-	-	-
Total Fund Balances	<u>188,809</u>	<u>2,628,743</u>	<u>(84,140)</u>	<u>1,115,464</u>
Total Liabilities and Fund Balances	<u>\$ 222,777</u>	<u>\$ 2,859,754</u>	<u>\$ 827,444</u>	<u>\$ 1,205,265</u>

<u>Debt Service</u>	<u>Capital Projects Local Finance</u>	<u>Total Other Governmental Funds</u>
\$ 612,164	\$ 11,478,169	\$ 16,370,053
-	-	827,444
-	-	6,926
-	<u>524</u>	<u>1,674</u>
<u>\$ 612,164</u>	<u>\$ 11,478,693</u>	<u>\$ 17,206,097</u>

\$ -	\$ 20,686	\$ 221,220
-	17,200	20,050
-	240,820	473,808
-	-	824,992
-	-	<u>5,000</u>
-	<u>278,706</u>	<u>1,545,070</u>

-	631,951	1,020,742
612,164	-	612,164
-	-	3,360,085
-	<u>10,568,036</u>	<u>10,668,036</u>
<u>612,164</u>	<u>11,199,987</u>	<u>15,661,027</u>
<u>\$ 612,164</u>	<u>\$ 11,478,693</u>	<u>\$ 17,206,097</u>

City of Mesquite, Texas

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended September 30, 2009**

	Special Revenue			
	Hotel/Motel Tax	Confiscated Drug	Other Grants	Other Special Revenue
REVENUES:				
Gross receipts taxes	\$ -	\$ -	\$ -	\$ 75,965
Sales tax	1,093,137	-	-	-
Licenses and permits	-	-	-	1,540
Fines and forfeitures	-	732,734	-	70,028
Investment income	6,355	52,350	-	5,266
Charges for services	-	-	701	989,677
Intergovernmental	-	-	1,728,443	-
Contributions and donations	-	-	-	81,060
Other revenues	-	105,034	-	20,000
Total Revenues	<u>1,099,492</u>	<u>890,118</u>	<u>1,729,144</u>	<u>1,243,536</u>
EXPENDITURES:				
Current-				
General government	696,312	-	-	149,321
Fire services	-	-	112,814	5,000
Police services	-	354,442	160,924	304,581
Public works	-	-	6,622	-
Community development	128,655	-	721,220	-
Library services	-	-	17,022	4,075
Parks and recreation	-	-	27,280	19,659
Housing and community services	150,655	-	339,995	4,566
Capital outlay	-	-	382,242	-
Debt service-				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>975,622</u>	<u>354,442</u>	<u>1,768,119</u>	<u>487,202</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>123,870</u>	<u>535,676</u>	<u>(38,975)</u>	<u>756,334</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	<u>(158,000)</u>	<u>-</u>	<u>-</u>	<u>(840,000)</u>
Total Other Financing Sources (Uses)	<u>(158,000)</u>	<u>-</u>	<u>-</u>	<u>(840,000)</u>
NET CHANGE IN FUND BALANCES	(34,130)	535,676	(38,975)	(83,666)
FUND BALANCES AT BEGINNING OF YEAR	<u>222,939</u>	<u>2,093,067</u>	<u>(45,165)</u>	<u>1,199,130</u>
FUND BALANCES AT END OF YEAR	<u>\$ 188,809</u>	<u>\$ 2,628,743</u>	<u>\$ (84,140)</u>	<u>\$ 1,115,464</u>

	<u>Debt Service</u>	<u>Capital Projects Local Finance</u>	<u>Total Other Governmental Funds</u>
\$	-	\$ -	\$ 75,965
	-	-	1,093,137
	-	-	1,540
	-	-	802,762
	-	169,949	233,920
	-	4,823,671	5,814,049
	-	56,231	1,784,674
	-	8,762	89,822
	-	166,877	291,911
	-	<u>5,225,490</u>	<u>10,187,780</u>
	-	3,641,760	4,487,393
	-	-	117,814
	-	-	819,947
	-	-	6,622
	-	-	849,875
	-	-	21,097
	-	3,584	50,523
	-	688	495,904
	-	646,987	1,029,229
	7,720,000	402,664	8,122,664
	<u>4,154,524</u>	<u>199,134</u>	<u>4,353,658</u>
	<u>11,874,524</u>	<u>4,894,817</u>	<u>20,354,726</u>
	<u>(11,874,524)</u>	<u>330,673</u>	<u>(10,166,946)</u>
	11,949,173	231,605	12,180,778
	(12)	(3,625,000)	(4,623,012)
	<u>11,949,161</u>	<u>(3,393,395)</u>	<u>7,557,766</u>
	74,637	(3,062,722)	(2,609,180)
	<u>537,527</u>	<u>14,262,709</u>	<u>18,270,207</u>
\$	<u>612,164</u>	<u>\$ 11,199,987</u>	<u>\$ 15,661,027</u>

City of Mesquite, Texas

**Hotel/Motel Tax Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 For the Year Ended September 30, 2009
 With Comparative Actual Totals for the Year Ended September 30, 2008**

	2009				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)	2008 Actual Amounts
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Sales tax	\$ 1,144,000	\$ 1,127,000	\$ 1,093,137	\$ (33,863)	\$ 1,119,038
Investment income	5,000	6,500	6,355	(145)	9,642
Contributions and donations	-	-	-	-	21,003
TOTAL REVENUES	<u>1,149,000</u>	<u>1,133,500</u>	<u>1,099,492</u>	<u>(34,008)</u>	<u>1,149,683</u>
EXPENDITURES:					
Other-					
Administration projects-					
Personal services	17,572	46,000	45,550	450	55,966
Supplies	-	-	-	-	711
Contractual services	<u>168,000</u>	<u>173,200</u>	<u>190,405</u>	<u>(17,205)</u>	<u>167,242</u>
	<u>185,572</u>	<u>219,200</u>	<u>235,955</u>	<u>(16,755)</u>	<u>223,919</u>
Convention and Visitor Bureau					
Personal services	199,203	199,730	203,269	(3,539)	103,056
Supplies	20,100	39,062	29,087	9,975	1,511
Contractual services	<u>302,983</u>	<u>268,065</u>	<u>228,001</u>	<u>40,064</u>	<u>307,244</u>
	<u>522,286</u>	<u>506,857</u>	<u>460,357</u>	<u>46,500</u>	<u>411,811</u>
Arts Council projects					
Contractual services	<u>130,571</u>	<u>126,714</u>	<u>128,655</u>	<u>(1,941)</u>	<u>118,083</u>
	<u>130,571</u>	<u>126,714</u>	<u>128,655</u>	<u>(1,941)</u>	<u>118,083</u>
Beautification Commission projects-					
Contractual services	<u>22,000</u>	<u>22,000</u>	<u>22,000</u>	-	<u>22,000</u>
	<u>22,000</u>	<u>22,000</u>	<u>22,000</u>	-	<u>22,000</u>
Historic Commission projects-					
Contractual services	<u>130,571</u>	<u>126,714</u>	<u>128,655</u>	<u>(1,941)</u>	<u>118,083</u>
	<u>130,571</u>	<u>126,714</u>	<u>128,655</u>	<u>(1,941)</u>	<u>118,083</u>
TOTAL EXPENDITURES	<u>991,000</u>	<u>1,001,485</u>	<u>975,622</u>	<u>25,863</u>	<u>893,896</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>158,000</u>	<u>132,015</u>	<u>123,870</u>	<u>(8,145)</u>	<u>255,787</u>
OTHER FINANCING USES:					
Transfers out	<u>(115,000)</u>	<u>(120,000)</u>	<u>(158,000)</u>	<u>(38,000)</u>	<u>(158,000)</u>
TOTAL OTHER FINANCING USES	<u>(115,000)</u>	<u>(120,000)</u>	<u>(158,000)</u>	<u>(38,000)</u>	<u>(158,000)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 43,000</u>	<u>\$ 12,015</u>	<u>(34,130)</u>	<u>\$ (46,145)</u>	<u>97,787</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>222,939</u>		<u>125,152</u>
FUND BALANCE AT END OF YEAR			<u>\$ 188,809</u>		<u>\$ 222,939</u>

City of Mesquite, Texas

**Confiscated Drug Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 For the Year Ended September 30, 2009
 With Comparative Actual Totals for the Year Ended September 30, 2008**

	2009				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)	2008 Actual Amounts
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Fines and forfeitures	\$ 400,000	\$ 525,000	\$ 732,734	\$ 207,734	\$ 801,678
Investment income	80,000	86,200	52,350	(33,850)	75,020
Intergovernmental	-	7,400	-	(7,400)	(6,995)
Other revenues	50,000	57,000	105,034	48,034	57,319
TOTAL REVENUES	<u>530,000</u>	<u>675,600</u>	<u>890,118</u>	<u>214,518</u>	<u>927,022</u>
EXPENDITURES:					
Police services-					
Supplies	138,000	218,895	12,256	206,639	157,919
Contractual services	100,400	171,734	342,186	(170,452)	76,358
Capital outlay	257,150	594,550	-	594,550	307,632
TOTAL EXPENDITURES	<u>495,550</u>	<u>985,179</u>	<u>354,442</u>	<u>630,737</u>	<u>541,909</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>34,450</u>	<u>(309,579)</u>	<u>535,676</u>	<u>845,255</u>	<u>385,113</u>
NET CHANGE IN FUND BALANCES	<u>\$ 34,450</u>	<u>\$ (309,579)</u>	535,676	<u>\$ 845,255</u>	385,113
FUND BALANCE AT BEGINNING OF YEAR			<u>2,093,067</u>		<u>1,707,954</u>
FUND BALANCE AT END OF YEAR			<u>\$ 2,628,743</u>		<u>\$ 2,093,067</u>

City of Mesquite, Texas

Other Grants Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Year Ended September 30, 2009

With Comparative Actual Totals for the Year Ended For the Year Ended September 30, 2008

	2009				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2008 Actual Amounts</u>
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Charges for services	\$ 400	\$ 400	\$ 701	\$ 301	\$ 490
Intergovernmental	2,000,870	6,191,839	1,728,443	(4,463,396)	1,548,809
Other revenues	-	-	-	-	6,844
TOTAL REVENUES	2,001,270	6,192,239	1,729,144	(4,463,095)	1,556,143
EXPENDITURES:					
Current-					
Fire services	859,925	1,340,281	112,814	1,227,467	160,369
Police services	110,716	122,448	160,924	(38,476)	204,671
Public works	59,821	60,050	6,622	53,428	98,329
Community Development	970,179	4,310,446	721,220	3,589,226	631,206
Library services	-	30,007	17,022	12,985	71,396
Parks and recreation	-	-	27,280	(27,280)	51,222
Housing and community services	-	336,717	339,995	(3,278)	212,385
Capital Outlay	-	-	382,242	(382,242)	243,803
TOTAL EXPENDITURES	2,000,641	6,199,949	1,768,119	4,431,830	1,673,381
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	629	(7,710)	(38,975)	(31,265)	(117,238)
NET CHANGE IN FUND BALANCES	\$ 629	\$ (7,710)	(38,975)	\$ (31,265)	(117,238)
FUND BALANCE AT BEGINNING OF YEAR			(45,165)		72,073
FUND BALANCE AT END OF YEAR			\$ (84,140)		\$ (45,165)

City of Mesquite, Texas

Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Year Ended September 30, 2009

With Comparative Actual Totals for the Year Ended September 30, 2008

	2009			Variance with Final Budget - Positive (Negative)	2008 Actual Amounts
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>		
	<u>Original</u>	<u>Final</u>			
EXPENDITURES:					
Debt service-					
Principal	\$ 7,720,000	\$ 7,720,000	\$ 7,720,000	\$ -	\$ 7,625,000
Interest and fiscal charges	<u>4,340,456</u>	<u>4,155,687</u>	<u>4,154,524</u>	<u>1,163</u>	<u>3,985,870</u>
TOTAL EXPENDITURES	<u>12,060,456</u>	<u>11,875,687</u>	<u>11,874,524</u>	<u>1,163</u>	<u>11,610,870</u>
EXCESS (DEFICIENCY) OF EXPENDITURES OVER (UNDER) REVENUES	<u>(12,060,456)</u>	<u>(11,875,687)</u>	<u>(11,874,524)</u>	<u>1,163</u>	<u>(11,610,870)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	12,073,758	11,917,869	11,949,173	31,304	11,229,758
Transfers out	<u>-</u>	<u>-</u>	<u>(12)</u>	<u>(12)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>12,073,758</u>	<u>11,917,869</u>	<u>11,949,161</u>	<u>31,292</u>	<u>11,229,758</u>
NET CHANGE IN FUND BALANCES	<u>\$ 13,302</u>	<u>\$ 42,182</u>	74,637	<u>\$ 32,455</u>	(381,112)
FUND BALANCE AT BEGINNING OF YEAR			<u>537,527</u>		<u>918,639</u>
FUND BALANCE AT END OF YEAR			<u>\$ 612,164</u>		<u>\$ 537,527</u>

City of Mesquite, Texas

**Combining Statement of Net Assets
Internal Service Funds
September 30, 2009
With Comparative Totals for September 30, 2008**

	Health <u>Claims</u>	General <u>Liability</u>	<u>Totals</u>	
			<u>2009</u>	<u>2008</u>
ASSETS:				
Current assets:				
Pooled cash and investments	\$ 2,592,731	\$ 1,028,348	\$ 3,621,079	\$ 3,542,529
Prepays and other assets	200,722	120,000	320,722	610,804
Accrued interest	<u>-</u>	<u>2,499</u>	<u>2,499</u>	<u>9,196</u>
Total Assets	<u>2,793,453</u>	<u>1,150,847</u>	<u>3,944,300</u>	<u>4,162,529</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	600,361	48,916	649,277	702,093
Estimated claims payable	<u>945,000</u>	<u>346,963</u>	<u>1,291,963</u>	<u>1,467,147</u>
Total current liabilities	<u>1,545,361</u>	<u>395,879</u>	<u>1,941,240</u>	<u>2,169,240</u>
Noncurrent liabilities:				
Estimated claims payable	<u>-</u>	<u>693,926</u>	<u>693,926</u>	<u>916,294</u>
Total noncurrent liabilities	<u>-</u>	<u>693,926</u>	<u>693,926</u>	<u>916,294</u>
Total Liabilities	<u>1,545,361</u>	<u>1,089,805</u>	<u>2,635,166</u>	<u>3,085,534</u>
NET ASSETS:				
Unrestricted	<u>1,248,092</u>	<u>61,042</u>	<u>1,309,134</u>	<u>1,076,995</u>
Total Net Assets	<u>\$ 1,248,092</u>	<u>\$ 61,042</u>	<u>\$ 1,309,134</u>	<u>\$ 1,076,995</u>

City of Mesquite, Texas

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended September 30, 2009
With Comparative Totals for September 30, 2008**

	Health <u>Claims</u>	General <u>Liability</u>	<u>Totals</u>	
			<u>2009</u>	<u>2008</u>
Operating revenues:				
Contributions - City				
Medical insurance	\$ 8,180,558	\$ -	\$ 8,180,558	\$ 8,249,038
Life and dental insurance	1,000,379	-	1,000,379	929,787
General liability	-	1,505,000	1,505,000	805,000
Workers' compensation	-	542,297	542,297	470,606
Total contributions - City	<u>9,180,937</u>	<u>2,047,297</u>	<u>11,228,234</u>	<u>10,454,431</u>
Contributions - Other				
Employees - medical insurance	2,099,912	-	2,099,912	2,101,211
Retirees - medical insurance	785,430	-	785,430	671,308
COBRA - medical insurance	19,264	-	19,264	19,532
Stop loss and other contributions	352,080	-	352,080	178,444
Other Revenues	-	131,765	131,765	170,549
Total contributions - other	<u>3,256,686</u>	<u>131,765</u>	<u>3,388,451</u>	<u>3,141,044</u>
Total operating revenues	<u>12,437,623</u>	<u>2,179,062</u>	<u>14,616,685</u>	<u>13,595,475</u>
Operating expenses:				
Claims incurred	9,602,152	349,721	9,951,873	10,075,412
Insurance premiums	1,641,508	756,252	2,397,760	2,185,276
Administrative fees	964,280	724,029	1,688,309	1,573,551
Other Expenses	389,197	3,608	392,805	439,671
Total operating expenses	<u>12,597,137</u>	<u>1,833,610</u>	<u>14,430,747</u>	<u>14,273,910</u>
Operating income (loss)	<u>(159,514)</u>	<u>345,452</u>	<u>185,938</u>	<u>(678,435)</u>
Nonoperating revenues:				
Investment income	25,493	20,708	46,201	130,299
Total nonoperating revenues	<u>25,493</u>	<u>20,708</u>	<u>46,201</u>	<u>130,299</u>
Change in net assets	(134,021)	366,160	232,139	(548,136)
Total net assets - beginning	<u>1,382,113</u>	<u>(305,118)</u>	<u>1,076,995</u>	<u>1,625,131</u>
Total net assets - ending	<u>\$ 1,248,092</u>	<u>\$ 61,042</u>	<u>\$ 1,309,134</u>	<u>\$ 1,076,995</u>

City of Mesquite, Texas

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2009
With Comparative Actual Totals for the Year ended September 30, 2008**

	Health <u>Claims</u>	General <u>Liability</u>	<u>Totals</u>	
			<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from City funds	\$ 9,180,937	\$ 2,047,297	\$ 11,228,234	\$ 10,454,431
Cash received from other operating sources	3,256,686	131,765	3,388,451	3,141,044
Cash paid to suppliers for goods and services	(2,718,384)	(1,523,224)	(4,241,608)	(3,781,991)
Cash paid to claimants	<u>(9,666,152)</u>	<u>(683,273)</u>	<u>(10,349,425)</u>	<u>(9,823,744)</u>
Net cash provided by (used for) operating activities	<u>53,087</u>	<u>(27,435)</u>	<u>25,652</u>	<u>(10,260)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments	<u>30,308</u>	<u>22,590</u>	<u>52,898</u>	<u>137,637</u>
Net cash provided by investing activities	<u>30,308</u>	<u>22,590</u>	<u>52,898</u>	<u>137,637</u>
 NET INCREASE (DECREASE) IN POOLED CASH AND INVESTMENTS	 83,395	 (4,845)	 78,550	 127,377
 POOLED CASH AND INVESTMENTS AT BEGINNING OF YEAR	 <u>2,509,336</u>	 <u>1,033,193</u>	 <u>3,542,529</u>	 <u>3,415,152</u>
 POOLED CASH AND INVESTMENTS AT END OF YEAR	 <u>\$ 2,592,731</u>	 <u>\$ 1,028,348</u>	 <u>\$ 3,621,079</u>	 <u>\$ 3,542,529</u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	\$ (159,514)	\$ 345,452	\$ 185,938	\$ (678,435)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities-				
Changes in assets and liabilities-				
(Increase) decrease in prepaid items	290,082	-	290,082	(13,016)
Increase (decrease) in accounts payable	(13,481)	(39,335)	(52,816)	111,772
Increase (decrease) in claims payable	<u>(64,000)</u>	<u>(333,552)</u>	<u>(397,552)</u>	<u>569,419</u>
Total adjustments	<u>212,601</u>	<u>(372,887)</u>	<u>(160,286)</u>	<u>668,175</u>
 NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	 <u>\$ 53,087</u>	 <u>\$ (27,435)</u>	 <u>\$ 25,652</u>	 <u>\$ (10,260)</u>

City of Mesquite, Texas

**Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended September 30, 2009**

	Agency Fund - Tax Clearing Fund			
	Balance October 1, 2008	Additions	Deductions	Balance September 30, 2009
ASSETS:				
Current assets:				
Pooled cash and investments	\$ 141,176	\$ 239,730,137	\$ 239,686,257	\$ 185,056
Taxes receivable levied for other government (net of allowance for uncollectibles)	4,079,030	98,379,442	98,258,580	4,199,892
Total Assets	\$ 4,220,206	\$ 338,109,579	\$ 337,944,837	\$ 4,384,948
 LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 141,176	\$ 239,730,137	\$ 239,686,257	\$ 185,056
Due to other governments	4,079,030	98,379,442	98,258,580	4,199,892
Total Liabilities	\$ 4,220,206	\$ 338,109,579	\$ 337,944,837	\$ 4,384,948

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City of Mesquite, Texas

Statistical Section (Unaudited)

This part of the City of Mesquite'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	80
These schedules contain trend information to help the readers understand how the city's financial performance and well-being have changed over time.	
Revenue Capacity	92
These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.	
Debt Capacity	97
These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	
Demographic and Economic Information	102
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.	
Operating Information	106
These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB 34 in Fiscal Year 2002; schedules presenting government-wide information include information beginning in that year.

City of Mesquite, Texas

Net Assets by Component Last Eight Fiscal Years

(accrual basis of accounting)
(amounts expressed in thousands)
(Unaudited)

	Fiscal Year		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Governmental activities:			
Invested in capital assets, net of related debt	\$ 78,839	\$ 95,809	\$ 105,798
Restricted	9,719	4,561	7,644
Unrestricted	<u>16,284</u>	<u>18,814</u>	<u>17,757</u>
Total governmental activities net assets	<u>\$ 104,842</u>	<u>\$ 119,184</u>	<u>\$ 131,199</u>
Business-type activities:			
Invested in capital assets, net of related debt	\$ 82,804	\$ 90,629	\$ 99,992
Restricted	5,296	5,847	6,067
Unrestricted	<u>18,051</u>	<u>14,579</u>	<u>12,492</u>
Total business-type activities net assets	<u>\$ 106,151</u>	<u>\$ 111,055</u>	<u>\$ 118,551</u>
Primary government:			
Invested in capital assets, net of related debt	\$ 161,643	\$ 186,438	\$ 205,790
Restricted	15,015	10,408	13,711
Unrestricted	<u>34,335</u>	<u>33,393</u>	<u>30,249</u>
Total primary government net assets	<u>\$ 210,993</u>	<u>\$ 230,239</u>	<u>\$ 249,750</u>

Note: The City implemented GASB Statement No. 34 in fiscal year 2002, thus ten years of data is not available.

Fiscal Year				
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 117,266	\$ 128,362	\$ 137,669	\$ 155,270	\$ 149,214
7,774	10,914	19,717	13,775	6,131
<u>18,531</u>	<u>16,147</u>	<u>14,429</u>	<u>16,856</u>	<u>16,157</u>
<u>\$ 143,571</u>	<u>\$ 155,423</u>	<u>\$ 171,815</u>	<u>\$ 185,901</u>	<u>\$ 171,502</u>
\$ 104,206	\$ 114,583	\$ 122,377	\$ 128,354	\$ 118,870
6,685	7,124	7,484	4,300	3,386
<u>13,430</u>	<u>15,232</u>	<u>12,526</u>	<u>13,390</u>	<u>12,820</u>
<u>\$ 124,321</u>	<u>\$ 136,939</u>	<u>\$ 142,387</u>	<u>\$ 146,044</u>	<u>\$ 135,076</u>
\$ 221,472	\$ 242,945	\$ 260,046	\$ 283,624	\$ 268,084
14,459	18,038	27,201	18,075	9,517
<u>31,961</u>	<u>31,378</u>	<u>26,955</u>	<u>30,246</u>	<u>28,977</u>
<u>\$ 267,892</u>	<u>\$ 292,361</u>	<u>\$ 314,202</u>	<u>\$ 331,945</u>	<u>\$ 306,578</u>

City of Mesquite, Texas

Change in Net Assets Last Eight Fiscal Years

(accrual basis of accounting)
(amounts expressed in thousands)
(Unaudited)

	Fiscal Year		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Expenses			
Governmental activities:			
General government	\$ 8,029	\$ 8,652	\$ 9,783
Fire services	16,636	17,517	18,805
Police services	22,862	23,595	24,982
Field services	12,402	12,660	13,449
Public works	2,125	2,450	2,752
Community development	2,755	2,734	3,133
Housing and community services	8,095	10,019	12,098
Library services	1,885	2,049	2,080
Parks and recreation	7,378	7,933	8,834
Other	4,766	6,720	7,228
Interest on long-term debt	2,700	2,727	2,617
Total governmental activities expenses	<u>89,633</u>	<u>97,056</u>	<u>105,761</u>
Business-type activities:			
Water and sewer	21,948	24,961	25,604
Drainage utility	1,339	1,515	1,606
Municipal airport	964	958	1,130
Total business-type activities expenses	<u>24,251</u>	<u>27,434</u>	<u>28,340</u>
Total primary government expenses	<u>\$ 113,884</u>	<u>\$ 124,490</u>	<u>\$ 134,101</u>
Program Revenues			
Governmental activities:			
Charges for services			
Field Services	\$ 5,394	\$ 5,217	\$ 5,447
Community Development	1,992	7,809	3,924
General Government	2,673	2,110	2,945
Other Charges for services	6,563	5,930	9,467
Operating grants and contributions	8,152	10,446	11,852
Capital grants and contributions	2,257	2,987	5,943
Total governmental activities program revenues	<u>27,031</u>	<u>34,499</u>	<u>39,578</u>
Business-type activities:			
Charges for services:			
Water and sewer	25,830	27,739	27,761
Drainage utility	2,026	2,157	2,078
Municipal airport	514	461	673
Capital grants and contributions	5,246	5,862	9,413
Total business-type activities program revenues	<u>33,616</u>	<u>36,219</u>	<u>39,925</u>
Total primary government program revenues	<u>\$ 60,647</u>	<u>\$ 70,718</u>	<u>\$ 79,503</u>

Note: The City implemented GASB Statement No. 34 in fiscal year 2002, thus ten years of data is not available.

Fiscal Year				
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 18,739	\$ 16,796	\$ 18,562	\$ 19,410	\$ 19,888
19,636	21,186	22,245	24,670	23,531
26,336	28,156	30,850	32,265	31,767
12,670	6,629	13,424	13,970	13,608
2,974	15,381	3,539	4,529	3,552
3,375	3,302	3,731	3,637	3,510
12,039	11,866	10,883	12,684	14,017
2,052	2,137	2,198	2,127	1,939
8,135	10,538	10,993	9,446	12,940
-	-	-	-	-
<u>2,478</u>	<u>3,312</u>	<u>3,740</u>	<u>4,519</u>	<u>4,649</u>
<u>108,434</u>	<u>119,303</u>	<u>120,165</u>	<u>127,257</u>	<u>129,401</u>
26,230	27,468	29,341	31,939	33,431
1,616	1,550	1,736	1,817	1,714
<u>1,297</u>	<u>1,537</u>	<u>1,521</u>	<u>1,721</u>	<u>1,602</u>
<u>29,143</u>	<u>30,555</u>	<u>32,598</u>	<u>35,477</u>	<u>36,747</u>
<u>\$ 137,577</u>	<u>\$ 149,858</u>	<u>\$ 152,763</u>	<u>\$ 162,734</u>	<u>\$ 166,148</u>
\$ 5,526	\$ 5,950	\$ 5,951	\$ 6,591	\$ 6,992
6,007	4,988	6,314	6,942	5,438
4,270	3,882	5,271	8,177	5,214
8,741	8,803	8,283	6,084	9,429
12,561	12,439	13,351	12,603	12,222
<u>1,693</u>	<u>7,433</u>	<u>7,934</u>	<u>6,977</u>	<u>1,360</u>
<u>38,798</u>	<u>43,495</u>	<u>47,104</u>	<u>47,374</u>	<u>40,655</u>
31,219	32,682	29,833	35,396	35,714
2,098	2,129	2,142	2,143	2,170
814	1,098	1,110	1,317	1,336
<u>4,659</u>	<u>10,532</u>	<u>7,221</u>	<u>6,018</u>	<u>3,110</u>
<u>38,790</u>	<u>46,441</u>	<u>40,306</u>	<u>44,874</u>	<u>42,330</u>
<u>\$ 77,588</u>	<u>\$ 89,936</u>	<u>\$ 87,410</u>	<u>\$ 92,248</u>	<u>\$ 82,985</u>

(Continued Next Page)

City of Mesquite, Texas

**Change in Net Assets
Last Eight Fiscal Years**

(accrual basis of accounting)
(amounts expressed in thousands)
(Unaudited)

	Fiscal Year		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Net (Expenses)/Program Revenues			
Governmental activities	\$ (62,602)	\$ (62,557)	\$ (66,183)
Business-type activities	<u>9,365</u>	<u>8,785</u>	<u>11,585</u>
 Total primary government net expenses	 <u>\$ (53,237)</u>	 <u>\$ (53,772)</u>	 <u>\$ (54,598)</u>
 General Revenues and Other Changes in Net Assets			
Governmental activities:			
Ad valorem taxes	\$ 26,219	\$ 28,555	\$ 29,946
Gross receipts taxes	7,516	7,580	7,137
Sales taxes	35,578	35,292	36,136
Investment income	1,260	791	547
Sale of capital assets	-	-	-
Transfers	<u>4,437</u>	<u>4,402</u>	<u>4,431</u>
 Total governmental activities	 <u>75,010</u>	 <u>76,620</u>	 <u>78,197</u>
Business-type activities:			
Investment income	842	520	343
Sale of capital assets	-	-	-
Transfers	<u>(4,437)</u>	<u>(4,402)</u>	<u>(4,431)</u>
Total business-type activities	<u>(3,595)</u>	<u>(3,882)</u>	<u>(4,088)</u>
 Total primary government	 <u>\$ 71,415</u>	 <u>\$ 72,738</u>	 <u>\$ 74,109</u>
 Change in Net Assets			
Governmental activities	\$ 12,408	\$ 14,064	\$ 12,014
Business-type activities	<u>5,770</u>	<u>4,903</u>	<u>7,497</u>
 Total primary government	 <u>\$ 18,178</u>	 <u>\$ 18,967</u>	 <u>\$ 19,511</u>

Schedule 2
(Continued)

Fiscal Year				
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ (69,636)	\$ (75,808)	\$ (73,061)	\$ (79,883)	\$ (88,746)
<u>9,647</u>	<u>15,886</u>	<u>7,708</u>	<u>9,397</u>	<u>5,583</u>
\$ (59,989)	\$ (59,922)	\$ (65,353)	\$ (70,486)	\$ (83,163)
\$ 33,073	\$ 35,505	\$ 37,705	\$ 40,577	\$ 40,791
7,416	7,551	7,333	7,677	7,617
35,663	36,880	35,996	35,339	33,348
1,343	3,204	4,397	3,402	1,467
-	-	80	2	92
<u>4,514</u>	<u>4,519</u>	<u>3,943</u>	<u>6,971</u>	<u>2,202</u>
 <u>82,009</u>	 <u>87,659</u>	 <u>89,454</u>	 <u>93,968</u>	 <u>85,517</u>
 636	 1,251	 1,660	 1,220	 668
-	-	23	11	11
<u>(4,514)</u>	<u>(4,519)</u>	<u>(3,943)</u>	<u>(6,971)</u>	<u>(2,202)</u>
<u>(3,878)</u>	<u>(3,268)</u>	<u>(2,260)</u>	<u>(5,740)</u>	<u>(1,523)</u>
\$ 78,131	\$ 84,391	\$ 87,194	\$ 88,228	\$ 83,994
\$ 12,373	\$ 11,851	\$ 16,393	\$ 14,085	\$ (3,229)
<u>5,769</u>	<u>12,618</u>	<u>5,448</u>	<u>3,657</u>	<u>4,060</u>
\$ 18,142	\$ 24,469	\$ 21,841	\$ 17,742	\$ 831

City of Mesquite, Texas

**Fund Balances of Governmental funds
Last Ten Fiscal Years**

(modified accrual basis of accounting)
(amounts expressed in thousands)
(Unaudited)

	Fiscal Year				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General Fund:					
Reserved	\$ 132	\$ 618	\$ 192	\$ 1,848	\$ 1,674
Unreserved	<u>12,508</u>	<u>14,061</u>	<u>15,148</u>	<u>14,712</u>	<u>14,840</u>
Total General Fund	<u>\$ 12,640</u>	<u>\$ 14,679</u>	<u>\$ 15,340</u>	<u>\$ 16,560</u>	<u>\$ 16,514</u>
 All other governmental funds:					
Reserved for:					
Encumbrances	\$ 3,125	\$ 3,748	\$ 5,895	\$ 3,342	\$ 3,284
Debt service	289	295	327	337	417
Unreserved, reported in:					
Special revenue funds	4,733	6,476	6,084	5,063	7,071
Capital projects	<u>6,361</u>	<u>8,576</u>	<u>8,871</u>	<u>9,868</u>	<u>17,107</u>
Total of all other governmental funds	<u>\$ 14,508</u>	<u>\$ 19,095</u>	<u>\$ 21,177</u>	<u>\$ 18,610</u>	<u>\$ 27,879</u>

Schedule 3

Fiscal Year				
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 732	\$ 637	\$ 1,286	\$ 3,140	\$ 1,440
<u>16,644</u>	<u>18,884</u>	<u>16,760</u>	<u>14,223</u>	<u>16,520</u>
<u>\$ 17,376</u>	<u>\$ 19,521</u>	<u>\$ 18,046</u>	<u>\$ 17,363</u>	<u>\$ 17,960</u>
\$ 5,673	\$ 4,359	\$ 25,061	\$ 10,011	\$ 7,482
531	584	919	538	612
9,148	13,071	14,374	15,257	6,848
<u>23,896</u>	<u>30,225</u>	<u>26,302</u>	<u>28,511</u>	<u>28,200</u>
<u>\$ 39,248</u>	<u>\$ 48,239</u>	<u>\$ 66,656</u>	<u>\$ 54,317</u>	<u>\$ 43,142</u>

City of Mesquite, Texas

**Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years**

(modified accrual basis of accounting)

(amounts expressed in thousands)

(Unaudited)

	Fiscal Year				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Revenues					
Taxes	\$ 63,681	\$ 68,171	\$ 69,195	\$ 71,352	\$ 73,146
Licenses and permits	1,171	1,475	1,487	1,418	1,347
Fines and forfeitures	2,264	2,551	2,524	3,092	3,278
Investment income	1,834	2,245	1,096	700	492
Charges for services	7,770	9,529	9,590	12,599	12,509
Intergovernmental	7,865	7,009	8,513	10,589	11,997
Contributions and donations	179	77	63	119	86
Other revenues	<u>1,609</u>	<u>1,986</u>	<u>1,715</u>	<u>2,462</u>	<u>2,014</u>
Total revenues	<u>86,373</u>	<u>93,043</u>	<u>94,183</u>	<u>102,331</u>	<u>104,869</u>
Expenditures					
General government	5,941	6,033	5,927	6,118	6,752
Fire services	14,780	15,245	16,306	17,200	18,142
Police services	20,444	21,352	22,662	23,254	24,245
Field services	7,599	7,684	8,738	8,764	9,222
Public works	1,909	1,925	1,988	2,268	2,387
Community development	2,442	2,637	2,733	2,715	3,193
Housing services	4,894	5,519	7,194	8,848	11,063
Library services	1,717	1,826	1,841	1,982	2,071
Parks and recreation	7,185	7,257	7,151	7,563	8,612
Community services	745	695	837	1,186	974
Other	3,195	3,702	4,190	9,612	7,589
Capital outlay	9,258	9,445	10,174	16,240	11,407
Debt service - principal	8,930	6,568	7,960	7,805	7,830
Debt service - interest	<u>3,286</u>	<u>4,960</u>	<u>2,734</u>	<u>2,727</u>	<u>2,656</u>
Total expenditures	<u>92,325</u>	<u>94,848</u>	<u>100,435</u>	<u>116,282</u>	<u>116,143</u>
Deficiency of revenues under expenditures	<u>(5,952)</u>	<u>(1,805)</u>	<u>(6,252)</u>	<u>(13,951)</u>	<u>(11,274)</u>
Other financing sources (uses)					
Transfer in	19,502	18,232	17,571	17,248	16,704
Transfers out	(15,378)	(13,491)	(13,133)	(12,845)	(11,933)
Capital lease proceeds	-	-	-	-	203
Bond proceeds	4,065	3,690	4,500	8,480	15,255
Notes Payable Proceeds	-	-	-	-	-
Proceeds of refunding bonds	-	-	6,850	-	14,795
Premium on debt	-	-	-	-	-
Payment to refunded bond agent	-	-	(6,793)	-	(14,805)
Total other financing sources (uses)	<u>8,189</u>	<u>8,431</u>	<u>8,995</u>	<u>12,883</u>	<u>20,219</u>
Net change in fund balances	<u>\$ 2,237</u>	<u>\$ 6,626</u>	<u>\$ 2,743</u>	<u>\$ (1,068)</u>	<u>\$ 8,945</u>
Debt service as a percentage of noncapital expenditures	15.10%	16.07%	13.43%	12.34%	12.48%

Schedule 4

Fiscal Year				
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 76,238	\$ 79,822	\$ 81,064	\$ 83,518	\$ 81,535
1,249	1,661	1,396	1,294	1,108
2,997	2,929	2,517	3,273	3,401
1,242	3,006	4,255	3,271	1,421
13,212	14,064	15,568	17,126	17,104
14,611	13,491	13,459	12,146	12,229
107	104	185	3,432	297
3,860	1,641	2,716	1,664	1,134
<u>113,516</u>	<u>116,718</u>	<u>121,160</u>	<u>125,724</u>	<u>118,229</u>
6,649	17,958	12,667	14,502	15,032
18,951	20,871	22,172	24,025	23,989
25,647	27,346	30,464	31,453	30,284
8,794	9,240	9,531	10,593	10,136
2,384	2,763	2,589	3,677	2,800
3,278	3,296	3,680	3,616	3,433
10,774	10,345	8,808	10,357	11,587
2,011	2,086	2,176	2,212	1,949
7,542	9,853	10,106	8,831	12,122
1,087	1,650	2,120	2,395	2,401
8,269	-	-	-	-
17,347	12,918	16,327	35,618	20,218
8,350	7,480	7,147	8,012	8,123
2,605	3,056	4,026	4,508	4,645
<u>123,688</u>	<u>128,862</u>	<u>131,813</u>	<u>159,799</u>	<u>146,719</u>
<u>(10,172)</u>	<u>(12,144)</u>	<u>(10,653)</u>	<u>(34,075)</u>	<u>(28,490)</u>
18,154	18,655	20,202	24,192	20,575
(13,640)	(14,136)	(15,621)	(16,705)	(15,830)
-	-	74	-	-
17,550	18,760	22,805	13,566	13,125
-	-	135	-	-
5,965	-	-	-	4,245
433	-	-	-	-
(6,059)	-	-	-	(4,203)
<u>22,403</u>	<u>23,279</u>	<u>27,595</u>	<u>21,053</u>	<u>17,912</u>
<u>\$ 12,231</u>	<u>\$ 11,135</u>	<u>\$ 16,942</u>	<u>\$ (13,022)</u>	<u>\$ (10,578)</u>
11.63%	11.78%	11.47%	10.38%	10.16%

City of Mesquite, Texas

General Governmental Tax Revenues By Source

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

(Unaudited)

Year Ended <u>September</u>	<u>Total</u>	Ad Valorem <u>Taxes</u>	<u>Sales Taxes</u>		
			<u>General</u>	<u>Liquor</u>	<u>Hotel/Motel</u>
2000	\$ 63,681	\$ 23,399	\$ 32,855	(1) \$ 154	\$ 881
% Total	100.00	36.7	51.6	0.2	1.4
2001	68,171	24,589	34,993	170	953
% Total	100.00	36.1	51.3	0.2	1.4
2002	69,195	26,101	34,519	172	887
% Total	100.00	37.7	49.9	0.2	1.3
2003	71,352	28,480	34,270	169	853
% Total	100.00	39.9	48.0	0.2	1.2
2004	73,146	29,874	35,075	164	897
% Total	100.00	40.8	48.0	0.2	1.2
2005	76,238	33,159	34,518	174	972
% Total	100.00	43.5	45.3	0.2	1.3
2006	79,823	35,392	35,631	177	1,072
% Total	100.00	44.3	44.6	0.2	1.3
2007	80,972	37,735	34,616	235	1,145
% Total	100.00	46.6	42.7	0.3	1.4
2008	83,518	40,502	34,032	188	1,119
% Total	100.00	48.5	40.8	0.3	1.3
2009	81,535	40,571	32,063	191	1,093
% Total	100.00	49.8	39.3	0.2	1.3

Notes:

(1) Effective January 2000, the City general sales tax increased one-half of one percent to fund the operations of the Quality of Life Corporation (4B Sales Tax) Fund.

(2) A settlement was received for prior years' electric and gas gross receipts.

Schedule 5

Gross Receipts Taxes						
<u>Electrical</u>	<u>Gas</u>	<u>Telephone</u>	<u>Cable TV</u>	<u>Sanitation</u>	<u>Other</u>	
\$ 3,705	\$ 488	\$ 896	\$ 659	\$ 620	\$ 24	
5.8	0.8	1.4	1.0	1.0	0.0	
4,235	1,000	812	742	654	23	
6.2	1.5	1.2	1.1	1.0	0.0	
4,558	590	827	847	670	24	
6.6	0.9	1.2	1.2	1.0	0.0	
4,153	868	826	740	683	310	(2)
5.8	1.2	1.2	1.0	1.0	0.4	
4,057	818	787	753	695	26	
5.5	1.1	1.1	1.0	1.0	0.0	
4,061	1,104	784	754	692	20	
5.3	1.4	1.0	1.0	0.9	0.0	
4,170	1,133	780	757	691	20	
5.2	1.4	1.0	0.9	0.9	0.0	
4,082	1,088	585	770	701	15	
5.0	1.3	0.7	0.9	0.9	0.0	
4,188	1,185	650	934	697	23	
5.0	1.4	0.8	1.1	0.8	0.0	
4,022	1,161	606	1,092	706	30	
4.9	1.4	0.7	1.3	0.9	0.0	

City of Mesquite, Texas

Assessed Value and Actual Value of Taxable Property Last Ten Fiscal Years

(amounts expressed in thousands)
(Unaudited)

Fiscal Year	Assessed and Actual Value of Property (1)					Total Assessed Value
	Real Property Residential	Real Property Commercial	Real Property Other	Utilities Real and Personal	Personal Property	
2000	\$ 2,718,539	\$ 925,798	\$ 153,116	\$ 91,653	\$ 624,917	\$ 4,514,023
2001	3,042,793	939,537	159,058	96,716	662,920	4,901,024
2002	3,295,142	1,004,351	155,286	100,687	594,885	5,150,351
2003	3,795,150	1,101,811	146,711	104,321	642,527	5,790,520
2004	3,965,188	1,152,940	148,834	101,967	702,998	6,071,927
2005	4,091,199	1,159,083	141,971	101,599	682,109	6,175,961
2006	4,208,193	1,203,737	147,740	107,156	711,994	6,378,820
2007	4,367,859	1,344,688	154,227	107,582	676,953	6,651,309
2008	4,472,212	1,540,270	182,901	108,586	723,343	7,027,312
2009	4,513,702	1,917,171	221,125	111,020	817,121	7,580,139

Source: Dallas Central Appraisal District for all years shown plus Kaufman Central Appraisal District beginning in 2009.

Notes:

- (1) Assessed value is 100% of estimated actual value for all years as determined by the appraisal districts. Values are as of January 1 of the calendar year prior to the fiscal year-end date.
- (2) Exemptions are granted by the City within the constraints of Texas Constitutional law.
- (3) Total taxable valuation here is based on the certified roll and is net of Tax Incentive Financing Districts (TIF) in the amount of \$198,648. The taxable value upon which the tax levy was based, noted in footnote 3 in the Notes to Basic Financial Statements, includes the TIF value. Subsequent adjustments to the certified roll reduced the taxable value used for the levy by \$733 (\$6,402,085 + \$198,648 - \$733 = \$6,600,000).
- (4) Tax rate is per \$100 assessed valuation.

Less: Exemptions, Abatements, and TIFs (2)

<u>Exemptions Granted</u>	<u>Tax Abatements</u>	<u>Tax Incentive Financing Districts (TIF)</u>	<u>Total Exemptions</u>	<u>Total Taxable Valuation (3)</u>	<u>Tax Rate (4)</u>
\$ 212,620	\$ 746	\$ 19,139	\$ 232,505	\$ 4,281,518	.54148
382,240	684	27,989	410,913	4,490,111	.54148
325,168	6,635	56,811	388,614	4,761,737	.54148
425,066	9,201	81,160	515,427	5,275,093	.54148
430,846	26,110	91,203	548,159	5,523,768	.54148
435,502	37,838	98,351	571,691	5,604,270	.58148
402,275	24,191	108,179	534,645	5,844,175	.60148
425,235	25,111	146,325	596,671	6,054,638	.62000
486,038	17,724	189,109	692,871	6,334,441	.64000
960,711	18,695	198,648	1,178,054	6,402,085	.64000

**Property Tax Rates –
Direct and Overlapping Governments
(Per \$100 Assessed Valuation)
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	City of Mesquite			Overlapping Rates (1)					Total Direct & Overlapping Rates
	General	Debt Service	Total	Dallas County	Dallas Hospital District	Dallas Community College District	Dallas County School Equalization	Mesquite Independent School District	
2000	.29466	.24682	.54148	.196	.196	.05	.005699	1.58	2.569179
2001	.32717	.21431	.54148	.196	.254	.05	.005667	1.58	2.627147
2002	.35991	.18157	.54148	.196	.254	.06	.005525	1.58	2.637005
2003	.38571	.15577	.54148	.196	.254	.06	.0055	1.62	2.676980
2004	.38833	.15315	.54148	.2039	.254	.0778	.00546	1.67	2.752640
2005	.42325	.15823	.58148	.2039	.254	.0803	.00546	1.76	2.885140
2006	.44090	.16058	.60148	.2139	.254	.0816	.0053	1.7624	2.918680
2007	.46246	.15754	.62000	.2139	.254	.081	.005034	1.668	2.841934
2008	.48716	.15284	.64000	.2281	.254	.0804	.004714	1.3767	2.583914
2009	.48727	.15273	.64000	.2281	.254	.0894	.004928	1.40	2.616428

Source: (1) Dallas Central Appraisal District

Notes: Overlapping rates are those of local and county governments that apply to property owners within the city. Not all overlapping rates apply to all city property owners (e.g., the rates for the Mesquite Independent School District apply only to the proportion of the city's property owners whose property is located within the Mesquite I.S.D. geographical boundaries.) A small percent of city property owners are within the boundaries of the Dallas I. S. D. or Garland I. S. D.

**Principal Property Taxpayers
Current Year and Nine Years Ago**

(Unaudited)

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation
Town East Mall PS	\$ 134,118,200	1	2.23%	\$ 98,262,500	1	2.27%
Oncor Electric Delivery	45,874,020	2	0.76%			
Sun Life Asur Co of Canada	41,142,890	3	0.68%			
Pepsi Cola	29,303,070	4	0.49%	22,301,720	8	0.52%
Barons Investors II LP	28,000,000	5	0.46%			
Alliance WE LP	27,675,000	6	0.46%			
American Multicinema Inc	26,179,650	7	0.43%			
CURI Miesquite Prop LP	25,397,240	8	0.42%			
Southwestern Bell	24,465,050	9	0.41%	35,549,740	5	0.82%
DDR MDT Marketplace	22,179,790	10	0.37%			
Camden Property Trust				20,663,000	9	0.48%
Lucent Technologies	-		-	78,239,883	2	1.81%
Texas Utilities Services	-		-	49,017,130	3	1.14%
Market East Associates, Ltd. Inc	-		-	37,557,390	4	0.87%
EPT Downreit Inc.	-		-	25,531,710	6	0.59%
Pep Boys	-		-	24,753,079	7	0.57%
Sears & Roebuck	-		-	19,996,710	10	0.46%
Total	\$ 404,334,910		6.71%	\$ 411,872,862		9.53%

Source: Tax/Accounting Division and Dallas Central Appraisal District

**Property Tax Levies and Collections
Last Ten Fiscal Years**

(Unaudited)

Fiscal Year Ended September 30	Adjusted Current Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2000	\$23,163,476	\$23,036,809	99.45 %	\$ 65,870	\$23,102,679	99.74 %
2001	24,388,207	24,206,183	99.25	107,846	24,314,029	99.70
2002	25,855,016	25,656,864	99.23	135,431	25,792,295	99.76
2003	28,861,973	27,873,063	96.57	915,013	28,788,076	99.74
2004	30,501,206	29,200,767	95.74	1,202,964	30,403,731	99.68
2005	33,124,683	32,151,536	97.06	855,663	33,007,199	99.65
2006	35,132,527	34,433,390	98.01	495,583	34,928,973	99.42
2007	37,446,166	36,659,819	97.90	603,401	37,263,220	99.51
2008	40,274,065	39,602,124	98.33	372,613	39,974,737	99.26
2009	40,414,901	39,752,647	98.36	-	39,752,647	98.36

Note: Collections do not include penalty and interest on delinquent taxes.
Current year collections for fiscal year 2009 are net of the amount collected for the Tax Incentive Financing District (TIF) in the amount of \$1,141,652.

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

(Unaudited)

Governmental Activities						
Fiscal Year	General Obligation Bonds	Certificates of Obligations	Public Property Finance Contractual Obligations	Notes Payable	Capital Lease Obligations	Total
2000	\$36,388,511	\$18,460,000	\$ 3,680,000	\$ -	\$ -	\$58,528,511
2001	37,720,000	17,300,000	4,105,000	-	-	59,125,000
2002	36,000,000	15,585,000	4,390,000	-	-	55,975,000
2003	37,420,000	14,600,000	4,630,000	-	-	56,650,000
2004	45,340,000	14,775,000	4,535,000	-	191,215	64,841,215
2005	47,525,000	21,570,000	4,835,000	-	153,545	74,083,545
2006	45,590,000	28,495,000	5,090,000	6,035,453	114,144	85,324,597
2007	41,820,000	47,540,000	5,845,000	5,786,733	141,259	101,132,992
2008	38,320,000	55,250,000	7,610,000	5,349,753	80,424	106,610,177
2009	37,880,000	61,560,000	7,440,000	4,895,392	32,200	111,807,592

Business-Type Activities							
Fiscal Year	Water/Sewer Revenue Bonds	Drainage Utility District Revenue Bonds	Water/Sewer Capital Lease Obligations	Total	Total Primary Government	Percentage of Effective Buying Income (1)	Per Capita (1)
2000	\$28,655,000	\$ 7,695,000	\$ -	\$ 36,350,000	\$ 94,878,511	4.19%	761.94
2001	31,845,000	9,260,000	-	41,105,000	100,230,000	3.96%	791.89
2002	35,040,000	8,745,000	-	43,785,000	99,760,000	3.83%	780.59
2003	40,340,000	11,565,000	-	51,905,000	108,555,000	4.54%	837.29
2004	45,715,000	11,015,000	196,565	56,926,565	121,767,780	5.03%	925.41
2005	47,635,000	10,225,000	157,841	58,017,841	132,101,386	5.29%	988.75
2006	53,225,000	9,405,000	117,338	62,747,338	148,071,935	6.22%	1,089.61
2007	57,945,000	8,565,000	236,159	66,746,159	167,879,151	6.66%	1,227.64
2008	62,795,000	7,710,000	155,645	70,660,645	177,270,822	6.80%	1,288.77
2009	67,435,000	6,825,000	87,420	74,347,420	186,155,012	7.04%	1,350.42

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

(1) See Schedule 15 - Demographic and Economic Statistics for effective buying income and population data.

**Ratios of Net General Bonded Debt
Last Ten Fiscal Years**

(Unaudited)

<u>Fiscal Year</u>	<u>Population(1)</u>	<u>Taxable Assessed Value (in 000s) (2)</u>	<u>General Bonded Debt</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Net General Bonded Debt</u>	<u>Percentage of Taxable Value of Property</u>	<u>Net General Bonded Debt Per Capita</u>
2000	124,523	\$ 4,281,518	\$58,528,511	\$ 289,195	\$ 58,239,316	1.36%	\$ 467.70
2001	126,570	4,490,111	59,125,000	295,125	58,829,875	1.31%	464.80
2002	127,800	4,761,737	55,975,000	327,063	55,647,937	1.17%	435.43
2003	129,650	5,275,093	56,650,000	336,646	56,313,354	1.07%	434.35
2004	131,582	5,523,768	64,650,000	416,834	64,233,166	1.16%	488.16
2005	133,605	5,604,270	73,930,000	530,789	73,399,211	1.31%	549.37
2006	135,894	5,844,175	79,175,000	583,706	78,591,294	1.34%	578.33
2007	136,750	6,054,638	95,205,000	918,369	94,286,631	1.56%	689.48
2008	137,550	6,334,441	101,180,000	537,527	100,642,473	1.59%	731.68
2009	137,850	6,025,763	106,880,000	612,164	106,267,836	1.76%	770.89

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

Sources: (1) Population estimate for 2000 is official U. S. Census Bureau count; all other years are estimates provided by the North Central Texas Council of Governments
(2) Dallas Central Appraisal District

**Direct And Overlapping Governmental Activities Debt
September 30, 2009**

(Unaudited)

<u>Taxing Jurisdiction</u>	Total Outstanding Bonded Debt (1)	Estimated Percent Applicable	Direct and Estimated Overlapping Bonded Debt
Direct- City of Mesquite	\$ 106,880,000	100.00%	\$ 106,880,000
Overlapping-			
Dallas County	175,045,300	4.33	7,579,461
Dallas County Community College District	416,761,225	4.33	18,045,761
Mesquite Independent School District	435,194,708	90.40	393,416,016
Dallas Independent School District	1,800,095,745	0.26	4,680,249
Garland Independent School District	<u>411,965,275</u>	0.04	<u>164,786</u>
Total overlapping	<u>3,239,062,253</u>		<u>423,886,274</u>
Total direct and estimated overlapping bonded debt	<u>\$ 3,345,942,253</u>		<u>\$ 530,766,274</u>
Ratio, direct and estimated overlapping debt to fiscal 2009 taxable assessed valuation (2)			<u>8.83%</u>
Per capita direct and estimated overlapping bonded debt (3)			<u>\$3,850</u>

Notes:

- (1) Excluding self-supporting debt. Source is most recent Texas Municipal Reports, publication of the Municipal Advisory Council of Texas
- (2) Fiscal 2009 taxable assessed valuation (Net of TIF): \$6,402,085,000
- (3) Based on 2009 population of 137,850

**Computation of Legal Debt Margin
September 30, 2009**

(Unaudited)

As a home rule city, the City of Mesquite is not limited by law in the amount of debt it may issue. The City's charter (Article 5, Section 2) states:

"The city council shall have the power and is hereby authorized and made its duty to levy, assess, and collect annually for general purposes authorized by laws and for the purpose of paying the interest and providing the sinking fund on the bonded indebtedness of the City of Mesquite now in existence or which may hereafter be created an ad valorem tax on real, personal or mixed property in such amounts and at such rates as shall be determined by the city council subject to applicable limitations and prohibitions now or hereafter contained in the Constitution of the State of Texas."

Article 11, Section 5 of the State of Texas Constitution states in part:

"but no tax for any purpose shall ever be lawful for any one year, which shall exceed two and one-half percent of the taxable property of such city."

The tax rate at September 30, 2009, is \$.64000 per \$100 of assessed valuation with assessed valuation being 100% of market value.

**Pledged-Revenue Coverage
Last Ten Fiscal Years**

(Unaudited)

Year Ended September	Operating Revenue and Other (1)	Less: Operating Expense and Other (2)	Net Available Revenue	Total Debt Payments Required (3)	Years Remaining	Average Annual Debt Payment	Coverage (4)
<u>WATER AND SEWER BONDS</u>							
2000	\$ 28,375,760	\$ 15,769,697	\$ 12,606,063	\$ 41,335,222	19	\$ 2,175,538	5.8
2001	27,937,940	16,658,800	11,279,140	45,897,895	19	2,415,679	4.7
2002	26,606,963	17,761,766	8,845,197	49,394,233	19	2,599,696	3.4
2003	28,191,024	20,107,684	8,083,340	56,560,247	19	2,976,855	2.7
2004	28,057,312	20,975,204	7,082,108	63,294,441	20	3,164,722	2.2
2005	31,775,214	21,144,536	10,630,678	69,214,508	20	3,460,725	3.1
2006	33,798,839	21,259,997	12,538,842	73,841,441	20	3,692,072	3.4
2007	31,363,451	24,220,549	7,142,902	80,115,266	20	4,005,763	1.8
2008	36,536,774	25,384,450	11,152,324	86,091,447	20	4,304,572	2.6
2009	36,344,387	26,806,906	9,537,481	92,010,474	20	4,600,524	2.1
<u>DRAINAGE UTILITY DISTRICT BONDS</u>							
2000	\$ 2,262,958	\$ 427,212	\$ 1,835,746	\$ 10,547,524	18	\$ 585,974	3.1
2001	2,261,103	477,777	1,783,326	12,887,403	19	678,284	2.6
2002	2,090,833	524,966	1,565,867	11,920,786	18	662,266	2.4
2003	2,225,070	513,581	1,711,489	15,914,476	18	884,138	1.9
2004	2,124,677	595,083	1,529,594	14,513,632	17	853,743	1.8
2005	2,177,952	592,580	1,585,372	13,297,478	17	782,205	2.0
2006	2,262,875	570,903	1,691,972	12,079,052	16	754,941	2.2
2007	2,294,313	715,195	1,579,118	10,862,710	15	724,181	2.2
2008	2,238,126	760,017	1,478,109	9,656,911	14	689,779	2.1
2009	2,219,139	705,047	1,514,092	8,450,808	13	650,062	2.3

Notes:

- (1) Includes operating and nonoperating revenues.
- (2) Includes operating and non-operating expenses exclusive of depreciation and interest expense.
- (3) Includes principal and interest of revenue bonds only. Principal and interest amounts represent the amounts payable in subsequent fiscal years.
- (4) The Water and Sewer Bond coverage requirement is 1.5 and the Drainage Utility District Bond coverage requirement is 1.25. The coverage calculation is Net Revenue Available divided by the Average Annual Debt Payment.

**Demographic and Economic Statistics
Last Ten Fiscal Years**

(Unaudited)

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Total Retail Sales (in thousands of dollars) (2)</u>	<u>Effective Buying Income (EBI) (in thousands of dollars) (2)</u>	<u>Median Household EBI (3)</u>	<u>Number of Households (3)</u>	<u>School Enrollment (4)</u>	<u>Unemployment Rate (5)</u>
2000	124,523	\$ 2,280,289	\$ 2,266,391	\$ 48,190	40,700	29,174	2.6%
2001	126,570	2,192,171	2,533,442	51,412	42,300	33,094	4.4%
2002	127,800	2,082,581	2,602,498	50,656	45,115	33,808	5.7%
2003	129,650	2,261,111	2,390,723	51,338	48,210	34,368	5.8%
2004	131,582	2,301,891	2,421,215	52,750	49,051	34,181	5.2%
2005	133,605	2,362,311	2,497,456	50,424	49,559	35,451	5.9%
2006	135,894	N/A	2,380,515	47,446	50,152	35,615	4.5%
2007	136,750	N/A	2,522,392	50,134	50,313	36,002	4.3%
2008	137,550	N/A	2,606,763	51,453	50,663	36,640	5.4%
2009	137,850	N/A	2,643,407	52,131	50,707	37,030	8.2%

Sources: (1) Population estimate for 2000 is official U. S. Census Bureau count; all other years are estimates provided by the North Central Texas Council of Governments
 (2) Sales and Marketing Magazine, Survey Buying Power (Not Available after 2005). Effective Buying Income for 2006 and later estimated based on median household EBI and number of households
 (3) North Central Texas Council of Governments
 (4) Mesquite Independent School District
 (5) Texas Workforce Commission

Principal Employers
Current Year
(Unaudited)

<u>Employer</u>	<u>2009</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total City Employment</u>
United Parcel Service Inc.	2,670	1	3.62%
Dallas Regional Medical Center (Formerly Mesquite Community Hospital)	1,150	2	1.56%
City of Mesquite	1,054	3	1.43%
Eastfield College	1,006	4	1.36%
Walmart Supercenter	481	5	0.65%
Texas Dept of Transportation - Dallas District	425	6	0.58%
Integra Color	383	7	0.52%
Christian Care Center	338	8	0.46%
Macy's (Formerly Foley's)	310	9	0.42%
Dillards	<u>250</u>	10	<u>0.34%</u>
Total	<u>8,067</u>		<u>10.93%</u>
Total Estimated City Employment	<u>73,830</u>		<u>100.00%</u>

Source: U.S. Census Bureau American Factfinder and North Cental Texas Council of Governments.
Information from nine years ago, not available.

City of Mesquite, Texas

Full-time Equivalent City Government Employees Last Ten Fiscal Years

(Unaudited)

	Fiscal Year				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
By Functions					
General government	86.25	84.25	84.25	90.00	85.48
Fire services	186.00	187.00	187.00	187.00	192.00
Police services	272.50	276.50	278.50	279.50	282.50
Field services	120.95	128.95	128.00	125.00	130.00
Public works	23.00	25.50	25.00	24.00	24.00
Community development	40.00	41.85	43.85	45.00	47.00
Housing services	6.75	6.75	8.75	8.75	8.75
Library services	36.57	36.57	35.55	35.55	35.55
Parks and recreation	122.77	123.85	124.85	122.85	122.85
Community services	17.09	20.65	20.40	19.25	20.75
Water and Sewer	89.50	95.57	101.07	101.57	103.57
Drainage utility district	4.00	7.00	7.00	7.00	7.00
Municipal airport	<u>7.88</u>	<u>7.88</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>
Total employees by function	<u>1,013.26</u>	<u>1,042.32</u>	<u>1,051.60</u>	<u>1,052.85</u>	<u>1,066.83</u>
By Departments					
Administration	8.00	8.00	8.00	10.00	10.00
City Secretary	3.00	3.00	3.00	3.00	3.00
City Attorney	7.00	6.00	6.00	6.00	6.00
Human Resources	14.00	15.00	15.00	14.00	14.48
Budget and Research	2.00	2.00	2.00	2.00	2.00
Finance	67.25	69.25	69.25	68.50	68.50
Information Technology	-	-	-	-	-
Fire service	186.00	187.00	187.00	187.00	192.00
Police Service	272.50	276.50	278.50	279.50	282.50
Public Works	222.45	238.02	242.07	244.07	248.07
Housing and community service	23.84	28.40	30.85	30.95	33.45
Community development	40.00	40.85	42.15	42.05	42.05
Parks/ Recreation/Building service	122.77	123.85	124.85	122.85	122.85
Library service	36.57	36.57	35.55	35.55	34.55
Airport service	<u>7.88</u>	<u>7.88</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>
Total employees by department	<u>1,013.26</u>	<u>1,042.32</u>	<u>1,051.60</u>	<u>1,052.85</u>	<u>1,066.83</u>
By Fund					
General	903.88	920.47	916.30	916.60	932.58
Grants	8.00	11.40	19.85	20.30	16.30
Water and Sewer	89.50	95.57	101.07	101.57	103.57
Drainage Utility District	4.00	7.00	7.00	7.00	7.00
Municipal Airport	<u>7.88</u>	<u>7.88</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>
Total employees by fund	<u>1,013.26</u>	<u>1,042.32</u>	<u>1,051.60</u>	<u>1,052.85</u>	<u>1,066.83</u>

Source: Current and prior year City of Mesquite Annual Operating Budget documents

Note: Information Technology was split out from Finance Department in 2008

Schedule 17

Fiscal Year				
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
85.00	87.00	92.00	100.50	102.00
197.00	197.00	202.50	206.00	206.50
293.50	299.50	299.50	310.50	314.50
130.00	130.00	129.00	130.00	130.00
24.00	24.00	21.00	21.00	22.00
50.00	43.70	44.20	35.70	35.70
9.00	10.00	18.70	22.30	21.30
35.55	34.55	34.55	34.93	34.93
130.09	130.09	130.09	130.09	129.59
20.70	27.00	17.35	29.00	28.00
103.57	102.57	103.57	104.57	104.57
7.00	7.00	7.00	7.00	7.00
<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>
<u>1,092.79</u>	<u>1,099.79</u>	<u>1,106.84</u>	<u>1,138.97</u>	<u>1,143.47</u>
9.00	10.00	11.00	12.00	14.00
3.00	3.00	3.00	3.00	3.00
6.00	6.00	6.00	7.00	7.00
14.00	14.00	14.00	15.00	15.00
2.00	2.00	2.00	2.00	2.00
68.50	68.50	68.50	55.00	54.50
-	-	-	19.00	19.00
197.00	197.00	202.50	206.00	206.50
293.50	299.50	299.50	310.50	314.50
248.07	247.07	248.07	250.07	251.07
37.00	37.00	36.05	51.30	49.30
42.70	43.70	44.20	35.70	35.70
130.09	130.09	130.09	130.09	129.59
34.55	34.55	34.55	34.93	34.93
<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>
<u>1,092.79</u>	<u>1,099.79</u>	<u>1,106.84</u>	<u>1,138.97</u>	<u>1,143.47</u>
955.19	963.19	970.19	997.72	1,002.72
19.65	19.65	18.70	22.30	21.80
103.57	102.57	103.57	104.57	104.57
7.00	7.00	7.00	7.00	7.00
<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>
<u>1,092.79</u>	<u>1,099.79</u>	<u>1,106.84</u>	<u>1,138.97</u>	<u>1,143.47</u>

City of Mesquite, Texas

Operating Indicators by Function Last Ten Fiscal Years

(Unaudited)

	Fiscal Year			
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Functions				
Fire services				
Number of calls answered	13,649	13,647	14,390	14,063
Inspections	3,810	5,317	3,948	4,070
Police services				
Reported index crimes	6,152	6,059	6,542	6,480
Criminal arrests - index crimes	1,664	1,606	2,105	1,632
Criminal arrests - non-index crimes	3,084	4,922	4,821	3,106
Traffic citations	29,714	39,261	35,552	33,261
Field services				
Residential solid waste customers	33,108	34,100	34,491	34,077
Annual tons recycled	21,010	17,771	19,280	19,770
Work hours per mile of streets and alleys	81.83	83.07	82.25	84.24
Public works				
Traffic studies conducted	104	128	145	454
Engineering Information requests	1,212	1,450	949	1,010
Housing services				
Number of HUD allocated unit months	9,691	12,250	15,060	15,708
Community development				
Residential building permits	2,015	2,050	2,133	2,192
Commercial building permits	665	723	750	554
Environmental code violations	36,106	37,856	35,012	47,593
Food inspections conducted	1,482	1,352	1,239	1,033
Animals processed by shelter	9,823	10,714	10,489	10,491
Library services				
Library visits per capita	2.62	2.60	2.76	2.90
Registered borrowers per capita	0.30	0.29	0.31	0.27
Parks and recreation				
Work hours per acre of park land	30.34	32.34	36.48	37.01
Athletic program participants	20,517	20,730	19,731	21,535
Aquatic program participants	67,511	58,619	67,380	79,078
Tennis program participants	7,700	8,000	7,450	7,315
Recreation centers programs offered	N/A	567	678	764
Community services				
Number of health clinic clients	6,695	7,265	7,128	5,445
Number of transportation service trips	36,250	39,223	36,623	35,202
Number of volunteer hours	24,544	19,849	19,133	15,517
Arts center events	1,161	1,162	1,174	752
Arts center participants	91,805	92,300	93,997	61,732
Water and Sewer				
Number of gallons of water pumped (000s)	7,857,950	7,228,597	6,511,114	6,929,350
Water main breaks	325	340	325	300
Miles of sewer mains cleaned	120	151	170	150
Municipal airport				
Number of airplanes fueled	5,595	5,021	4,558	3,860

Source: Prior and Current year City of Mesquite Annual Operating Budget

* Information No Longer Available from Department

Schedule 18

Fiscal Year					
<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
10,661	12,945	11,746	11,898	13,156	14,048
2,647	5,841	6,736	6,800	8,811	7,916
6,652	6,582	5,554	6,118	6,120	6,149
1,590	1,561	1,198	1,535	1,492	1,535
3,555	3,400	3,262	3,508	3,294	3,360
42,587	42,523	36,372	35,620	36,563	36,810
34,477	34,830	36,000	37,000	37,500	37,900
20,430	20,520	23,678	22,608	29,000	28,500
84.24	73.88	81.85	81.19	80.19	74.43
332	333	346	327	328	190
1,245	995	85,146	75,846	86,603	98,000
15,258	16,308	16,308	16,308	16,308	16,380
2,196	2,053	2,175	1,635	1,394	1,260
601	566	738	294	316	215
32,839	46,980	31,553	67,793	33,488	18,184
1,374	1,193	1,407	998	1,417	1,759
10,164	11,873	13,141	14,474	9,705	8,363
3.11	3.13	3.00	2.65	2.97	2.91
0.28	0.29	0.28	0.40	0.31	0.30
46.12	50.50	52.15	55.02	56.95	58.54
18,325	18,700	13,527	16,276	16,500	16,500
62,432	63,000	82,605	65,000	61,500	61,500
7,525	7,800	7,700	7,964	7,800	7,800
800	803	838	904	824	835
4,845	5,000	5,534	5,624	5,573	6,274
36,900	32,318	39,700	38,130	39,580	40,239
18,274	20,000	30,093	22,324	25,209	45,000
920	717	757	575	611	611
70,267	68,463	104,128	130,229	105,951	92,000
6,223,119	6,500,000	6,800,000	5,641,217	6,521,600	6,346,928
177	170	360	240	190	198
115	155	130	130	130	134
4,299	5,700	5,700	5,700	*	*

City of Mesquite, Texas

Capital Asset Statistics by Function Last Ten Fiscal Years

(Unaudited)

	Fiscal Year			
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Functions				
Police services				
Police vehicles (sedans)	162	163	164	168
Field services				
Miles of streets	425	428	428	432
Miles of alleys	210	212	212	213
Number of vehicles in City fleet	592	588	592	601
Parks and recreation				
Parks acreage	1,347	1,371	1,373	1,373
Number of parks	62	62	63	63
Water and Sewer				
Water system miles	434	437	440	445
Water system connections	47,406	47,822	48,747	48,885
Sewer system miles	377	480	484	488
Sewer system connections	46,261	36,022	36,077	36,311

Source: Current and prior year City of Mesquite Annual Operating Budget documents

Schedule 19

Fiscal Year					
<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
166	184	192	196	218	223
432	435	400	440	440	440
213	215	220	220	220	220
600	624	636	651	677	677
1,422	1,422	1,422	1,422	1,422	1,430
66	66	67	67	67	68
448	450	538	566	567	567
49,136	50,313	50,598	51,903	53,109	51,709
491	492	476	492	492	493
36,564	36,756	36,900	50,658	50,658	51,500

MESQUITE
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About the Cover: New Mesquite Police Building - This new 80,000 square-foot facility, equipped with the latest in modern technology and security enhancements, allows for unified police operations and will serve the future needs of the Police Department over the next fifty years. The state-of-the-art facility features an expanded 911-computer dispatch area, Emergency Operations Center, and an expanded jail and juvenile detention area designed to meet all federal and state standards. The new police building, located at 777 North Galloway, will open February 2009.

MESQUITE

T E X A S

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