



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended September 30, 2004



City of
Mesquite, Texas



CITY OF MESQUITE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

September 30, 2004

Prepared by:

Finance Department

City of Mesquite, Texas

Comprehensive Annual Financial Report For the Fiscal Year Ended September 30, 2004

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CITY OF MESQUITE, TEXAS

CITY OFFICIALS

SEPTEMBER 30, 2004

CITY COUNCIL

Mike Anderson, Mayor

Dennis Tarpley, Mayor Pro-Tem

Stan Pickett, Deputy Mayor Pro-Tem

John L. Heiman, Jr., Council Member

John Monaco, Council Member

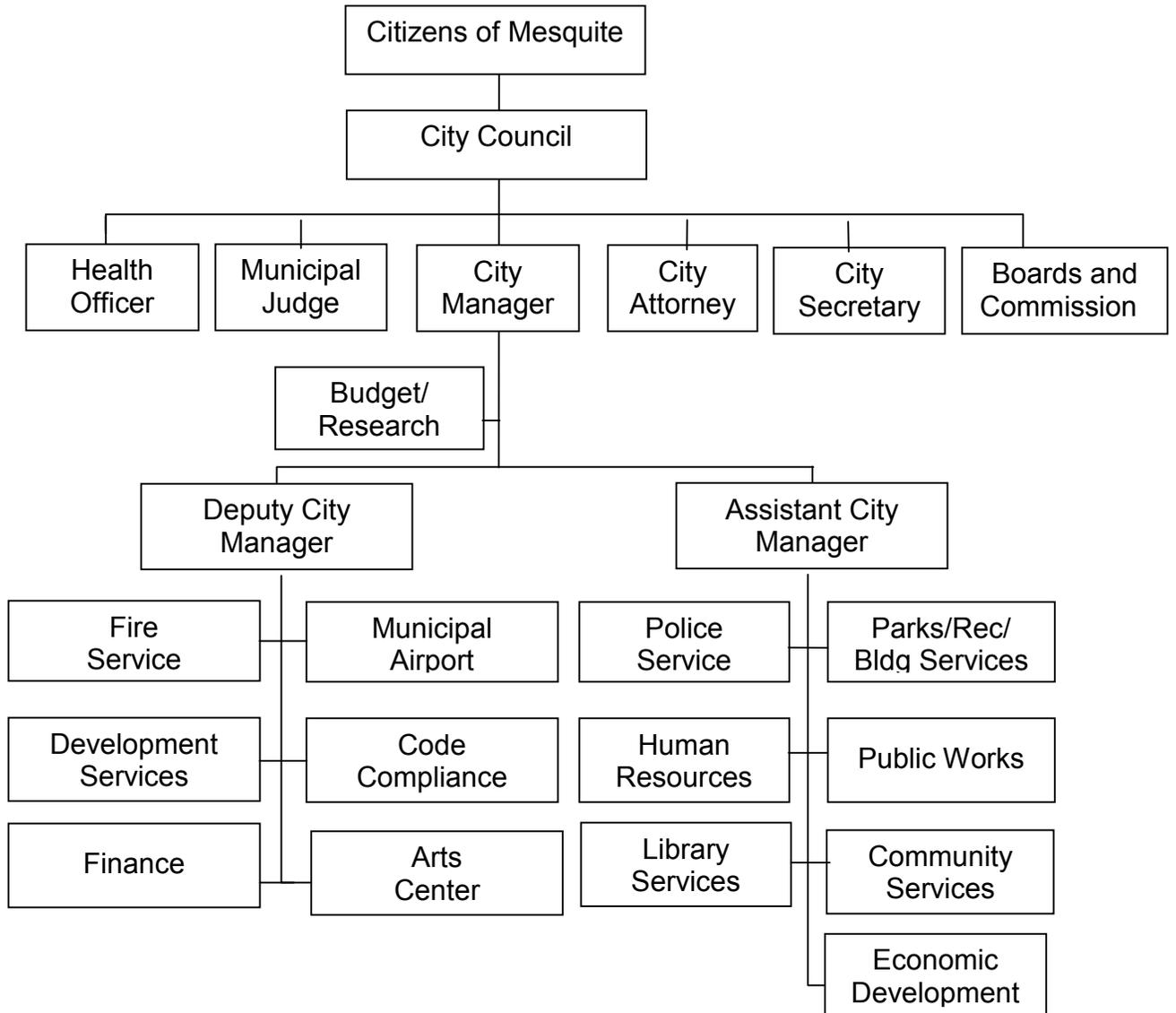
David L. Paschall, Council Member

Shirley Roberts, Council Member

Ted Barron, City Manager
Donald W. Simons, Director of Finance
Jerry T. Murrish, Accounting Manager

City of Mesquite, Texas

Organizational Chart
September 30, 2004





**MESQUITE
T·E·X·A·S**

February 16, 2005

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, 2004, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City, on a Government-wide and Fund basis. All disclosures necessary to enable the reader to gain an understanding of the City’s financial activities have been included.

This annual report is presented in conformity with the generally accepted accounting principles (“GAAP”) issued by the Governmental Accounting Standards Board (“GASB”). The report includes a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (“MD&A”). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The City’s MD&A can be found immediately following the independent auditors’ report.

The comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section includes a list of principal officials, GFOA certificate, the City’s organizational chart and this transmittal letter. The financial section includes the MD&A, the basic financial statements on a government-wide and fund basis, notes to the basic financial statements, required supplementary information, combining and individual fund statements and schedules, and the independent auditors’ report. The statistical section includes selected financial and demographic information, generally on a multiyear basis.

The City of Mesquite’s financial statements have been audited by Deloitte & Touche LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Mesquite for the fiscal year ended September 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Mesquite’s basic financial statements for the fiscal year ended September 30, 2004, are fairly presented in conformity with GAAP.

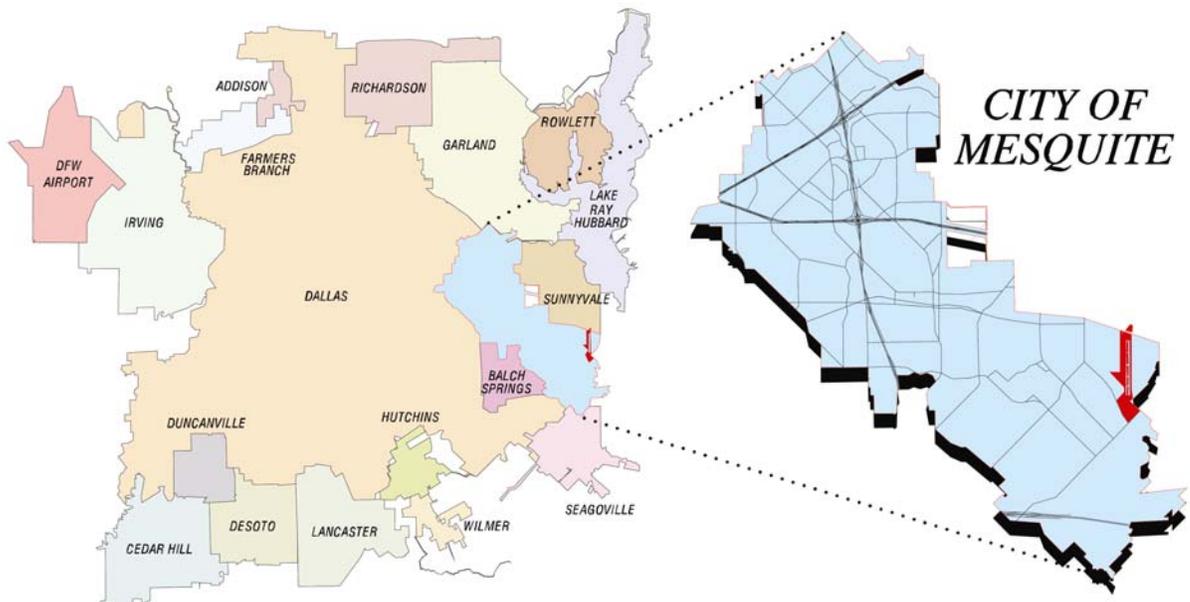
The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Mesquite’s 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 43.7 square miles.

Mesquite celebrated its 117th birthday on December 3, 2004. 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 number but in strength and importance, becoming a viable agricultural center by the turn of the century. The town’s population increased threefold between 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 131,600, and Mesquite is now one of the most dynamic growth 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

Providing quality governmental services to our ever-increasing population has been a continuing challenge, but City management maintains an optimistic outlook. A positive factor has been the strength of the Dallas area economy. The Metroplex ranks 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. Although the near term economic growth has moderated from historic high levels, the Mesquite economy has not experienced the significant loss of general sales tax revenues or business closures that some of our neighboring cities have had.

Several positive factors exist which favor a continued optimistic economic outlook including the availability of low-cost 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. The growth of the retail sector in the Town East Mall area has continued unabated for over 30 years. 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 south-bound 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 1500 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 -- United Parcel Service and Icon Health and Fitness-Jumpking -- that employ collectively over 4,000 people, the Skyline Industrial Park is ideally located for manufacturing and distribution industries. Recent additions to this industrial area include Iris USA Manufacturing, a maker of injection-molded plastic containers, which has a 250 thousand square foot facility and Unilever, a maker of home and personal care products, which has a 440 thousand square foot logistics center. Many of our older businesses are also in an expansion mode including Durango/ McKinley Container which is expanding its facility.

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 is 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. Although it is still evolving, major improvements were made during the year in the content and format of information provided. 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 1994 to the year 2004, over 7,200 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) is presently working on a Town Centre ramp project which will improve access in the mall area when completed.

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.

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.

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.

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 judgements 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 Assistant City Managers, 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 for approval.

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 2004 and the preceding two years are as follows (amounts per \$100/assessed value):

<u>Purpose</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Maintenance and Operations	\$.38833	\$.38571	\$.35991
Debt Service	<u>.15315</u>	<u>.15577</u>	<u>.18157</u>
Total Tax Rate	<u>\$.54148</u>	<u>\$.54148</u>	<u>\$.54148</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, 2004 and 2003, is as follows:

	<u>2004</u>	<u>2003</u>
Net General Bonded Debt	\$ 64,233,166	\$ 56,313,354
Ratio of Net Bonded Debt to Assessed Value	1.14 %	1.06 %
Debt per Capita	\$ 488.07	\$ 434.35

The City's general obligation bonds have been assigned the rating of Aa3 by Moody's Investors Service and AA by Standard & Poor's Ratings Group in their most recent reviews.

Cash Management

The City pools its cash balances for investment purposes. A primary objective of the City's investment program is to protect the principal through proper collateralization. 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 1.53% for the year, and the amount of interest earned was \$889,691 after recording a \$325,289 net unrealized loss attributable to marking investments to their fair value as of September 30, 2004. 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. Nearly all investments held by the City during the year and at September 30, 2004, are classified in the category of lowest collateral risk as defined by the Governmental Accounting Standards Board.

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.

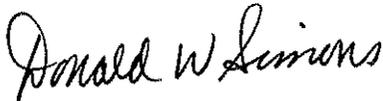
Other Information

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, 2003. This was the twenty-fifth 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.

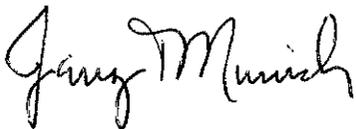
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

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.

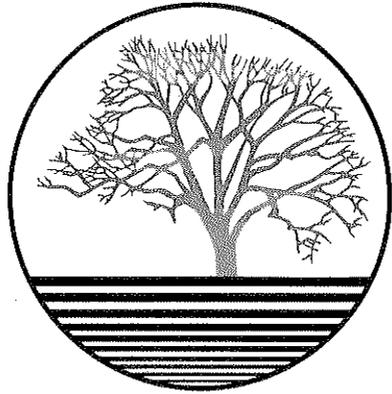
Respectfully Submitted,



Director of Finance



Accounting Manager



MESQUITE
T•E•X•A•S

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, 2003

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.



Nancy L. Zjelle

President

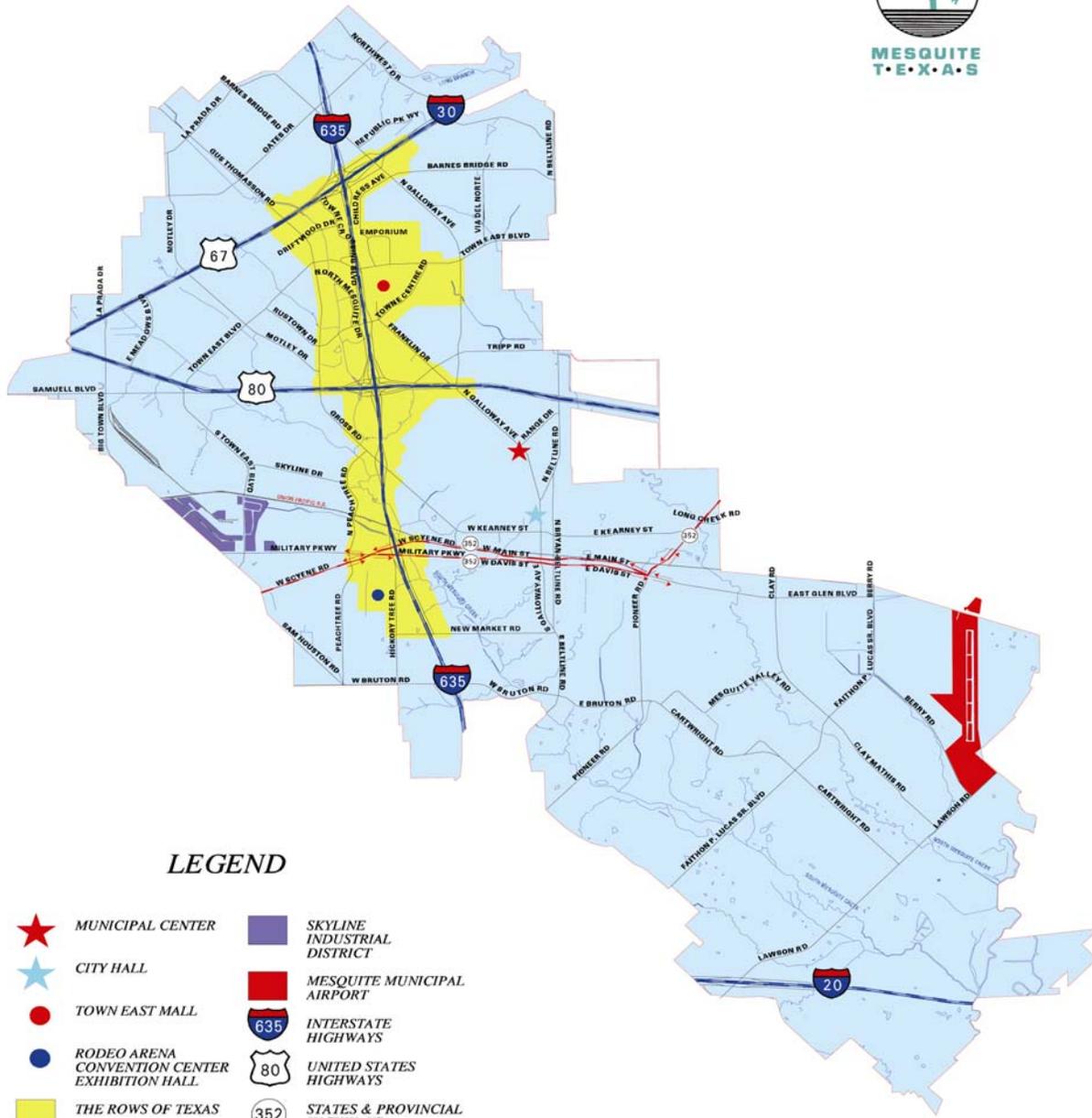
Jeffrey R. Emer

Executive Director

CITY OF MESQUITE



MESQUITE
T·E·X·A·S



LEGEND

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

City of Mesquite
GIS Division
2004

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, 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, 2004, which collectively comprise the City's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City as of September 30, 2004 and the respective changes in financial position and cash flows, where applicable, of those activities and funds thereof and the respective budgetary comparison statements for the general fund and the grants special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the Required Supplemental Information as described in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of City management. 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 an opinion on the basic financial statements taken as a whole. The combining and individual fund financial statements and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. This additional information is the responsibility of the City's management. Such information has been

subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 16, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance and other matters. The purpose of that report is to describe the scope of our 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 read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

February 16, 2005

City of Mesquite, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2004

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, 2004. 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 \$250 million (net assets). Of this amount, \$30 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$19.5 million this fiscal year with over 61.5% of the increase attributable to activities which receive taxes and other nonexchange revenues (governmental activities).
- As of the close of the current fiscal year, the City of Mesquite's governmental funds reported combined ending fund balances of \$44.4 million, an increase of \$8.9 million from the prior year. Of this amount, \$39 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 \$14.8 million. This represents over 17.6% of expenditures and transfers out which exceeds the 15% required by the City's adopted fund balance policy. On a current financial resources basis, total fund balance for the general fund decreased only \$46 thousand but that was \$540 thousand less than the budgeted decrease due to expenditure savings which more than offset revenues being slightly under budget.
- The City's net bonded debt increased by over \$11.9 million during this current fiscal year. The City issued general obligation debt for street, equipment, and municipal building improvements 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 nine 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, 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 and the Grants 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-like 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 includes 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. Included as well are comparative balance sheets and schedules of revenues and expenditures for the major governmental funds. Schedules for certain budgeted nonmajor special revenue funds follow their combining statements. In addition, comparative statements of net assets are provided for individual enterprise funds and a schedule of operating revenues and expenses for the water and sewer fund. Finally, schedules of capital assets used in operation of governmental funds is presented.

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 \$250 million as of September 30, 2004.

The largest portion of the City's net assets (82.4 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. As 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)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	FY2004	FY2003	FY2004	FY2003	FY2004	FY2003
Current and other assets	\$ 60,385	\$ 50,910	\$ 37,537	\$ 37,612	\$ 97,922	\$ 88,522
Capital assets	<u>157,826</u>	<u>147,213</u>	<u>143,222</u>	<u>131,618</u>	<u>301,048</u>	<u>278,831</u>
Total assets	<u>218,211</u>	<u>198,123</u>	<u>180,759</u>	<u>169,230</u>	<u>398,970</u>	<u>367,353</u>
Long-term liabilities outstanding	81,403	73,398	57,108	52,267	138,511	125,665
Other liabilities	<u>5,609</u>	<u>5,820</u>	<u>5,100</u>	<u>5,908</u>	<u>10,709</u>	<u>11,728</u>
Total liabilities	<u>87,012</u>	<u>79,218</u>	<u>62,208</u>	<u>58,175</u>	<u>149,220</u>	<u>137,393</u>
Invested in capital assets, net of related debt	105,798	95,809	99,992	90,629	205,790	186,438
Restricted net assets	7,644	4,561	6,067	5,847	13,711	10,408
Unrestricted net assets	<u>17,757</u>	<u>18,535</u>	<u>12,492</u>	<u>14,579</u>	<u>30,249</u>	<u>33,114</u>
Total net assets	<u>\$ 131,199</u>	<u>\$ 118,905</u>	<u>\$ 118,551</u>	<u>\$ 111,055</u>	<u>\$ 249,750</u>	<u>\$ 229,960</u>

An additional portion of the City's net assets (5.5%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$30.2 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-like 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 \$19.5 million. 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	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 21,783	\$ 21,066	\$ 30,512	\$ 30,357	\$ 52,295	\$ 51,423
Operating grants and contributions	11,852	10,446	-	-	11,852	10,446
Capital grants and contributions	5,944	2,987	9,413	5,863	15,357	8,850
General revenues:						
Ad valorem taxes	29,946	28,555	-	-	29,946	28,555
Gross receipts taxes	7,137	7,580	-	-	7,137	7,580
Sales taxes	36,136	35,292	-	-	36,136	35,292
Investment income	547	791	342	520	889	1,311
Total revenues	<u>113,345</u>	<u>106,717</u>	<u>40,267</u>	<u>36,740</u>	<u>153,612</u>	<u>143,457</u>
Expenses:						
General government	9,783	8,652	-	-	9,783	8,652
Fire services	18,805	17,517	-	-	18,805	17,517
Police services	24,982	23,595	-	-	24,982	23,595
Field services	13,449	12,660	-	-	13,449	12,660
Public works	2,752	2,450	-	-	2,752	2,450
Development services	714	431	-	-	714	431
Housing services	11,069	8,861	-	-	11,069	8,861
Code compliance	2,419	2,303	-	-	2,419	2,303
Library services	2,080	2,049	-	-	2,080	2,049
Parks and recreation	8,834	7,933	-	-	8,834	7,933
Community services	1,029	1,158	-	-	1,029	1,158
Other	7,228	6,720	-	-	7,228	6,720
Interest on long-term debt	2,617	2,727	-	-	2,617	2,727
Water and sewer	-	-	25,604	24,961	25,604	24,961
Drainage utility	-	-	1,606	1,515	1,606	1,515
Municipal airport	-	-	1,130	958	1,130	958
Total expenses	<u>105,761</u>	<u>97,056</u>	<u>28,340</u>	<u>27,434</u>	<u>134,101</u>	<u>124,490</u>
Increase in net assets before transfers	7,584	9,661	11,927	9,306	19,511	18,967
Transfers	<u>4,431</u>	<u>4,402</u>	<u>(4,431)</u>	<u>(4,402)</u>	<u>-</u>	<u>-</u>
Increase in net assets	12,015	14,063	7,496	4,904	19,511	18,967
Net assets - October 1	<u>119,184</u>	<u>104,842</u>	<u>111,055</u>	<u>106,151</u>	<u>230,239</u>	<u>210,993</u>
Net assets - September 30	<u>\$ 131,199</u>	<u>\$ 118,905</u>	<u>\$ 118,551</u>	<u>\$ 111,055</u>	<u>\$ 249,750</u>	<u>\$ 229,960</u>

Governmental Activities

Governmental activities increased the City of Mesquite's net assets by \$12 million or 61.6 percent of the total growth in net assets.

The City's program revenues for governmental activities increased by \$5 million (15 percent) during the year. Contributions by private developers to the City's infrastructure increased by \$2.6 million. The City's intergovernmental revenues in support of the U. S. Department of Housing and Urban Development ("HUD") housing assistance program was \$1.6 million higher than last year. Other elements of program revenues were relatively stable during the year.

General revenues of the City remained relatively the same except for a \$1.4 million increase in ad valorem taxes. This increase in property tax revenues is due to increased property valuations and addition of new property throughout the City as the property tax rate remained unchanged again this fiscal year. Overall, the assessed valuation of taxable property increased nearly \$300 million. General revenues from sales tax was over 2 percent higher for the year, an increase of \$844 thousand. On the negative side, gross receipts taxes were \$440 thousand lower and investment income declined by \$240 thousand due to the declining interest rate environment.

Expenses for the City's governmental activities increased by \$8.7 million compared with the prior fiscal year. The City made a concerted effort to limit increases in expenses by adding no new major programs or initiatives during the current fiscal year. Step increases in the City's pay plan accounted for most of the increases in those functional activities which included personal services as salary and related benefit expenses were \$3.6 million (5.8 percent) higher. Payments under the H.U.D. housing assistance grant program were \$2.3 million (28.7 percent) higher. Also, there were increases in expenses of governmental activities which are reported only in the operating results on a government-wide basis. These increases include \$800 thousand depreciation expense on capital assets, \$750 thousand in accrued compensated absences, and \$730 thousand in increased contractual services for the City's internal service operations for health claims and general liability.

Business-type Activities

Business-type activities increased the City of Mesquite's net assets by over \$7.5 million or 38.4 percent of the total growth in net assets.

The City's operating revenues for business-type activities increased only slightly during the fiscal year. The majority of the program revenues for the City's business-type activities is from its water and sewer operations. Water customer charges were down from the previous year as North Texas had one of its wettest years on record. Capital grants and contributions increased substantially during the year. Contributions by private developers increased \$740 thousand in water and sewer and by over \$2.1 million to the City's drainage utility system. Additionally, there was an increase of \$665 thousand in City contributions and capital grants toward various Municipal Airport projects including a new terminal building completed this fall.

Expenses attributable to the water and sewer activities increased by over \$600 thousand this fiscal year. Increased water supply fee increases being passed onto the City from the North Texas Municipal Water District (NTMWD) and higher personal services expenditures were primarily responsible for the increase.

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 \$44.4 million. Approximately 88 percent of this total amount (\$39 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 of \$5 million and debt service of \$400 thousand. The fund balance for all governmental funds increased by \$8.9 million over the previous fiscal year.

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 \$14.8 million while the total fund balance remained at \$16.5 million. 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 17.6 percent of total General Fund expenditures and transfers out, while the total fund balance represents 19.6 percent of that same amount. By the City's adopted fund balance policy, unreserved fund balance is required to exceed expenditures and transfers out by 15 percent.

In the General Fund, the original budget projected a slight decrease in fund balance this fiscal year of \$583 thousand and the final amended budget projected a decrease of \$585 thousand. Differences between the original and final estimated revenues were relatively minor with increases in most revenue sources more than offsetting projected decreases in licenses and permits, fines and forfeitures, and investment income. On the expenditure budget side, most functional areas were projected to be slightly higher than originally adopted in the budget process. The environment in which this budget came together was one of declining local and national economic conditions but by having conservative increases in planned expenditures for providing City services, there was no increase in the property tax rate. Due to savings in supplies and contractual services, fund balance decreased by only \$46 thousand in the General Fund. There was a \$1.5 million overage in parks and recreation services with a corresponding \$1.5 million surplus in the other expenditure function for public safety equipment. This was due to foregoing a reimbursement from the Quality of Life Corporation Fund for park operations since the General Fund had encumbered but not expended certain planned outlays for public safety communications equipment. It is anticipated that the purchase of the equipment and reimbursement to parks operation will occur next fiscal year.

The Grants Fund, is a major special revenue fund used to account for funds awarded the City by various federal or state agencies and includes funds granted the City by the U. S. Department of Housing and Urban Development under their housing assistance program. This grant has a \$1.1 million dollar reimbursement request due from HUD at fiscal year end which is accounted for as deferred revenue in the fund since reimbursement is not expected until March 2005. This accounting treatment results in a deficit fund balance of \$841 thousand being reported in the fund.

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 \$11.7 million and those for the Drainage Utility District amounted to \$1 million. The total growth in net assets for both funds was \$2.5 and \$4.2 million, 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 the prior year.

Capital Assets

At the end of fiscal year 2004, the City had over \$300 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 was nearly 8 percent for the current fiscal year.

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

	Governmental		Business-type		Totals	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
Land	\$ 17,890	\$ 17,147	\$ 6,383	\$ 6,033	\$ 24,273	\$ 23,180
Construction in progress	16,352	18,890	9,296	7,685	25,648	26,575
Buildings	28,824	28,048	1,511	869	30,335	28,917
Infrastructure	77,124	68,874	124,719	116,118	201,843	184,992
Improvements	4,153	2,624	111	60	4,264	2,684
Equipment	13,483	11,630	1,202	853	14,685	12,483
Totals	\$ 157,826	\$ 147,213	\$ 143,222	\$ 131,618	\$ 301,048	\$ 278,831

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

- Over \$8.3 million was expended for street and alley projects including \$3.1 million this year for the widening and reconstruction of Cartwright Road to a six lane divided roadway and nearly \$2 million for widening and reconstruction of a portion of Clay Mathis Road.
- The need for upgraded city facilities was addressed with over \$1 million being expended for new Animal Shelter, Community Services, and Fire Station #1 buildings. The City hopes to have these facilities completed in the near future.
- Current year outlays for the water and sewer system were \$5.1 million and infrastructure amounting to \$8.7 million was put into service.
- Substantial improvements were made at the Mesquite Municipal Airport with current year expenditures of nearly \$1 million for a hangar rehabilitation project completed this year and a new terminal building which opened this fall. The City made use of City bond proceeds, and local and intergovernmental revenue sources to fund these projects.

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 \$119.7 million in net bonded debt outstanding. Of this total amount, \$63.7 million or 53 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	
	2004	2003	2004	2003	2004	2003
General obligation	\$ 44,375	\$ 37,050	\$ -	\$ -	\$ 44,375	\$ 37,050
Certificates of obligation	14,775	14,600	-	-	14,775	14,600
Public property finance contractual obligations	4,535	4,630	-	-	4,535	4,630
Revenue bonds	-	-	55,970	51,486	55,970	51,486
Totals	\$ 63,685	\$ 56,280	\$ 55,970	\$ 51,486	\$ 119,655	\$ 107,766

During the fiscal year, there were the following debt issuances: \$5.5 million of general obligation debt for street and alley improvements; \$8.3 million of certificate of obligation debt for municipal building and other improvements; \$1.4 million in contractual obligations for equipment, and \$7.5 million of revenue bonds for water and sewer improvements. Additionally, due to favorable interest rates, bonds were issued to advance refund certain maturities of existing outstanding bond issues. Current year debt issues included advance refunding issues of \$9.3 million for tax-exempt general obligation issues; \$5.5 for taxable general obligation issues; \$5.5 for water and sewer revenue bonds, and \$3.4 for drainage revenue bonds.

The City's general obligation bonds have been assigned the rating of Aa3 by Moody's Investors Service and AA by the Standard & Poor's Ratings Group for these most recent issues. The revenue bond ratings were A1 by Moody's and AA- by Standard and Poor's. All of the City's current year bond issuances are insured thus holding a Triple A credit rating from both agencies.

Additional information on the City's long-term bonded debt can be found in Note 8 of the Notes to the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The City has one of the lowest unemployment rates at 4.9 percent as compared to the State of Texas, which is 5.5 percent. At the end of the previous fiscal year, these rates were 5.8 and 6.6 percent respectively. Our population growth has been steady with a current population at an estimated 131,600, up over 20 percent in the last decade. Providing quality governmental services to this ever-increasing population has been a continuing challenge but City management maintains an optimistic outlook despite the recent economic slowdown being experienced nationally as well as locally.

In the 2004-05 budget, General Fund revenues and transfers in are budgeted to increase by 4.8 percent from the 2003-04 budget year with general property taxes making up about 38.1 percent of the total. 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 increased 7 percent over the preceding year while the City tax rate was increased by \$.04 per \$100 of assessed valuation. This marks the first tax rate increase in six fiscal years. With the increase in taxable valuations and higher tax rate, an additional \$3.2 million in property tax revenue is estimated.

The Dallas-Fort Worth metroplex had experienced an exceptionally strong and expanding economy until recent years when signs of economic weakness have surfaced. Decreased consumer spending, still high unemployment and a slowdown in regional growth have all impacted the City budget for the upcoming fiscal

year but the City's retail sales base continues to expand with over 500,000 square feet of retail space added and occupied since 2001. General sales tax receipts are projected to grow at a modest 2.7 percent due to the continued slow economy and this revenue source comprises 31.3% of General Fund revenues and transfers in. This revenue source is the most volatile and subject to decline if the economic slowdown worsens.

As a result of the uncertain economic environment, the City has made an concerted effort to provide funding to maintain current service levels. However, there is little in the way of new programming even with the tax rate increase and many additional worthwhile programming demands could not be funded in the fiscal year 2005 budget. The adopted 2005 General Fund budget totals \$88.6 million in expenditures and transfers out, an increase of \$4.5 million (5.4 percent). Fifteen additional full-time employees were added and general government performance merit adjustments were again limited to 3 percent. Total fund balance is projected to be unchanged in fiscal year 2005.

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 jmurrish@ci.mesquite.tx.us.

City of Mesquite, Texas

**Statement of Net Assets
September 30,2004**

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
ASSETS:			
Pooled cash and investments	\$ 44,178,806	\$ 31,638,924	\$ 75,817,730
Receivables (net of allowance for uncollectibles)	14,072,977	5,392,802	19,465,779
Internal balances	281,208	(281,208)	-
Inventory	372,777	267,636	640,413
Prepays and other assets	1,339,930	430,085	1,770,015
Accrued interest	139,308	89,010	228,318
Capital assets-			
Land and construction in progress	34,242,301	15,679,269	49,921,570
Other capital assets (net of accumulated depreciation)	<u>123,583,473</u>	<u>127,543,229</u>	<u>251,126,702</u>
Total Assets	<u>218,210,780</u>	<u>180,759,747</u>	<u>398,970,527</u>
LIABILITIES:			
Accounts payable	3,973,724	2,159,164	6,132,888
Accrued interest payable	508,632	195,925	704,557
Deposits	1,126,512	2,745,331	3,871,843
Long-term liabilities:			
Due within one year:			
Capital lease payable	37,670	38,724	76,394
Bonds payable	8,350,000	3,530,000	11,880,000
Accrued compensated absences	4,508,340	131,419	4,639,759
Estimated claims payable	2,716,900	-	2,716,900
Due in more than one year:			
Capital lease payable	153,545	157,841	311,386
Bonds payable	55,334,898	52,440,400	107,775,298
Accrued compensated absences	<u>10,301,891</u>	<u>809,318</u>	<u>11,111,209</u>
Total Liabilities	<u>87,012,112</u>	<u>62,208,122</u>	<u>149,220,234</u>
NET ASSETS:			
Invested in capital assets, net of related debt	105,798,205	99,992,393	205,790,598
Restricted for:			
Capital projects	7,227,335	-	7,227,335
Debt service	416,834	6,067,164	6,483,998
Unrestricted	<u>17,756,294</u>	<u>12,492,069</u>	<u>30,248,363</u>
Total Net Assets	<u>\$ 131,198,668</u>	<u>\$ 118,551,626</u>	<u>\$ 249,750,294</u>

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

**Statement of Activities
For the Year Ended September 30, 2004**

	<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	\$ 9,782,527	\$ 2,944,504	\$ 5,920	\$ -
Fire services	18,804,970	1,145,669	27,917	105,297
Police services	24,982,353	5,096,146	247,233	57,965
Field services	13,449,453	5,446,548	1,019	5,162,760
Public works	2,751,786	690,487	-	-
Development services	713,564	2,386,150	286,810	-
Housing services	11,068,541	168,841	10,612,023	1,588
Code compliance	2,419,020	1,538,077	80,510	-
Library services	2,080,003	60,452	58,090	-
Parks and recreation	8,834,422	1,558,495	17,868	3,591
Community services	1,029,164	72,509	362,964	259,320
Other	7,228,158	675,418	151,644	352,955
Interest on long-term debt	2,617,152	-	-	-
Total governmental activities	<u>105,761,113</u>	<u>21,783,296</u>	<u>11,851,998</u>	<u>5,943,476</u>
Business-type activities:				
Water and sewer	25,603,880	27,761,148	-	4,743,035
Drainage utility	1,605,813	2,078,371	-	3,712,498
Municipal airport	1,129,898	672,471	-	957,534
Total business-type activities	<u>28,339,591</u>	<u>30,511,990</u>	<u>-</u>	<u>9,413,067</u>
Total function / program activities	<u>\$ 134,100,704</u>	<u>\$ 52,295,286</u>	<u>\$ 11,851,998</u>	<u>\$ 15,356,543</u>
General revenues:				
Ad valorem taxes				
Gross receipts taxes				
Sales taxes				
Investment income				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Inclusion of component units (note 14)				
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>
\$ (6,832,103)	\$ -	\$ (6,832,103)
(17,526,087)	-	(17,526,087)
(19,581,009)	-	(19,581,009)
(2,839,126)	-	(2,839,126)
(2,061,299)	-	(2,061,299)
1,959,396	-	1,959,396
(286,089)	-	(286,089)
(800,433)	-	(800,433)
(1,961,461)	-	(1,961,461)
(7,254,468)	-	(7,254,468)
(334,371)	-	(334,371)
(6,048,141)	-	(6,048,141)
(2,617,152)	-	(2,617,152)
<u>(66,182,343)</u>	<u>-</u>	<u>(66,182,343)</u>
-	6,900,303	6,900,303
-	4,185,056	4,185,056
-	<u>500,107</u>	<u>500,107</u>
-	<u>11,585,466</u>	<u>11,585,466</u>
<u>(66,182,343)</u>	<u>11,585,466</u>	<u>(54,596,877)</u>
29,946,156	-	29,946,156
7,136,451	-	7,136,451
36,135,707	-	36,135,707
547,221	342,470	889,691
<u>4,431,088</u>	<u>(4,431,088)</u>	<u>-</u>
<u>78,196,623</u>	<u>(4,088,618)</u>	<u>74,108,005</u>
12,014,280	7,496,848	19,511,128
118,905,243	111,054,778	229,960,021
279,145	-	279,145
<u>\$ 131,198,668</u>	<u>\$ 118,551,626</u>	<u>\$ 249,750,294</u>

City of Mesquite, Texas

**Balance Sheet - Governmental Funds
September 30, 2004**

	<u>General</u>	<u>Grants</u>	<u>Bond Finance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:					
Pooled cash and investments	\$ 9,954,638	\$ -	\$ 12,508,775	\$ 16,801,575	\$ 39,264,988
Receivables (net allowance for uncollectibles):					
Accounts receivable	3,209,863	-	1,302	2,426	3,213,591
Ad valorem taxes	991,703	-	-	-	991,703
Other taxes receivable	1,550,126	-	-	-	1,550,126
Assessments	-	-	337,214	-	337,214
Intergovernmental	4,690,072	1,754,696	-	1,535,575	7,980,343
Due from other funds	1,156,862	-	-	-	1,156,862
Inventory	372,777	-	-	-	372,777
Prepays	34,814	856	-	3,990	39,660
Accrued interest	59,211	-	32,254	34,674	126,139
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 22,020,066</u>	<u>\$ 1,755,552</u>	<u>\$ 12,879,545</u>	<u>\$ 18,378,240</u>	<u>\$ 55,033,403</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 2,177,013	\$ 321,042	\$ 693,787	\$ 702,260	\$ 3,894,102
Deposits	322,282	-	-	804,230	1,126,512
Due to other funds	-	1,156,862	-	-	1,156,862
Deferred revenues	3,006,472	1,118,993	337,214	-	4,462,679
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>5,505,767</u>	<u>2,596,897</u>	<u>1,031,001</u>	<u>1,506,490</u>	<u>10,640,155</u>
Fund Balances:					
Reserved for:					
Encumbrances	1,674,020	-	1,758,371	1,525,274	4,957,665
Debt retirement	-	-	-	416,834	416,834
Unreserved (deficit), reported in:					
General fund	14,840,279	-	-	-	14,840,279
Special revenue funds	-	(841,345)	-	7,912,343	7,070,998
Capital project funds	-	-	10,090,173	7,017,299	17,107,472
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>16,514,299</u>	<u>(841,345)</u>	<u>11,848,544</u>	<u>16,871,750</u>	<u>44,393,248</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 22,020,066</u>	<u>\$ 1,755,552</u>	<u>\$ 12,879,545</u>	<u>\$ 18,378,240</u>	<u>\$ 55,033,403</u>

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, 2004**

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

Total fund balance per balance sheet	\$ 44,393,248
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	157,825,774
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.	4,462,679
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.	3,185,425
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.	(508,632)
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	(45,340,000)
Certificate of obligation bonds payable	(14,775,000)
Public property finance contractual obligations payable	(4,535,000)
Capital lease payable	(191,215)
Less: deferred amounts and future accretion amounts	1,491,620
Accrued compensated absences	<u>(14,810,231)</u>
	<u>(78,159,826)</u>
Net assets of governmental activities	<u>\$131,198,668</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, 2004**

	<u>General</u>	<u>Grants</u>	<u>Bond Finance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Taxes-					
Ad valorem	\$ 29,874,248	\$ -	\$ -	\$ -	\$ 29,874,248
Gross receipts	7,020,285	-	-	116,166	7,136,451
Sales	26,475,286	-	-	9,660,421	36,135,707
Licenses and permits	1,335,653	-	-	11,334	1,346,987
Fines and forfeitures	2,156,196	-	-	1,121,463	3,277,659
Investment income	283,276	646	76,309	131,589	491,820
Charges for services	8,335,009	4,912	89,674	4,079,240	12,508,835
Intergovernmental	419,210	11,225,344	252,618	100,337	11,997,509
Other revenues	822,625	244,639	-	946,518	2,013,782
Contributions and donations	-	-	-	85,761	85,761
	<u>76,721,788</u>	<u>11,475,541</u>	<u>418,601</u>	<u>16,252,829</u>	<u>104,868,759</u>
EXPENDITURES:					
Current-					
General government	6,620,204	-	-	132,075	6,752,279
Fire services	17,908,578	120,759	-	112,717	18,142,054
Police services	22,881,682	391,851	-	971,272	24,244,805
Field services	8,914,121	1,019	199,368	107,726	9,222,234
Public works	2,387,144	-	-	-	2,387,144
Development services	424,799	287,395	-	-	712,194
Housing services	-	11,041,404	-	21,052	11,062,456
Code compliance	2,367,548	76,745	35,000	2,009	2,481,302
Library services	2,008,573	51,645	5,443	5,278	2,070,939
Parks and recreation	6,190,244	4,993	-	2,416,353	8,611,590
Community services	973,883	-	-	-	973,883
Other	4,401,913	82,599	202,961	2,901,103	7,588,576
Capital outlay	-	253,609	6,776,175	4,376,883	11,406,667
Debt service					
Principal	-	-	-	7,830,000	7,830,000
Interest and fiscal charges	-	-	-	2,656,459	2,656,459
	<u>75,078,689</u>	<u>12,312,019</u>	<u>7,218,947</u>	<u>21,532,927</u>	<u>116,142,582</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,643,099</u>	<u>(836,478)</u>	<u>(6,800,346)</u>	<u>(5,280,098)</u>	<u>(11,273,823)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	5,887,578	116,335	108,096	10,591,647	16,703,656
Transfers out	(9,214,718)	(150,000)	(144,078)	(2,423,772)	(11,932,568)
Capital lease proceeds	203,229	-	-	-	203,229
Bond proceeds	1,435,000	-	13,820,000	-	15,255,000
Proceeds of refunding bonds	-	-	14,795,000	-	14,795,000
Payment to refunded bond agent	-	-	(14,805,953)	-	(14,805,953)
	<u>(1,688,911)</u>	<u>(33,665)</u>	<u>13,773,065</u>	<u>8,167,875</u>	<u>20,218,364</u>
NET CHANGE IN FUND BALANCES	(45,812)	(870,143)	6,972,719	2,887,777	8,944,541
FUND BALANCES AT BEGINNING OF YEAR	16,560,111	28,798	4,875,825	13,704,828	35,169,562
Inclusion of component units (note 14)	-	-	-	279,145	279,145
FUND BALANCES (DEFICIT) AT END OF YEAR	<u>\$ 16,514,299</u>	<u>\$ (841,345)</u>	<u>\$ 11,848,544</u>	<u>\$ 16,871,750</u>	<u>\$ 44,393,248</u>

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, 2004**

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

Net change in fund balance - total governmental funds	\$ 8,944,541
<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	14,036,009
Depreciation expense	<u>(8,586,219)</u>
	5,449,790
<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>	
	5,162,760
<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>	
	955,292
<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	(30,050,000)
Principal amount of capital lease issued	(203,229)
Bond accretion and refunded debt amortization	(202,724)
Principal amount of debt paid to bondholders	7,830,000
Payment to escow agent for refunding	15,017,793
Principal amount of capital lease paid	12,014
Net deferred offering costs and related debt issuance items	<u>55,874</u>
	(7,540,272)
<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>	
	(749,885)
<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>(207,946)</u>
Change in net assets of governmental activities	<u>\$ 12,014,280</u>

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund
For the Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes-				
Ad valorem	\$ 29,826,333	\$ 30,161,729	\$ 29,874,248	\$ (287,481)
Gross receipts	7,111,000	7,241,808	7,020,285	(221,523)
Sales	26,289,439	26,525,463	26,475,286	(50,177)
Licenses and permits	1,392,735	1,260,355	1,335,653	75,298
Fines and forfeitures	2,363,300	2,180,000	2,156,196	(23,804)
Investment income	400,000	275,000	283,276	8,276
Charges for services	7,591,159	7,959,290	8,335,009	375,719
Intergovernmental	400,300	400,300	419,210	18,910
Other revenues	732,605	796,084	822,625	26,541
	<u>76,106,871</u>	<u>76,800,029</u>	<u>76,721,788</u>	<u>(78,241)</u>
TOTAL REVENUES				
EXPENDITURES:				
Current-				
General government	6,371,817	6,592,174	6,620,204	(28,030)
Fire services	17,688,089	17,833,090	17,908,578	(75,488)
Police services	23,322,628	23,107,664	22,881,682	225,982
Field services	8,948,050	8,891,808	8,914,121	(22,313)
Public works	2,474,518	2,453,087	2,387,144	65,943
Development services	353,658	451,667	424,799	26,868
Code compliance	2,417,192	2,412,346	2,367,548	44,798
Library services	1,980,165	2,015,548	2,008,573	6,975
Parks and recreation	4,451,457	4,762,875	6,190,244	(1,427,369)
Community services	890,467	986,393	973,883	12,510
Other	6,090,035	5,986,804	4,401,913	1,584,891
	<u>74,988,076</u>	<u>75,493,456</u>	<u>75,078,689</u>	<u>414,767</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,118,795</u>	<u>1,306,573</u>	<u>1,643,099</u>	<u>336,526</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	6,251,680	5,876,000	5,887,578	11,578
Transfers out	(9,353,027)	(9,203,025)	(9,214,718)	(11,693)
Capital lease proceeds	-	-	203,229	203,229
Bond proceeds	1,400,000	1,435,000	1,435,000	-
	<u>(1,701,347)</u>	<u>(1,892,025)</u>	<u>(1,688,911)</u>	<u>203,114</u>
TOTAL OTHER FINANCING USES				
NET CHANGE IN FUND BALANCES	<u>\$ (582,552)</u>	<u>\$ (585,452)</u>	<u>(45,812)</u>	<u>\$ 539,640</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>16,560,111</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 16,514,299</u>	

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

Grants Special Revenue Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment income	\$ 2,000	\$ 1,000	\$ 646	\$ (354)
Charges for service	-	-	4,912	4,912
Intergovernmental	10,754,964	13,003,206	11,225,344	(1,777,862)
Other revenues	-	110,329	244,639	134,310
	<u>10,756,964</u>	<u>13,114,535</u>	<u>11,475,541</u>	<u>(1,638,994)</u>
TOTAL REVENUES				
EXPENDITURES:				
Current-				
Fire services	10,099	456,372	120,759	335,613
Police services	240,540	421,821	391,851	29,970
Field services	-	35,000	1,019	33,981
Development services	352,231	352,231	287,395	64,836
Housing services	9,267,387	10,874,971	11,041,404	(166,433)
Code compliance	85,844	85,844	76,745	9,099
Library services	42,045	56,264	51,645	4,619
Parks and recreation	-	5,500	4,993	507
Other	133,050	133,050	82,599	50,451
Capital outlay	588,572	506,900	253,609	253,291
	<u>10,719,768</u>	<u>12,927,953</u>	<u>12,312,019</u>	<u>615,934</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>37,196</u>	<u>186,582</u>	<u>(836,478)</u>	<u>(1,023,060)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	104,642	116,335	11,693
Transfers out	(150,000)	(150,000)	(150,000)	-
	<u>(150,000)</u>	<u>(45,358)</u>	<u>(33,665)</u>	<u>11,693</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES	<u>\$ (112,804)</u>	<u>\$ 141,224</u>	<u>(870,143)</u>	<u>\$ (1,011,367)</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>28,798</u>	
FUND BALANCE (DEFICIT) AT END OF YEAR			<u>\$ (841,345)</u>	

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

**Statement of Net Assets
Proprietary Funds
September 30, 2004**

	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	\$ 10,364,877	\$ 806,036	\$ 37,674	\$ 11,208,587	\$ 4,913,818
Receivables (net of allowance for uncollectibles)	5,239,911	140,219	12,672	5,392,802	-
Inventory	232,464	-	35,172	267,636	-
Prepays and other assets	270,285	159,800	-	430,085	773,752
Accrued interest	42,423	4,852	-	47,275	13,169
Total current assets	<u>16,149,960</u>	<u>1,110,907</u>	<u>85,518</u>	<u>17,346,385</u>	<u>5,700,739</u>
Noncurrent assets:					
Revenue bond construction-					
Pooled cash and investments	11,968,804	2,198,444	-	14,167,248	-
Accrued interest	35,296	6,439	-	41,735	-
Revenue bond debt service-					
Pooled cash and investments	1,987,667	540,419	-	2,528,086	-
Revenue bond reserve-					
Pooled cash and investments	2,906,280	828,723	-	3,735,003	-
Capital assets-					
Land and construction in progress	8,504,796	1,566,302	5,608,171	15,679,269	-
Other capital assets (net of accumulated depreciation)	95,696,481	24,474,832	7,371,916	127,543,229	-
Total noncurrent assets	<u>121,099,324</u>	<u>29,615,159</u>	<u>12,980,087</u>	<u>163,694,570</u>	<u>-</u>
Total Assets	<u>137,249,284</u>	<u>30,726,066</u>	<u>13,065,605</u>	<u>181,040,955</u>	<u>5,700,739</u>
LIABILITIES:					
Current liabilities:					
Accounts payable	842,767	10,119	34,155	887,041	79,622
Deposits	2,737,788	2,588	4,955	2,745,331	-
Capital lease payable	38,724	-	-	38,724	-
Accrued compensated absences	104,529	26,890	-	131,419	-
Total current liabilities	<u>3,723,808</u>	<u>39,597</u>	<u>39,110</u>	<u>3,802,515</u>	<u>79,622</u>
Current liabilities payable from restricted assets:					
Accounts payable	1,089,958	182,165	-	1,272,123	-
Accrued interest payable	160,420	35,505	-	195,925	-
Bonds payable	2,740,000	790,000	-	3,530,000	-
Total liabilities payable from restricted assets	<u>3,990,378</u>	<u>1,007,670</u>	<u>-</u>	<u>4,998,048</u>	<u>-</u>
Noncurrent liabilities:					
Estimated claims payable	-	-	-	-	2,716,900
Capital lease payable	157,840	-	-	157,840	-
Bonds payable	42,358,016	10,082,384	-	52,440,400	-
Accrued compensated absences	738,318	40,670	30,330	809,318	-
Total noncurrent liabilities	<u>43,254,174</u>	<u>10,123,054</u>	<u>30,330</u>	<u>53,407,558</u>	<u>2,716,900</u>
Total Liabilities	<u>50,968,360</u>	<u>11,170,321</u>	<u>69,440</u>	<u>62,208,121</u>	<u>2,796,522</u>
NET ASSETS:					
Invested in capital assets, net of related debt	69,820,839	17,191,467	12,980,087	99,992,393	-
Restricted for debt service	4,733,527	1,333,637	-	6,067,164	-
Unrestricted	11,726,558	1,030,641	16,078	12,773,277	2,904,217
Total Net Assets	<u>\$ 86,280,924</u>	<u>\$ 19,555,745</u>	<u>\$ 12,996,165</u>	<u>118,832,834</u>	<u>\$ 2,904,217</u>
Reconciliation to government-wide statement of net assets:					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				(281,208)	
Net assets of business-type activities				<u>\$ 118,551,626</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, 2004**

	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	\$ 27,556,938	\$ 2,078,371	\$ 663,841	\$ 30,299,150	\$ -
Contributions - City	-	-	-	-	9,708,297
Contributions - other	-	-	-	-	2,324,866
Other operating revenues	-	-	8,630	8,630	-
Total operating revenues	<u>27,556,938</u>	<u>2,078,371</u>	<u>672,471</u>	<u>30,307,780</u>	<u>12,033,163</u>
Operating expenses:					
Personal services	4,749,074	411,216	272,213	5,432,503	-
Supplies	93,980	14,257	331,126	439,363	-
Contractual services	15,821,185	116,230	164,796	16,102,211	11,837,001
Depreciation	<u>2,882,680</u>	<u>537,577</u>	<u>338,763</u>	<u>3,759,020</u>	<u>-</u>
Total operating expenses	<u>23,546,919</u>	<u>1,079,280</u>	<u>1,106,898</u>	<u>25,733,097</u>	<u>11,837,001</u>
Operating income (loss)	<u>4,010,019</u>	<u>999,091</u>	<u>(434,427)</u>	<u>4,574,683</u>	<u>196,162</u>
Nonoperating revenues (expenses):					
Investment income	296,164	46,306	-	342,470	55,401
Other nonoperating revenues	204,210	-	-	204,210	-
Interest expense	(1,865,505)	(473,153)	-	(2,338,658)	-
Other nonoperating expenses	<u>(310,965)</u>	<u>(53,380)</u>	<u>(23,000)</u>	<u>(387,345)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(1,676,096)</u>	<u>(480,227)</u>	<u>(23,000)</u>	<u>(2,179,323)</u>	<u>55,401</u>
Income (loss) before contributions and transfers	2,333,923	518,864	(457,427)	2,395,360	251,563
Capital contributions	4,743,035	3,712,498	957,534	9,413,067	-
Transfers in	-	-	125,000	125,000	-
Transfers out	<u>(4,550,000)</u>	<u>-</u>	<u>(6,088)</u>	<u>(4,556,088)</u>	<u>(340,000)</u>
Change in net assets	2,526,958	4,231,362	619,019	7,377,339	(88,437)
Total net assets - beginning	<u>83,753,966</u>	<u>15,324,383</u>	<u>12,377,146</u>		<u>2,992,654</u>
Total net assets - ending	<u>\$ 86,280,924</u>	<u>\$ 19,555,745</u>	<u>\$ 12,996,165</u>		<u>\$ 2,904,217</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				<u>119,509</u>	
Change in net assets of business-type activities				<u>\$ 7,496,848</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, 2004**

	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	\$ 27,396,615	\$ 2,075,574	\$ 653,324	\$ 30,125,513	\$ -
Cash received from City funds	-	-	-	-	9,708,297
Cash received from other operating sources	-	-	8,630	8,630	2,324,866
Cash paid to suppliers for goods and services	(15,933,453)	(134,756)	(501,349)	(16,569,558)	(2,913,502)
Cash paid to employees for services	(4,573,884)	(393,570)	(262,963)	(5,230,417)	-
Cash paid to claimants	-	-	-	-	(9,461,102)
Net cash provided by (used for) operating activities	<u>6,889,278</u>	<u>1,547,248</u>	<u>(102,358)</u>	<u>8,334,168</u>	<u>(341,441)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in from other funds	-	-	125,000	125,000	-
Transfers out to other funds	(4,550,000)	-	(6,088)	(4,556,088)	(340,000)
Net cash provided by (used for) noncapital financing activities	<u>(4,550,000)</u>	<u>-</u>	<u>118,912</u>	<u>(4,431,088)</u>	<u>(340,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from the sale of revenue bonds	12,990,000	3,360,000	-	16,350,000	-
Capital contributed by developers	204,210	-	-	204,210	-
Acquisition and construction of capital assets	(6,450,028)	(355,645)	(3,416)	(6,809,089)	-
Principal paid on revenue bond maturities	(2,355,000)	(700,000)	-	(3,055,000)	-
Interest paid on revenue bonds	(1,854,608)	(481,486)	-	(2,336,094)	-
Refunding on revenue bonds	(5,557,646)	(3,331,735)	-	(8,889,381)	-
Bond issuance costs paid	(162,053)	(71,317)	-	(233,370)	-
Net cash used for capital and related financing activities	<u>(3,185,125)</u>	<u>(1,580,183)</u>	<u>(3,416)</u>	<u>(4,768,724)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received on investments	<u>271,774</u>	<u>43,573</u>	<u>-</u>	<u>315,347</u>	<u>53,777</u>
Net cash provided by investing activities	<u>271,774</u>	<u>43,573</u>	<u>-</u>	<u>315,347</u>	<u>53,777</u>
NET INCREASE (DECREASE) IN POOLED CASH AND INVESTMENTS	(574,073)	10,638	13,138	(550,297)	(627,664)
POOLED CASH AND INVESTMENTS AT BEGINNING OF YEAR	<u>27,801,701</u>	<u>4,362,984</u>	<u>24,536</u>	<u>32,189,221</u>	<u>5,541,482</u>
POOLED CASH AND INVESTMENTS AT END OF YEAR	<u>\$ 27,227,628</u>	<u>\$ 4,373,622</u>	<u>\$ 37,674</u>	<u>\$ 31,638,924</u>	<u>\$ 4,913,818</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, 2004
(Continued)**

	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 OPERATING ACTIVITIES:					
Operating income (loss)	\$ 4,010,019	\$ 999,091	\$ (434,427)	\$ 4,574,683	\$ 196,162
Adjustments to reconcile operating income to net cash provided by (used for) operating activities-					
Depreciation	2,882,680	537,577	338,763	3,759,020	-
Provision for uncollectible accounts	(5,075)	-	-	(5,075)	-
Changes in assets and liabilities-					
(Increase)decrease in accounts receivable	(262,083)	(4,897)	(12,672)	(279,652)	194,379
Increase in inventory	(28,090)	-	(15,118)	(43,208)	-
Decrease (increase) in prepaid items	1,750	-	197	1,947	(340,752)
Increase (decrease) in accounts payable	49,478	(751)	11,605	60,332	(50,100)
Decrease in estimated claims payable	-	-	-	-	(341,130)
Increase in deposits	101,760	2,100	2,155	106,015	-
Increase in accrued compensated absences	138,839	14,128	7,139	160,106	-
Total adjustments	<u>2,879,259</u>	<u>548,157</u>	<u>332,069</u>	<u>3,759,485</u>	<u>(537,603)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 6,889,278</u>	<u>\$ 1,547,248</u>	<u>\$ (102,358)</u>	<u>\$ 8,334,168</u>	<u>\$ (341,441)</u>
NONCASH CAPITAL ACTIVITIES:					
Contribution of capital assets from developers	\$ 4,599,577	\$ 3,411,849	\$ -	\$ 8,011,426	\$ -
Contribution of capital assets from government	<u>143,458</u>	<u>300,649</u>	<u>957,534</u>	<u>1,401,641</u>	<u>-</u>
Total noncash capital activities	<u>\$ 4,743,035</u>	<u>\$ 3,712,498</u>	<u>\$ 957,534</u>	<u>\$ 9,413,067</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

**Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
September 30, 2004**

	<u>Agency Fund</u> Tax Clearing Fund
ASSETS:	
Current assets:	
Pooled cash and investments	\$ 254,786
Taxes levied for other government (net of allowance for uncollectibles)	<u>3,450,151</u>
Total Assets	<u>\$ 3,704,937</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 254,786
Due to other governments	<u>3,450,151</u>
Total Liabilities	<u>\$ 3,704,937</u>

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2004**

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City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2004

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 or 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 cent 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.

Also 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 three Tax Increment Financing Districts which provide for public improvements within these districts and the Mesquite Cemetery Board which provides funds to maintain a small cemetery. Separate financial statements for these entities are not available.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2004

Also included in the financial statements beginning this fiscal year are the operating activities of the Mesquite Housing Finance Corporation, the Mesquite Health Facilities Corporation, and the Mesquite Industrial Development Corporation. The corporations meet the criteria for inclusion as a blended component unit in the City's reporting entity in past fiscal years, however, they were excluded because these corporations had no significant assets or liabilities or no significant results of operations other than the issuance of conduit debt as discussed in Note 13. The beginning equity balances in these accounts has been recorded as an adjustment to beginning balance as detailed in Note 14. 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 nine 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 and Bond Finance Capital Projects funds, all of which are considered to be major funds. A budgetary comparison statement has also been provided for

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2004

the General and Grants Special Revenue fund in the basic financial statements. Data from the other six governmental funds 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 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. This fund applies the accrual basis of accounting but does not have a 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 and fiduciary 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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2004

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).

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 Grants special revenue fund is used to account for funds awarded the City by various federal or state agencies. This fund includes funds granted the City by the U. S. Department of Housing and Urban Development ("H. U. D.") under their housing assistance program (HAP) and community development block grant (CDBG) programs.
- The Bond Finance capital project fund is 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.

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

City of Mesquite, Texas

Notes to Basic Financial Statements

September 30, 2004

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 2003-2004 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 2003-2004 the City Council amended the budget once in May. 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 budgeted Special Revenue funds 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 is allocated to the General Fund. Investments are recorded at cost, and at fiscal year-end investments with 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 which the fund has in the pooled cash and investments account is highly liquid. For the purpose of the

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2004

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.

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, 2004, 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 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, then unrestricted resources as they are needed.

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

Assets capitalized have an original cost of \$1,000 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

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 an estimated claims payable. Group health insurance is accounted for in the Health Claims Fund,

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2004

an internal service fund. At year-end, an estimate of unpaid claims that were incurred prior to September 30, 2004, 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 are 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 as payment of this liability will not be made with expendable available financial resources. 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 are 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 over the life of the bonds if material in amount. 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.

New Accounting Pronouncements- GASB has issued Statement 40 *Deposit and Investment Risk Disclosures* ("GASB 40"), which will be effective for the City in fiscal year 2005. GASB 40 will require the City to disclose additional investment risks relating to credit risk, concentration of credit risk, interest rate risk and foreign currency risk.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2004

GASB has issued Statement No. 42 *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* ("GASB 42"), which will be effective for the City in fiscal year 2006. GASB 42 will require the City to report the effects of capital asset impairments in their financial statements when they occur rather than as part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset.

GASB has issued Statement No. 44 *Economic Condition Reporting: The Statistical Section - an amendment of NCGA Statement 1* ("GASB 44"), which will be effective for the City in fiscal year 2006. GASB 44 establishes and modifies requirements related to the supplementary information presented in a statistical section.

GASB has issued Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* ("GASB 45"), which will be effective for the City in fiscal year 2008. GASB 45 establishes standards of accounting and financial reporting for postemployment health care and other benefits if provided separately from a pension plan.

Management has not yet determined the impact of these statements on the financial statements.

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.

State statutes require that all deposits in financial institutions be fully collateralized by U.S. government obligations or obligations of the state of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's demand deposits were fully collateralized at September 30, 2004, with collateral required by the state statutes. At year-end, the carrying amount of the City's deposits was (\$1,020,251) and the bank balance was \$473,875. Of the bank balance, \$100,000 was covered by Federal Depository Insurance and the remainder by collateral, with a value of \$3,044,014, held by a third-party custodial bank in the City's name.

The City is authorized to invest in obligations and instruments as defined in applicable sections of the laws of the state of Texas. Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the state of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute. All investments made during fiscal year 2004 are categorized in columns 1, 2, 3, as specified by GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* ("GASB No. 3"), which gives an indication of the level of collateral risk assumed by the City at year-end. Category 1 includes investments that are insured or registered, or securities held by the City or its agent in the City's name. Category 2 includes investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name. Category 3 includes investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the City's name.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2004

The City's investments at September 30, 2004, are:

	Category			Reported Amount	Fair Value
	1	2	3		
U.S. government treasury notes	\$ 1,990,000	\$ -	\$ -	\$ 1,990,000	\$ 1,990,000
U.S. government agency issues	46,213,817	-	-	46,214,912	46,214,912
Annuity contract	-	-	374,651	374,651	374,651
Investment pools	N/A	N/A	N/A	17,285,435	17,285,435
Money market mutual funds	N/A	N/A	N/A	11,227,769	11,227,769
Total Investments				<u>\$ 77,092,767</u>	<u>\$ 77,092,767</u>

All investments of the City except the annuity contract were in U.S. treasury bills, treasury notes, agency issues, local government investment pools or money market accounts that are held by the City's agent in the City's name. The City has purchased the annuity contract to comply with a contractual obligation. In accordance with GASB No. 3, the U.S. government securities and agencies have been classified as Category 1 investments according to the aforementioned criteria. Investment pools are organized for public funds investments under state law through the Public Funds Investment Act ("Investment Act") and invest primarily in U.S. government securities, agency issues, and repurchase agreements. These pools are required by law to have advisory boards with oversight responsibilities, to be continuously rated by a nationally recognized rating service, and to have annual audits by independent auditors.

Money market mutual funds are SEC regulated investments with a dollar weighted average stated maturity of 90 days or less that must maintain a \$1 share value. Investment pools and money market mutual funds have not been assigned a risk category since the City has not issued securities, and since they are operated in a manner consistent with the SEC Rule 2a7 of the Investment Company Act of 1940, and the City's positions in the pools are the same as the value of pool shares. The value of investments made by the City with maturities of greater than one year have been reported at fair value at year-end in accordance with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Those investments purchased with maturities of one year or less from the date of the purchase are reported at amortized cost.

The Investment Act governs items, such as investment strategies and policies, training for investment officers, reporting requirements, and types of investments allowed. The City has adopted an investment policy in compliance with the Investment Act.

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 at 100% of estimated market value. The assessed value for the tax roll of January 1, 2003, upon which the 2004 fiscal year levy was based, was \$5,627,494,781. 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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2004

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, 2004, were 98.13% of the tax levy and total tax collections were 100.39% 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, 2004, the City had a tax margin of \$ 1.95852 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.

4. RECEIVABLES

Receivables at September 30, 2004 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>Bond Finance</u>	<u>Water and Sewer</u>	<u>Drainage Utility District</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:							
Accounts	\$ 7,085,179	\$ -	\$ 3,871	\$ 5,381,306	\$ 140,219	\$ 15,098	\$ 12,625,673
Ad valorem taxes	1,767,939	-	-	-	-	-	1,767,939
Other taxes	1,550,126	-	-	-	-	-	1,550,126
Assessments	-	-	337,214	-	-	-	337,214
Intergovernmental	<u>4,690,072</u>	<u>1,754,696</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,535,575</u>	<u>7,980,343</u>
Gross receivables	15,093,316	1,754,696	341,085	5,381,306	140,219	1,550,673	24,261,295
Less: allowance for uncollectibles	<u>(4,651,552)</u>	<u>-</u>	<u>(2,569)</u>	<u>(141,395)</u>	<u>-</u>	<u>-</u>	<u>(4,795,516)</u>
Net total receivables	<u>\$ 10,441,764</u>	<u>\$ 1,754,696</u>	<u>\$ 338,516</u>	<u>\$ 5,239,911</u>	<u>\$ 140,219</u>	<u>\$ 1,550,673</u>	<u>\$ 19,465,779</u>

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2004**

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	\$ 1,118,548
General fund - ad valorem taxes receivable	991,703
General fund - court fines receivable	896,221
Grants special revenue fund - year-end H. U. D. Section 8 settlement due	1,113,993
Grants special revenue fund - unearned grant proceeds	5,000
Bond Finance capital projects fund - assessments receivable	<u>337,214</u>
 Total deferred revenues for governmental funds	 <u><u>\$ 4,462,679</u></u>

5. CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended September 30, 2004:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 17,146,711	\$ 747,214	\$ 4,000	\$ 17,889,925
Construction in progress	<u>18,889,727</u>	<u>10,006,322</u>	<u>12,543,673</u>	<u>16,352,376</u>
Total capital assets, not being depreciated	<u>36,036,438</u>	<u>10,753,536</u>	<u>12,547,673</u>	<u>34,242,301</u>
Capital assets, being depreciated:				
Buildings	36,621,839	1,658,276	66,500	38,213,615
Infrastructure	155,270,454	13,013,267	-	168,283,721
Improvements	5,375,954	1,897,447	-	7,273,401
Equipment	<u>23,966,499</u>	<u>4,798,644</u>	<u>621,655</u>	<u>28,143,488</u>
Total capital assets, being depreciated	<u>221,234,746</u>	<u>21,367,634</u>	<u>688,155</u>	<u>241,914,225</u>
Less accumulated depreciation for:				
Buildings	8,573,479	873,013	56,894	9,389,598
Infrastructure	86,396,615	4,763,849	-	91,160,464
Improvements	2,751,685	368,532	-	3,120,217
Equipment	<u>12,336,181</u>	<u>2,580,825</u>	<u>256,533</u>	<u>14,660,473</u>
Total accumulated depreciation	<u>110,057,960</u>	<u>8,586,219</u>	<u>313,427</u>	<u>118,330,752</u>
Total capital assets, being depreciated, net	<u>111,176,786</u>	<u>12,781,415</u>	<u>374,728</u>	<u>123,583,473</u>
Governmental activities capital assets, net	<u><u>\$ 147,213,224</u></u>	<u><u>\$ 23,534,951</u></u>	<u><u>\$ 12,922,401</u></u>	<u><u>\$ 157,825,774</u></u>

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2004**

	Beginning Balance	Increases	Decreases	Ending Balance
Business-like activities:				
Capital assets, not being depreciated:				
Land	\$ 6,033,238	\$ 349,754	\$ -	\$ 6,382,992
Construction in progress	7,684,864	6,615,619	5,004,206	9,296,277
Total capital assets, not being depreciated	<u>13,718,102</u>	<u>6,965,373</u>	<u>5,004,206</u>	<u>15,679,269</u>
Capital assets, being depreciated:				
Buildings	1,765,300	688,724	-	2,454,024
Infrastructure	159,093,597	12,040,844	-	171,134,441
Improvements	65,247	56,817	-	122,064
Equipment	2,271,645	666,272	82,100	2,855,817
Total capital assets, being depreciated	<u>163,195,789</u>	<u>13,452,657</u>	<u>82,100</u>	<u>176,566,346</u>
Less accumulated depreciation for:				
Buildings	896,003	46,881	-	942,884
Infrastructure	42,975,234	3,439,804	-	46,415,038
Improvements	5,604	5,630	-	11,234
Equipment	1,419,257	316,804	82,100	1,653,961
Total accumulated depreciation	<u>45,296,098</u>	<u>3,809,119</u>	<u>82,100</u>	<u>49,023,117</u>
Total capital assets, being depreciated, net	<u>117,899,691</u>	<u>9,643,538</u>	<u>-</u>	<u>127,543,229</u>
Business - like activities capital assets, net	<u>\$ 131,617,793</u>	<u>\$ 16,608,911</u>	<u>\$ 5,004,206</u>	<u>\$ 143,222,498</u>

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

Governmental activities:	
General government	\$ 890,262
Fire services	546,509
Police services	952,316
Field services	4,853,364
Public services	538,344
Development services	991
Housing services	8,720
Code compliance	51,940
Library services	46,104
Parks and recreation	570,533
Community services	98,019
Other	29,117
Total governmental activities	<u>\$ 8,586,219</u>
Business-like activities:	
Water and sewer	\$ 2,882,680
Drainage utility	537,577
Municipal airport	338,763
Total business-like activities	<u>\$ 3,759,020</u>

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2004**

The City has active construction projects as of September 30, 2004. 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:

	<u>Spent-to-date</u>	<u>Construction Commitments</u>
Governmental activities:		
Projects funded by general obligation bonds:		
Street	\$ 7,536,932	\$ 1,634,839
Municipal building	387,777	61,840
Traffic signal	301,759	-
Projects funded by local finance sources:		
Street	617,513	72,133
Municipal building	98,319	43,027
Parks and recreation	166,696	740
General government	46,839	86,420
Projects funded by general sales tax (4B portion):		
Public safety	625,937	727,279
Transportation	5,243,600	290,854
Parks and recreation	<u>1,327,004</u>	<u>248,205</u>
 Total governmental activities	 <u>\$ 16,352,376</u>	 <u>\$ 3,165,337</u>
Business-like activities:		
Projects funded by revenue bonds:		
Water and sewer	\$ 7,667,646	\$ 5,189,192
Drainage utility district	599,622	577,103
Projects funded by general obligation bonds:		
Municipal airport	785,066	61,692
Projects funded by general sales tax (4B portion):		
Municipal airport	<u>243,943</u>	<u>-</u>
 Total business-like activities	 <u>\$ 9,296,277</u>	 <u>\$ 5,827,987</u>

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Due to/from other funds-

The current portion of lending/ borrowing arrangements outstanding at September 30, 2004, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Grants Fund	\$1,156,862

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2004**

Transfers-

Transfers were as follows for the fiscal year ended September 30, 2004:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 5,887,578	\$ 9,214,718
Grants	116,335	150,000
Bond Finance	108,096	144,078
Non-major governmental fund	10,591,647	2,423,772
Water and sewer	-	4,550,000
Non-major enterprise fund	125,000	6,088
Internal service fund	-	340,000
	<u>\$ 16,828,656</u>	<u>\$ 16,828,656</u>

The transfers were for the following purposes:

<u>Transfer from Fund</u> <u>Purpose</u>	<u>Transfer to Fund</u>	<u>Amount</u>
General fund-		
Property tax debt service levy	Debt service	\$ 8,948,383
Local funds grant match	Grants special revenue	116,335
Capital projects funding	Local finance capital projects	25,000
Operating subsidy	Municipal airport enterprise	125,000
Grants fund-		
Indirect cost charge	General	150,000
Bond Finance fund-		
Interest income allocation	General	144,078
Non-major governmental fund-		
Hotel / motel tax - G.O. debt allocation	Debt service	158,322
Other special revenue -		
9-1-1 operations subsidy	General	613,500
Local finance capital project -		
Operating subsidy	General	90,000
Roadway impact fees	Debt service	1,000,000
Operating subsidy	Debt service	453,854
Capital projects funding	Bond finance capital project	108,096
Water and sewer enterprise fund-		
Nonoperating administrative and overhead charge	General	4,550,000
Non-major enterprise fund-		
Airport general obligation debt allocation	Debt service	6,088
Internal service fund-		
Health claims - operating subsidy	General	340,000
	Total	<u>\$ 16,828,656</u>

7. BUDGETARY COMPLIANCE

Budgets are legally adopted at the fund level of control for the General, Grants Special Revenue Fund, Debt Service Fund and certain other non-major special revenue funds. The Grants fund is a major special revenue fund which has a legally adopted budget in which there was not an excess of expenditures over budget at the fund level. This fund is used to account for funds awarded the City by various federal or state agencies and includes funds granted the City by the U. S. Department of Housing and Urban Development ("H. U. D.")

City of Mesquite, Texas

Notes to Basic Financial Statements

September 30, 2004

under their housing assistance program (HAP). In this specific grant, there was an excess of expenditures over budget adopted by the City Council in the amount of \$235,249 which requires disclosure due to the materiality of the excess. The HAP grant has a \$1,113,993 reimbursement request submitted to HUD at fiscal year end which is being accounted for as deferred revenues in the governmental fund financial statements since the reimbursement from HUD will not be available soon enough after fiscal year end to satisfy liabilities of the current period. The treatment of this reimbursement request as deferred revenue resulted in a deficit fund balance of \$966,564 in this specific grant and was the reason that the Grants fund reflects a deficit fund balance of \$841,345.

8. 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. During the fiscal year, \$5,475,000 in bonds were issued for street and alley improvements. General obligation bonds were also issued to refund prior debt issues. The current year debt issuance of \$14,760,000 included \$9,285,000 to advance refund prior tax-exempt bonds and there was a separate bond issue of \$5,510,000 to advance refund prior taxable 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 April 2004 bond sale was \$6,250,000 for a new Animal Shelter, a Community Services Building, Airport T-Hangars and other municipal building improvements as well as engineering fees for the IH-20/Loop 9 Interchange. There was also a \$2,095,000 issuance in August 2004 to finance engineering and architectural fees for renovation and expansion of the City Hall building.
- Contractual obligations are issued to acquire equipment and will also be repaid from ad valorem property taxes. During the year, \$1,435,000 in obligations were issued to purchase computer equipment and vehicles 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 April 2004 bond sale of \$12,990,000 was \$7,500,000 for improvements and \$5,490,000 to advance refund prior debt issuances.
- 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. During the year, \$3,360,000 in bonds were issued to advance refund prior debt issuances.
- Capital lease obligations were issued this fiscal year to acquire telecommunications equipment. This equipment will be used in General fund and Water and Sewer fund operations and the debt obligation amounting to \$412,491 in total will be repaid from these operations.

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2004**

Long-term bonded debt at September 30, 2004, 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 1985 refunding and improvements	9.10	02/15/05	\$ 945,000	\$ 945,000
Series 1995 refunding and improvements	4.85-5.60	02/15/15	4,620,000	1,690,000
Series 1996 improvements	4.80-4.90	02/15/06	480,000	235,000
Taxable Series 1997 refunding	6.80	02/15/06	230,000	115,000
Series 1998 refunding and improvements	4.35-5.125	02/15/18	4,805,000	100,000
Series 1999 improvements	4.85-6.00	02/15/19	760,000	35,000
Series 2000 improvements	4.65-5.50	02/15/20	925,000	40,000
Series 2001 refunding and improvements	3.00-5.00	02/15/21	7,090,000	950,000
Series 2002 improvements	2.875-4.90	02/15/22	5,215,000	220,000
Series 2004A refunding and improvements	2.50-4.625	02/15/24	14,760,000	1,035,000
Taxable Series 2004B refunding	1.40-4.65	02/15/15	5,510,000	30,000
			<u>45,340,000</u>	<u>5,395,000</u>
Certificate of Obligation Bonds-				
Series 1995	4.75-5.20	02/15/07	1,470,000	465,000
Taxable Series 1995	6.55	02/15/05	305,000	305,000
Series 1996	4.80-4.90	02/15/06	60,000	30,000
Taxable Series 1996	6.50	02/15/06	355,000	170,000
Series 1998	4.30-4.70	02/15/10	1,055,000	155,000
Series 1999	4.90-5.30	02/15/11	1,430,000	-
Series 2000	4.65-5.00	02/15/12	640,000	65,000
Series 2001	3.00-4.25	02/15/13	305,000	30,000
Series 2002	2.25-4.20	02/15/14	810,000	70,000
Series 2004	2.00-4.625	02/15/24	6,250,000	220,000
Series 2004A	2.00-5.00	02/15/24	2,095,000	25,000
			<u>14,775,000</u>	<u>1,535,000</u>
Public Property Finance Contractual Obligations-				
Series 1999A	4.80	02/15/05	295,000	295,000
Series 2000	4.65-4.70	02/15/06	645,000	315,000
Series 2001	3.00-3.45	02/15/07	825,000	265,000
Series 2002	2.00-3.15	02/15/08	1,335,000	320,000
Series 2004	2.00-2.90	02/15/10	1,435,000	225,000
			<u>4,535,000</u>	<u>1,420,000</u>
Total governmental activities long-term bonded debt			64,650,000	8,350,000
Less: deferred loss on refunding			(923,976)	-
Less: future accretion on Series 1985 capital appreciation bonds			(41,126)	-
Net governmental activities long-term bonded debt			<u>63,684,898</u>	<u>8,350,000</u>

City of Mesquite, Texas

Notes to Basic Financial Statements
September 30, 2004

	Interest Rate (%)	Maturity Date	Amount Outstanding	Due Within One Year
<u>Business-like Activities-</u>				
Water and Sewer Revenue Bonds-				
Series 1995 improvements	4.75	03/01/05	215,000	215,000
Series 1996 improvements	4.625-4.875	03/01/06	340,000	165,000
Series 1998 refunding and improvements	4.35-5.125	03/01/18	7,240,000	495,000
Series 1999 improvements	4.80-5.875	03/01/19	4,390,000	195,000
Series 2000 improvements	4.65-5.50	03/01/20	4,440,000	185,000
Series 2001 refunding and improvements	3.00-5.00	03/01/21	9,050,000	895,000
Series 2002 improvements	2.00-5.00	03/01/22	7,050,000	280,000
Series 2004 refunding and improvements	2.625-5.00	03/01/24	12,990,000	310,000
			<u>45,715,000</u>	<u>2,740,000</u>
Drainage Utility System Revenue Bonds-				
Series 1995 improvements	4.75	03/01/05	325,000	325,000
Series 1998 refunding and improvements	4.40-5.125	03/01/18	2,300,000	70,000
Series 2000 improvements	4.65-5.50	03/01/20	1,790,000	75,000
Series 2002 improvements	2.00-5.00	03/01/22	3,240,000	130,000
Series 2004 refunding	2.00-5.00	03/01/12	3,360,000	190,000
			<u>11,015,000</u>	<u>790,000</u>
Total business-like activities long-term debt			56,730,000	3,530,000
Less: deferred loss on refunding			(759,600)	-
Net business-like activities long-term debt			<u>55,970,400</u>	<u>3,530,000</u>
Net long-term bonded debt			<u>\$ 119,655,298</u>	<u>\$ 11,880,000</u>

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

Fiscal Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2005	\$ 8,350,000	\$ 2,456,757	\$ 3,530,000	\$ 2,375,997
2006	6,570,000	2,189,601	3,640,000	2,245,193
2007	5,830,000	1,967,393	3,450,000	2,125,611
2008	5,125,000	1,770,173	3,570,000	2,000,914
2009	4,645,000	1,585,104	3,705,000	1,862,957
2010-2014	18,780,000	5,349,524	19,295,000	6,869,934
2015-2019	9,110,000	2,346,587	13,400,000	3,074,735
2020-2024	6,240,000	655,301	6,140,000	522,733
Total	<u>\$ 64,650,000</u>	<u>\$ 18,320,440</u>	<u>\$ 56,730,000</u>	<u>\$ 21,078,074</u>

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2004**

Advance Refundings- Due to favorable interest rates, the various April 2004 bond issues were for or included proceeds to refund and defease in substance certain maturities of its existing outstanding bond issuances. The advance refundings reduced the aggregate debt service payments to maturity and obtained an economic gain which is calculated by taking the present value of the debt service payments of the old and new debt. The refunding portion of the issues provided resources to purchase direct obligations of the U. S. government that were placed in separate irrevocable trusts for the purpose of generating resources 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 statement of net assets. For general obligation debt, the liability has been removed from the governmental activities whereas refunded revenue bond debt for water/sewer and for drainage utility district affects the business-type activities column. For these advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is being amortized over the remaining life of the refunded debt, which was shorter than the life of the new debt issued in all cases for the City. On the statement of net assets on the government-wide financial statements, this deferred amount is reported as a deduction from the new debt liability. The details of the refunding debt transactions were as follows:

	<u>General Obligation Bonds</u>		<u>Revenue Bonds</u>	
	<u>Series 2004A</u>	<u>Series 2004B</u>	<u>Series 2004</u>	<u>Series 2004</u>
	<u>Non-Taxable</u>	<u>Taxable</u>	<u>Water/Sewer</u>	<u>Drainage Utility</u>
Amount of new debt issue	\$ 14,760,000	\$ 5,510,000	\$ 12,990,000	\$ 3,360,000
Add: City contribution for refunding	159,222	125,835	73,320	53,009
Add: Bond premium	288,644	-	251,076	-
Less: new construction proceeds	(5,400,000)	-	(7,500,000)	-
Less: net issuance costs	<u>(290,422)</u>	<u>(135,486)</u>	<u>(256,750)</u>	<u>(81,274)</u>
Reacquisition price	\$ 9,517,444	\$ 5,500,349	\$ 5,557,646	\$ 3,331,735
Net carrying amount of old debt	<u>9,060,000</u>	<u>5,160,000</u>	<u>5,260,000</u>	<u>3,210,000</u>
Deferred book loss on refunding	<u>\$ 457,444</u>	<u>\$ 340,349</u>	<u>\$ 297,646</u>	<u>\$ 121,735</u>
Reduction in total debt service payments of new debt over old debt	<u>\$ 498,594</u>	<u>\$ 569,952</u>	<u>\$ 345,554</u>	<u>\$ 168,472</u>
Economic gain on refunding	<u>\$ 447,075</u>	<u>\$ 508,202</u>	<u>\$ 268,606</u>	<u>\$ 147,217</u>

Capital Leases- The City entered into a lease agreement as lessee for financing the acquisition of telecommunications 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.

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2004**

The assets acquired through capital leases are as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Asset:		
Equipment	\$ 203,229	\$ 209,262
Less: Accumulated depreciation	<u>(13,549)</u>	<u>(13,951)</u>
 Total	 <u>\$ 189,680</u>	 <u>\$ 195,311</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2004, were as follows:

Year ending <u>September 30</u>	Governmental <u>Activities</u>	Business-type <u>Activities</u>
2005	\$ 45,504	\$ 46,777
2006	45,504	46,777
2007	45,504	46,777
2008	45,504	46,777
2009	<u>30,336</u>	<u>31,185</u>
 Total minimum future lease payments	 212,352	 218,293
Less: Amount representing interest	<u>(21,137)</u>	<u>(21,728)</u>
 Present value of minimum lease payments	 <u>\$ 191,215</u>	 <u>\$ 196,565</u>

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2004

Long-term liability activity for the year ended September 30, 2004, 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	\$ 37,420,000	\$ 20,270,000	\$ 12,350,000	\$ 45,340,000	\$ 5,395,000
Certificates of obligation	14,600,000	8,345,000	8,170,000	14,775,000	1,535,000
Public property finance contractual obligations	<u>4,630,000</u>	<u>1,435,000</u>	<u>1,530,000</u>	<u>4,535,000</u>	<u>1,420,000</u>
Total bonds payable	56,650,000	30,050,000	22,050,000	64,650,000	8,350,000
Less future accretion on bonds	(159,213)	-	(118,087)	(41,126)	-
Less refunding deferred amount	<u>(210,820)</u>	<u>(797,793)</u>	<u>(84,637)</u>	<u>(923,976)</u>	<u>-</u>
Net bonds payable	56,279,967	29,252,207	21,847,276	63,684,898	8,350,000
Other General Fund long-term liability:					
Capital leases	-	203,229	12,014	191,215	37,670
Accrued compensated absences	<u>14,060,346</u>	<u>1,434,506</u>	<u>684,621</u>	<u>14,810,231</u>	<u>4,508,340</u>
Total governmental activities	<u>70,340,313</u>	<u>30,889,942</u>	<u>22,543,911</u>	<u>78,686,344</u>	<u>12,896,010</u>
Business-like activities:					
Bonds payable:					
Revenue bonds -water/sewer	\$ 40,340,000	\$ 12,990,000	\$ 7,615,000	\$ 45,715,000	\$ 2,740,000
Revenue bonds -drainage	<u>11,565,000</u>	<u>3,360,000</u>	<u>3,910,000</u>	<u>11,015,000</u>	<u>790,000</u>
Total revenue bonds payable	51,905,000	16,350,000	11,525,000	56,730,000	3,530,000
Less refunding deferred amount	<u>(418,619)</u>	<u>(419,381)</u>	<u>(78,400)</u>	<u>(759,600)</u>	<u>-</u>
Net revenue bonds payable	51,486,381	15,930,619	11,446,600	55,970,400	3,530,000
Capital leases	-	209,262	12,697	196,565	38,724
Accrued compensated absences	<u>780,631</u>	<u>193,130</u>	<u>33,024</u>	<u>940,737</u>	<u>131,419</u>
Total business-like activities	<u>52,267,012</u>	<u>16,333,011</u>	<u>11,492,321</u>	<u>57,107,702</u>	<u>3,700,143</u>
Total long-term liabilities	<u>\$ 122,607,325</u>	<u>\$ 47,222,953</u>	<u>\$ 34,036,232</u>	<u>\$ 135,794,046</u>	<u>\$ 16,596,153</u>

9. RETIREMENT PLAN

Plan Description- The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System ("TMRS") one of 794 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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2004

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; the current rate is 14.41%. 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 the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2003, valuation is effective for rates beginning January 2005).

Annual Pension Cost- For fiscal year 2004, the City's annual pension cost of \$7,124,337 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2003, actuarial valuation using the unit credit actuarial cost method. The actuarial assumptions included (a) 7% investment rate of return (net of administrative expenses), (b) no projected salary increases, (c) no cost of living adjustment, and (d) no inflation rate adjustment. The actuarial value of assets is amortized cost. The City's unfunded actuarial accrued liability is being amortized over a 25-year open period as a level percentage of payroll.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2004

Three-Year Trend Information for the City of Mesquite

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2004	\$ 7,124,337	100%	\$ -
9/30/2003	6,702,366	100%	-
9/30/2002	6,458,584	100%	-

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.

10. 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 \$7.113 million for the fiscal year ended September 30, 2004.

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, 2004, was approximately \$5.242 million.

11. 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 of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2004**

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 contribute through payroll deductions for the balance of dependent health insurance coverage. The City's health insurance program includes stop loss coverage with a \$100,000 deductible per individual with a \$1,000,000 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 \$1,098,438 in unrestricted net assets after inclusion of \$1,199,821 of estimated outstanding health claims payable. During the year, operating expenses and transfers out exceeded operating and nonoperating revenues \$372,919 after inclusion of a \$140,861 increase in estimated claims payable resulting in a \$725,519 balance in unrestricted net assets at year-end. This decrease in net assets was due to an increase in medical claims incurred which was partially offset by an increase in City contributions for employee and dependent coverage and employee contribution rates. In addition to these increased contributions, 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 \$1,340,682 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 2003 and 2004 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>
2003	\$ 985,000	\$ 6,521,406	\$ 6,306,585	\$ 1,199,821
2004	1,199,821	8,520,912	8,380,051	1,340,682

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 are determined by an independent consultant.

General Liability Insurance- 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 fund is a "self-insured" retention for loss plan funded through revenues from participating governmental and proprietary funds. The City's property insurance program included a blanket property insurance policy of approximately \$86,450,898 with a \$5,000 deductible per occurrence. General liability is self-insured up to \$50,000 per occurrence with a \$5,000,000 liability per claim. Public official liability coverage has a \$5,000,000 liability limit per claim with a \$50,000 deductible per occurrence. These coverages are consistent with prior years and settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The General Liability fund began the fiscal year with unrestricted net assets of \$1,894,216. During the

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2004

year, operating and nonoperating revenues exceeded operating expenses by \$284,482 after inclusion of a \$481,991 decrease in estimated claims payable, resulting in a \$2,178,698 net assets balance at fiscal year-end.

The estimated claims payable of \$1,376,218 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 2003 and 2004 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>
2003	\$ 1,816,837	\$ 1,290,382	\$ 1,249,010	\$ 1,858,209
2004	1,858,209	444,367	926,358	1,376,218

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 are determined by an independent consultant.

12. POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 9, 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. Premiums are fully paid by the City until the employee attains age 65 for those retiring prior to February 1, 2000. After that date, the payment for retirees, with at least 10 years of service, is 4% per completed year of service. After age 65, retired employees may continue in the City healthcare plan if they pay the premiums. The City payment for their dependents is 2.6% per year of service. The City paid approximately \$1,754,481 for 215 retirees' premiums in fiscal year 2004. Claims for retired employees and their dependents approximated \$2.15 million including a provision for estimated claims incurred but not reported to the City.

13. 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. Rebutable arbitrage is computed as of each installment computation date. The last computation date for the City was performed for financial information as of September 1, 2003. A liability of \$31,973 was paid to the federal government. The next computation date for the City was on November 11, 2004. 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

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2004**

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 provide low to moderate-income citizens opportunities for single-family residential home ownership (Mesquite Housing Finance Corporation); 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, 2004, is as follows:

Series	Mesquite Housing Finance Corporation	Mesquite Industrial Development Corporation	Mesquite Health Facilities Corporation	Total
1985	\$ 1,150,000	\$ -	\$ -	\$ 1,150,000
1994	-	1,600,000	-	1,600,000
1995	-	1,478,250	-	1,478,250
1996A	-	-	12,561,780	12,561,780
1996B	-	-	2,295,000	2,295,000
1997	-	3,800,000	-	3,800,000
2000A	-	-	10,236,957	10,236,957
2000B	-	-	2,452,133	2,452,133
2000C	-	-	7,925,115	7,925,115
2003A	-	1,140,154	-	1,140,154
2003B	-	600,000	-	600,000
Total	<u>\$ 1,150,000</u>	<u>\$ 8,618,404</u>	<u>\$ 35,470,985</u>	<u>\$ 45,239,389</u>

14. IMPLEMENTATION OF ACCOUNTING STANDARD AND NET ASSETS

The legally separate component units which issued the conduit debt obligations also have separate monies which accrue to them as a result of fees earned for financings or refinancings. These operating funds are included this year as part of the Local Finance capital projects fund, a nonmajor governmental fund. Last fiscal year, the fund balances of the governmental funds (and net assets for governmental activities) excluded these operating accounts because they were deemed immaterial. The net impact of the inclusion of these component units on fund balance and net assets is as follows:

	Governmental Fund Balances	Governmental Activities Net Assets
Mesquite Housing Finance Corp.	\$ 215,815	
Mesquite Industrial Development Corp.	44,386	
Mesquite Health Facilities Corp.	<u>18,944</u>	
Total adjustment	<u>279,145</u>	<u>279,145</u>
September 30, 2003, after inclusion of component units	<u>\$ 35,448,707</u>	<u>\$ 119,184,388</u>

End of Notes to Basic Financial Statements

City of Mesquite, Texas

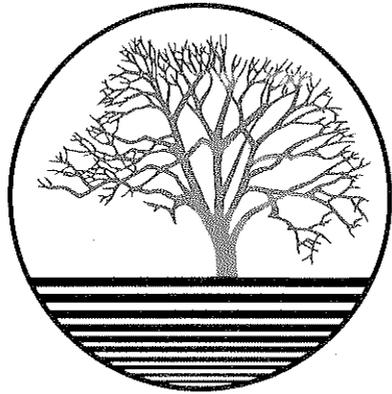
**Required Supplementary Information
Texas Municipal Retirement System (TMRS) -
Analysis of Funding Progress
Last Three Fiscal Years**

<u>As of 12/31</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
2001	\$ 126,644,260	\$ 164,947,365	\$ 38,303,105	76.8%	\$ 44,197,739	86.7%
2002	133,208,075	176,937,579	43,729,504	75.3	46,246,511	94.6
2003	137,336,980	188,425,618	51,088,638	72.9	47,631,939	107.3

Source: Texas Municipal Retirement System Comprehensive Annual Financial Reports.

NOTES:

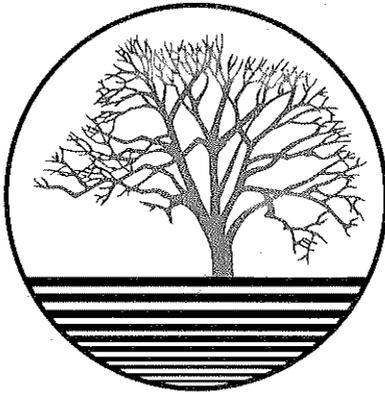
Trend data presented is based on the fiscal year of the Texas Municipal Retirement System which ends December 31.



MESQUITE
T•E•X•A•S

Combining and Individual Fund

Statements and Schedules



**MESQUITE
T•E•X•A•S**

City of Mesquite, Texas

**General Fund
Comparative Balance Sheets
September 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
ASSETS:		
Pooled cash and investments	\$ 9,954,638	\$ 11,526,284
Receivables (net allowance for uncollectibles):		
Accounts receivable	3,209,863	2,703,271
Ad valorem taxes	991,703	919,795
Other taxes receivable	1,550,126	1,574,076
Intergovernmental	4,690,072	4,644,945
Due from other funds	1,156,862	217,402
Inventory	372,777	350,859
Prepays	34,814	59,959
Accrued interest	<u>59,211</u>	<u>32,491</u>
Total Assets	<u>\$ 22,020,066</u>	<u>\$ 22,029,082</u>
LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts Payable	\$ 2,177,013	\$ 2,492,928
Deposits	322,282	387,899
Deferred revenues	<u>3,006,472</u>	<u>2,588,144</u>
Total Liabilities	<u>5,505,767</u>	<u>5,468,971</u>
Fund Balances:		
Reserved for encumbrances	1,674,020	1,847,894
Unreserved-		
Undesignated	<u>14,840,279</u>	<u>14,712,217</u>
Total Fund Balances	<u>16,514,299</u>	<u>16,560,111</u>
Total Liabilities and Fund Balances	<u>\$ 22,020,066</u>	<u>\$ 22,029,082</u>

City of Mesquite, Texas

General Fund

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

For the Year Ended September 30, 2004

With Comparative Actual Totals for the Year Ended September 30, 2003

	2004				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)	2003 Actual Amounts
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Ad valorem taxes:					
Current	\$ 29,376,333	\$ 29,541,729	\$ 29,200,767	\$ (340,962)	\$ 27,873,063
Delinquent	240,000	350,000	362,187	12,187	329,407
Penalty and interest	210,000	270,000	311,294	41,294	277,191
Total ad valorem taxes	<u>29,826,333</u>	<u>30,161,729</u>	<u>29,874,248</u>	<u>(287,481)</u>	<u>28,479,661</u>
Gross receipts taxes:					
Electrical	4,260,000	4,200,000	4,056,862	(143,138)	4,153,045
Gas	712,000	920,000	818,530	(101,470)	867,736
Telephone	836,000	790,000	786,963	(3,037)	826,345
Cable television	605,000	625,000	641,269	16,269	628,888
Sanitation	675,000	685,000	694,637	9,637	683,579
Other gross receipts taxes	23,000	21,808	22,024	216	22,904
Total gross receipts taxes	<u>7,111,000</u>	<u>7,241,808</u>	<u>7,020,285</u>	<u>(221,523)</u>	<u>7,182,497</u>
Sales taxes:					
General sales tax	26,119,439	26,365,463	26,310,981	(54,482)	25,706,512
Other sales tax - liquor	170,000	160,000	164,305	4,305	169,032
Total sales taxes:	<u>26,289,439</u>	<u>26,525,463</u>	<u>26,475,286</u>	<u>(50,177)</u>	<u>25,875,544</u>
Licenses and permits:					
Building permits	500,000	400,000	438,389	38,389	495,068
Electrical permits	65,000	60,000	64,486	4,486	63,284
Plumbing permits	65,000	87,000	85,286	(1,714)	75,228
Health permits	126,000	126,000	126,335	335	124,985
Mechanical permits	66,000	33,000	39,824	6,824	68,487
Sign permits	53,000	55,000	58,645	3,645	59,907
Food handlers permits	60,000	60,000	55,191	(4,809)	54,546
Contractor's registration	125,000	130,000	144,055	14,055	140,460
Apartment licenses	100,000	100,000	108,978	8,978	105,017
Police alarm permits	90,000	80,000	91,760	11,760	76,045
Other licenses and permits	142,735	129,355	122,704	(6,651)	154,698
Total licenses and permits	<u>1,392,735</u>	<u>1,260,355</u>	<u>1,335,653</u>	<u>75,298</u>	<u>1,417,725</u>
Fines and forfeitures:					
Traffic fines	1,810,000	1,700,000	1,693,057	(6,943)	1,774,285
Criminal fines	220,000	200,000	186,601	(13,399)	201,593
City ordinance	120,000	83,000	81,054	(1,946)	117,222
Other fines and forfeitures	213,300	197,000	195,484	(1,516)	226,243
Total fines and forfeitures	<u>2,363,300</u>	<u>2,180,000</u>	<u>2,156,196</u>	<u>(23,804)</u>	<u>2,319,343</u>
Investment income:					
Interest earned	400,000	275,000	337,381	62,381	425,706
(Decrease) increase in fair value	-	-	(54,105)	(54,105)	(62,191)
Total investment income	<u>400,000</u>	<u>275,000</u>	<u>283,276</u>	<u>8,276</u>	<u>363,515</u>

(Continued on following page)

**General Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 For the Year Ended September 30, 2004
 With Comparative Actual Totals for the Year Ended September 30, 2003**

	2004					2003 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)		
	Original	Final				
REVENUES (Continued):						
Charges for services:						
General government-						
MISD tax office appropriation	\$ 277,336	\$ 294,839	\$ 294,838	\$ (1)	\$ 277,336	
Other general government	23,940	15,980	14,214	(1,766)	27,023	
Fire services-						
Ambulance fees	1,000,000	1,130,000	1,198,367	68,367	947,503	
False alarm and other fees	6,712	4,200	4,519	319	6,157	
Police services-						
False alarm fees	75,000	78,000	78,348	348	77,964	
Accident reports and other fees	103,200	112,450	142,862	30,412	110,501	
Field services-						
Waste collection and disposal	4,992,000	5,022,000	5,047,512	25,512	4,605,618	
Compost materials and other fees	60,000	65,000	64,991	(9)	71,986	
Public works-						
Public works inspection fee	40,000	50,000	56,854	6,854	222,922	
Plan drawings and microfilm	7,000	3,000	1,943	(1,057)	5,960	
Development services-						
Board of adjustment fees	13,500	8,000	9,750	1,750	17,700	
Code compliance-						
Grass and weed mowing charges	167,000	170,000	240,445	70,445	175,094	
Pound fees	26,410	26,000	25,720	(280)	26,901	
Animal adoption fees	27,500	27,500	29,045	1,545	29,345	
Repair and demolition	3,359	7,803	13,603	5,800	3,359	
Library services-						
Public library fees	54,428	56,964	60,452	3,488	56,280	
Parks and recreation-						
Parks and recreation user fees	235,634	437,654	613,473	175,819	312,600	
Tennis center	12,200	10,400	13,834	3,434	12,146	
Swimming pools	225,480	209,000	205,272	(3,728)	216,092	
Golf course rental	150,000	150,000	150,000	-	150,000	
Community services-						
Public health fees	75,960	65,000	50,989	(14,011)	66,057	
Transportation fees	14,500	15,500	17,978	2,478	15,789	
Total charges for services	<u>7,591,159</u>	<u>7,959,290</u>	<u>8,335,009</u>	<u>375,719</u>	<u>7,434,333</u>	
Intergovernmental:						
State grants	138,000	138,000	141,246	3,246	127,408	
Federal grants	262,300	262,300	277,964	15,664	373,009	
Total intergovernmental	<u>400,300</u>	<u>400,300</u>	<u>419,210</u>	<u>18,910</u>	<u>500,417</u>	

(Continued on following page)

**General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2004
With Comparative Actual Totals for the Year Ended September 30, 2003**

	2004				2003 Actual Amounts
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)	
	<u>Original</u>	<u>Final</u>			
REVENUES (Continued):					
Other revenues:					
General government-					
Recoveries and reimbursements	\$ 106,300	\$ 215,360	\$ 224,125	\$ 8,765	\$ 67,070
Sales and auctions	56,506	38,000	62,346	24,346	91,090
Rent and lease	1,629	19,117	19,240	123	3,225
Field services-					
Landfill royalty	-	-	-	-	187,186
Garbage bag / compost sales	308,000	278,257	256,851	(21,406)	276,737
Development services-					
Planning and zoning fees	45,000	30,180	44,893	14,713	42,650
Parks and recreation-					
Golf course improvements	215,170	215,170	215,170	-	209,894
Total other revenues	<u>732,605</u>	<u>796,084</u>	<u>822,625</u>	<u>26,541</u>	<u>877,852</u>
TOTAL REVENUES	<u>76,106,871</u>	<u>76,800,029</u>	<u>76,721,788</u>	<u>(78,241)</u>	<u>74,450,887</u>

EXPENDITURES:					
General government:					
City Council	205,921	206,535	205,397	1,138	200,290
Administration	743,572	802,917	802,213	704	732,237
Economic development	220,010	227,732	187,191	40,541	195,206
City secretary	268,885	324,696	332,599	(7,903)	280,370
Legal	629,801	637,699	636,034	1,665	606,655
Human resources administration	809,536	820,329	813,763	6,566	719,760
Risk management	-	5,500	12,165	(6,665)	-
Training	19,182	17,669	17,002	667	16,748
Finance administration	479,416	495,751	488,944	6,807	487,404
Accounting	469,776	477,287	468,113	9,174	430,938
Purchasing	229,847	236,507	245,290	(8,783)	220,849
City warehouse	235,484	226,929	223,485	3,444	233,590
Transportation pool	(1,462)	(1,462)	(1,849)	387	26,829
Printshop / mailroom	202,149	202,164	199,372	2,792	188,029
Telecommunications	257,251	257,516	403,562	(146,046)	244,205
Central copy	64,670	67,520	55,577	11,943	51,508
Tax	526,279	565,836	557,215	8,621	512,458
Municipal court	744,398	737,319	729,068	8,251	696,757
Management information services	80,216	95,253	56,436	38,817	39,256
Budget office	186,886	188,477	188,627	(150)	180,336
Total general government	<u>6,371,817</u>	<u>6,592,174</u>	<u>6,620,204</u>	<u>(28,030)</u>	<u>6,063,425</u>

(Continued on following page)

**General Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 For the Year Ended September 30, 2004
 With Comparative Actual Totals for the Year Ended September 30, 2003**

EXPENDITURES (Continued):	2004				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)	2003 Actual Amounts
	<u>Original</u>	<u>Final</u>			
Fire services:					
Fire administration	\$ 665,343	\$ 727,537	\$ 721,665	\$ 5,872	\$ 685,808
Fire operations	14,662,531	14,607,403	14,750,336	(142,933)	13,872,195
Emergency medical	815,784	890,976	840,126	50,850	785,854
Fire prevention	1,113,752	1,125,843	1,111,925	13,918	1,124,583
Fire training	355,502	398,496	404,013	(5,517)	336,523
Emergency management	75,177	82,835	80,513	2,322	71,455
Total fire services	<u>17,688,089</u>	<u>17,833,090</u>	<u>17,908,578</u>	<u>(75,488)</u>	<u>16,876,418</u>
Police services:					
Police administration	890,259	925,572	944,566	(18,994)	923,223
Police operations	12,019,779	11,701,628	11,881,246	(179,618)	11,756,973
Criminal investigation	4,028,076	4,059,921	4,047,774	12,147	3,825,998
School resource officers	817,974	860,581	730,826	129,755	697,440
Police technical services	4,859,433	4,878,151	4,611,583	266,568	4,623,042
Police staff support services	707,107	681,811	665,687	16,124	640,564
Total police services	<u>23,322,628</u>	<u>23,107,664</u>	<u>22,881,682</u>	<u>225,982</u>	<u>22,467,240</u>
Field services:					
Field services administration	118,635	119,307	118,390	917	113,723
Residential solid waste collection	4,078,769	4,030,963	4,096,406	(65,443)	4,057,051
Compost facility operation	565,084	530,086	513,877	16,209	282,375
Street maintenance	2,921,651	2,893,044	2,846,043	47,001	2,892,195
Equipment services	1,263,911	1,318,408	1,339,405	(20,997)	1,201,514
Total field services	<u>8,948,050</u>	<u>8,891,808</u>	<u>8,914,121</u>	<u>(22,313)</u>	<u>8,546,858</u>
Public works:					
Public works administration	207,165	209,067	209,960	(893)	199,737
Traffic engineering	1,124,685	1,133,925	1,108,510	25,415	1,112,957
Street lighting	886,217	906,669	914,903	(8,234)	810,829
Engineering	256,451	203,426	153,771	49,655	84,679
Total public works	<u>2,474,518</u>	<u>2,453,087</u>	<u>2,387,144</u>	<u>65,943</u>	<u>2,208,202</u>
Development services:					
Development services administration	58,429	144,157	136,905	7,252	70,617
Planning and zoning	261,973	272,828	258,719	14,109	213,529
Historic preservation	33,256	34,682	29,175	5,507	37,046
Total development services	<u>353,658</u>	<u>451,667</u>	<u>424,799</u>	<u>26,868</u>	<u>321,192</u>
Code compliance:					
Code compliance administration	197,864	240,738	169,909	70,829	193,713
Building inspection	806,290	738,821	756,511	(17,690)	686,242
Environmental code inspection	469,593	503,675	501,720	1,955	437,469
Food inspections	421,197	436,937	438,507	(1,570)	388,913
Animal/vector control	507,048	480,175	469,961	10,214	438,472
Repair and demolition	15,200	12,000	30,940	(18,940)	11,790
Total code compliance	<u>2,417,192</u>	<u>2,412,346</u>	<u>2,367,548</u>	<u>44,798</u>	<u>2,156,599</u>

(Continued on following page)

**General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2004
With Comparative Actual Totals for the Year Ended September 30, 2003**

	2004		Actual Amounts	Variance with Final Budget - Positive (Negative)	2003 Actual Amounts
	Budgeted Amounts				
	Original	Final			
EXPENDITURES (Continued):					
Library services:					
Library administration	\$ 737,569	\$ 756,585	\$ 762,136	\$ (5,551)	\$ 698,230
Library - north branch	586,456	599,287	587,000	12,287	538,752
Library - central	656,140	659,676	659,437	239	588,410
Total library services	1,980,165	2,015,548	2,008,573	6,975	1,825,392
Parks and recreation:					
Parks and recreation administration	405,930	400,642	466,139	(65,497)	211,702
Parks	-	(1)	1,027,526	(1,027,527)	-
Tennis	92,788	95,632	95,261	371	102,165
Building services	1,692,610	1,732,044	1,725,622	6,422	1,404,261
Youth services	164,063	164,544	160,396	4,148	155,157
Recreation	2,096,066	2,295,014	2,329,724	(34,710)	2,030,643
Swimming pools	-	75,000	385,576	(310,576)	-
Total parks and recreation	4,451,457	4,762,875	6,190,244	(1,427,369)	3,903,928
Community services:					
Community services administration	171,411	200,965	190,566	10,399	182,030
Health clinic	129,979	128,681	125,832	2,849	138,287
Volunteer services	43,478	43,433	41,754	1,679	39,171
MTED-transportation elderly disabled	462,264	528,764	536,960	(8,196)	599,755
Mesquite arts center	83,335	84,550	78,771	5,779	82,527
Total community services	890,467	986,393	973,883	12,510	1,041,770
Other:					
Insurance	1,934,046	1,966,506	2,054,481	(87,975)	1,627,717
Reserve appropriation	853,369	717,678	577,397	140,281	687,947
Public safety equipment	3,302,620	3,302,620	1,770,035	1,532,585	3,294,975
Total other	6,090,035	5,986,804	4,401,913	1,584,891	5,610,639
TOTAL EXPENDITURES	74,988,076	75,493,456	75,078,689	414,767	71,021,663
EXCESS OF REVENUES OVER EXPENDITURES	1,118,795	1,306,573	1,643,099	336,526	3,429,224
OTHER FINANCING SOURCES (USES):					
Transfers in	6,251,680	5,876,000	5,887,578	11,578	5,875,886
Transfers out	(9,353,027)	(9,203,025)	(9,214,718)	(11,693)	(10,060,075)
Capital lease proceeds	-	-	203,229	203,229	-
Bond proceeds	1,400,000	1,435,000	1,435,000	-	1,975,000
TOTAL OTHER FINANCING USES	(1,701,347)	(1,892,025)	(1,688,911)	203,114	(2,209,189)
NET CHANGE IN FUND BALANCES	\$ (582,552)	\$ (585,452)	(45,812)	\$ 539,640	1,220,035
FUND BALANCE AT BEGINNING OF YEAR			16,560,111		15,340,076
FUND BALANCE AT END OF YEAR			\$ 16,514,299		\$ 16,560,111

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:

Quality of Life Corporation (4B Sales Tax) special revenue fund is used to account for funds received from a one-half cent general sales tax, which can be utilized for public safety, transportation or parks and recreation purposes. The fund is administered by the Quality of Life Corporation which is comprised of a seven-member City Council appointed board. The sales tax is authorized under State statutes regarding economic development and is commonly referred to as a "4B sales tax" based on its legal site in Section 4B of Article 5190.6, Vernon's Texas Civil Statutes, as amended.

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 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, 2004**

	Special Revenue			
	Quality of Life Corporation (4B Sales Tax)	Hotel/Motel Tax	Confiscated Drug	Other Special Revenue
ASSETS:				
Pooled cash and investments	\$ 6,154,871	\$ 23,448	\$ 1,757,753	\$ 917,097
Receivables (net of allowance for uncollectibles):				
Accounts receivable	-	2,087	-	339
Intergovernmental	1,535,575	-	-	-
Prepays	-	-	3,990	-
Accrued interest	12,724	166	3,114	600
	<u>7,703,170</u>	<u>25,701</u>	<u>1,764,857</u>	<u>918,036</u>
Total Assets	<u>\$ 7,703,170</u>	<u>\$ 25,701</u>	<u>\$ 1,764,857</u>	<u>\$ 918,036</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 475,835	\$ 19,886	\$ 59,674	\$ 87,255
Deposits	-	-	515,452	18,365
	<u>475,835</u>	<u>19,886</u>	<u>575,126</u>	<u>105,620</u>
Total Liabilities	<u>475,835</u>	<u>19,886</u>	<u>575,126</u>	<u>105,620</u>
Fund Balances:				
Reserved for:				
Encumbrances	1,266,338	-	31,096	25,520
Debt retirement	-	-	-	-
Unreserved, reported in:				
Special revenue funds	5,960,997	5,815	1,158,635	786,896
Capital project funds	-	-	-	-
	<u>7,227,335</u>	<u>5,815</u>	<u>1,189,731</u>	<u>812,416</u>
Total Fund Balances	<u>7,227,335</u>	<u>5,815</u>	<u>1,189,731</u>	<u>812,416</u>
Total Liabilities and Fund Balances	<u>\$ 7,703,170</u>	<u>\$ 25,701</u>	<u>\$ 1,764,857</u>	<u>\$ 918,036</u>

	<u>Debt Service</u>	<u>Capital Projects Local Finance</u>	<u>Total Other Governmental Funds</u>
	\$ 420,552	\$ 7,527,854	\$ 16,801,575
	-	-	2,426
	-	-	1,535,575
	-	-	3,990
	-	18,070	34,674
	<u>\$ 420,552</u>	<u>\$ 7,545,924</u>	<u>\$ 18,378,240</u>
	\$ 3,718	\$ 55,892	702,260
	-	270,413	804,230
	<u>3,718</u>	<u>326,305</u>	<u>1,506,490</u>
	-	202,320	1,525,274
416,834	-	-	416,834
-	-	-	7,912,343
-	7,017,299	-	7,017,299
<u>416,834</u>	<u>7,219,619</u>	<u>16,871,750</u>	
<u>\$ 420,552</u>	<u>\$ 7,545,924</u>	<u>\$ 18,378,240</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, 2004**

	Special Revenue			
	Quality of Life Corporation (4B Sales Tax)	Hotel/Motel Tax	Confiscated Drug	Other Special Revenue
REVENUES:				
Gross receipts taxes	\$ -	\$ -	\$ -	\$ 112,150
Sales tax	8,764,111	896,310	-	-
Licenses and permits	-	-	-	11,334
Fines and forfeitures	-	-	1,052,021	69,442
Investment income	46,334	888	9,298	(862)
Charges for services	-	-	-	1,117,534
Intergovernmental	100,337	-	-	-
Other revenues	60,708	-	68,550	23,000
Contributions and donations	-	-	-	85,761
Total Revenues	8,971,490	897,198	1,129,869	1,418,359
EXPENDITURES:				
Current-				
General government	-	-	-	132,075
Fire services	93,830	-	-	18,887
Police services	48,912	-	663,724	258,636
Field services	107,726	-	-	-
Housing services	-	-	-	21,052
Code compliance	-	-	-	2,009
Library services	-	-	-	1,645
Parks and recreation	1,997,431	-	-	418,922
Other	10,000	755,558	-	103,892
Capital outlay	3,711,199	-	-	-
Debt service-				
Principal	-	-	-	-
Interst and fiscal charges	-	-	-	-
Total Expenditures	5,969,098	755,558	663,724	957,118
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,002,392	141,640	466,145	461,241
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	(158,322)	-	(613,500)
Total Other Financing Sources (Uses)	-	(158,322)	-	(613,500)
NET CHANGE IN FUND BALANCES	3,002,392	(16,682)	466,145	(152,259)
FUND BALANCES AT BEGINNING OF YEAR	4,224,943	22,497	723,586	964,675
Inclusion of component units	-	-	-	-
FUND BALANCES AT END OF YEAR	\$ 7,227,335	\$ 5,815	\$ 1,189,731	\$ 812,416

<u>Debt Service</u>	<u>Capital Projects Local Finance</u>	<u>Total Other Governmental Funds</u>
\$ -	\$ 4,016	\$ 116,166
-	-	9,660,421
-	-	11,334
-	-	1,121,463
-	75,931	131,589
-	2,961,706	4,079,240
-	-	100,337
-	794,260	946,518
-	-	85,761
<hr/>	<hr/>	<hr/>
-	3,835,913	16,252,829
-	-	132,075
-	-	112,717
-	-	971,272
-	-	107,726
-	-	21,052
-	-	2,009
-	3,633	5,278
-	-	2,416,353
-	2,031,653	2,901,103
-	665,684	4,376,883
7,830,000	-	7,830,000
<u>2,656,459</u>	<u>-</u>	<u>2,656,459</u>
<hr/>	<hr/>	<hr/>
10,486,459	2,700,970	21,532,927
<hr/>	<hr/>	<hr/>
(10,486,459)	1,134,943	(5,280,098)
<hr/>	<hr/>	<hr/>
10,566,647	25,000	10,591,647
<u>-</u>	<u>(1,651,950)</u>	<u>(2,423,772)</u>
<hr/>	<hr/>	<hr/>
10,566,647	(1,626,950)	8,167,875
<hr/>	<hr/>	<hr/>
80,188	(492,007)	2,887,777
336,646	7,432,481	13,704,828
<u>-</u>	<u>279,145</u>	<u>279,145</u>
<hr/>	<hr/>	<hr/>
<u>\$ 416,834</u>	<u>\$ 7,219,619</u>	<u>\$ 16,871,750</u>

City of Mesquite, Texas

**Mesquite Quality of Life Corporation (4B Sales Tax) Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 For the Year Ended September 30, 2004
 With Comparative Actual Totals for the Year Ended For the Year Ended September 30, 2003**

	2004				2003 Actual Amounts
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)	
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Sales tax	\$ 8,297,120	\$ 8,746,666	\$ 8,764,111	\$ 17,445	\$ 8,563,843
Investment income	94,500	40,000	46,334	6,334	95,148
Intergovernmental	-	-	100,337	100,337	-
Other revenues	-	18,596	60,708	42,112	56,969
TOTAL REVENUES	8,391,620	8,805,262	8,971,490	166,228	8,715,960
EXPENDITURES:					
Current-					
Fire services	-	-	93,830	(93,830)	35,784
Police services	-	-	48,912	(48,912)	16,216
Field services	-	-	107,726	(107,726)	-
Parks and recreation	3,572,620	3,554,853	1,997,431	1,557,422	3,363,124
Other	134,000	497,084	10,000	487,084	10,000
Capital projects-					
Public safety projects	1,500,000	1,798,293	251,114	1,547,179	2,962,949
Transportation projects	2,620,000	4,619,140	2,215,533	2,403,607	5,676,330
Parks and recreation projects	565,000	2,795,398	1,244,552	1,550,846	1,818,155
TOTAL EXPENDITURES	8,391,620	13,264,768	5,969,098	7,295,670	13,882,558
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ (4,459,506)	3,002,392	\$ 7,461,898	(5,166,598)
FUND BALANCE AT BEGINNING OF YEAR			4,224,943		9,391,541
FUND BALANCE AT END OF YEAR			\$ 7,227,335		\$ 4,224,943

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, 2004
With Comparative Actual Totals for the Year Ended September 30, 2003**

	2004				2003 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	
	Original	Final			
REVENUES:					
Sales Tax	\$ 974,200	\$ 910,478	\$ 896,310	\$ (14,168)	\$ 852,573
Investment income	500	1,300	888	(412)	982
TOTAL REVENUES	<u>974,700</u>	<u>911,778</u>	<u>897,198</u>	<u>(14,580)</u>	<u>853,555</u>
EXPENDITURES:					
Other-					
Administration projects-					
Personal services	8,900	14,700	13,115	1,585	-
Supplies	140	100	-	100	-
Contractual services	109,238	106,770	107,089	(319)	121,027
Capital outlay	-	-	-	-	-
	<u>118,278</u>	<u>121,570</u>	<u>120,204</u>	<u>1,366</u>	<u>121,027</u>
Chamber of Commerce projects-					
Contractual services	450,400	416,977	408,902	8,075	385,857
	<u>450,400</u>	<u>416,977</u>	<u>408,902</u>	<u>8,075</u>	<u>385,857</u>
Arts Council projects					
Contractual services	112,600	104,208	102,226	1,982	96,464
	<u>112,600</u>	<u>104,208</u>	<u>102,226</u>	<u>1,982</u>	<u>96,464</u>
Beautification Commission projects-					
Contractual services	22,000	22,000	22,000	-	22,000
	<u>22,000</u>	<u>22,000</u>	<u>22,000</u>	<u>-</u>	<u>22,000</u>
Historic Commission projects-					
Contractual services	112,600	104,208	102,226	1,982	96,465
	<u>112,600</u>	<u>104,208</u>	<u>102,226</u>	<u>1,982</u>	<u>96,465</u>
TOTAL EXPENDITURES	<u>815,878</u>	<u>768,963</u>	<u>755,558</u>	<u>13,405</u>	<u>721,813</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>158,822</u>	<u>142,815</u>	<u>141,640</u>	<u>(1,175)</u>	<u>131,742</u>
OTHER FINANCING USES:					
Transfers out	(158,322)	(158,322)	(158,322)	-	(165,000)
TOTAL OTHER FINANCING USES	<u>(158,322)</u>	<u>(158,322)</u>	<u>(158,322)</u>	<u>-</u>	<u>(165,000)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 500</u>	<u>\$ (15,507)</u>	<u>(16,682)</u>	<u>\$ (1,175)</u>	<u>(33,258)</u>
FUND BALANCE AT BEGINNING OF YEAR			22,497		55,755
FUND BALANCE AT END OF YEAR			<u>\$ 5,815</u>		<u>\$ 22,497</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, 2004
 With Comparative Actual Totals for the Year Ended September 30, 2003**

	2004				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)	<u>2003 Actual Amounts</u>
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Fines and forfeitures	\$ 15,000	\$ 323,792	\$ 1,052,021	\$ 728,229	\$ 710,990
Investment income	1,500	13,000	9,298	(3,702)	9,854
Other revenues	<u>15,000</u>	<u>62,250</u>	<u>68,550</u>	<u>6,300</u>	<u>132,650</u>
TOTAL REVENUES	<u>31,500</u>	<u>399,042</u>	<u>1,129,869</u>	<u>730,827</u>	<u>853,494</u>
EXPENDITURES:					
Police services-					
Supplies	3,000	85,935	81,724	4,211	2,929
Contractual services	23,030	189,498	169,518	19,980	240,563
Capital outlay	<u>53,540</u>	<u>583,111</u>	<u>412,482</u>	<u>170,629</u>	<u>-</u>
TOTAL EXPENDITURES	<u>79,570</u>	<u>858,544</u>	<u>663,724</u>	<u>194,820</u>	<u>243,492</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (48,070)</u>	<u>\$ (459,502)</u>	466,145	<u>\$ 925,647</u>	610,002
FUND BALANCE AT BEGINNING OF YEAR			<u>723,586</u>		<u>113,584</u>
FUND BALANCE AT END OF YEAR			<u>\$ 1,189,731</u>		<u>\$ 723,586</u>

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, 2004**

With Comparative Actual Totals for the Year Ended September 30, 2003

	2004				2003 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	
	Original	Final			
REVENUES:					
Other revenues	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	-	-	-	-	-
EXPENDITURES:					
Debt service-					
Principal	7,072,819	7,072,819	7,830,000	(757,181)	7,805,000
Interest and fiscal charges	3,962,793	3,493,828	2,656,459	837,369	2,726,692
TOTAL EXPENDITURES	11,035,612	10,566,647	10,486,459	80,188	10,531,692
EXCESS (DEFICIENCY) OF EXPENDITURES OVER (UNDER) REVENUES	(11,035,612)	(10,566,647)	(10,486,459)	80,188	(10,531,692)
OTHER FINANCING SOURCES:					
Transfers in	11,035,612	10,566,647	10,566,647	-	10,541,275
TOTAL OTHER FINANCING SOURCES	11,035,612	10,566,647	10,566,647	-	10,541,275
NET CHANGE IN FUND BALANCES	\$ -	\$ -	80,188	\$ 80,188	9,583
FUND BALANCE AT BEGINNING OF YEAR			336,646		327,063
FUND BALANCE AT END OF YEAR			\$ 416,834		\$ 336,646

City of Mesquite, Texas

**Water and Sewer Fund
Statement of Net Assets
September 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
ASSETS:		
Current assets:		
Pooled cash and investments:	\$ 10,364,877	\$ 13,035,688
Receivables (net of allowance for uncollectibles)	5,239,911	4,972,754
Inventory	232,464	204,374
Prepays and other assets	270,285	332,000
Accrued interest	<u>42,423</u>	<u>33,388</u>
Total current assets	<u>16,149,960</u>	<u>18,578,204</u>
Noncurrent assets:		
Revenue bond construction-		
Pooled cash and investments	11,968,804	10,053,708
Accrued interest	35,296	19,941
Revenue bond debt service-		
Pooled cash and investments	1,987,667	1,886,025
Revenue bond reserve-		
Pooled cash and investments	2,906,280	2,826,280
Non-depreciable capital assets-		
Land	837,150	788,044
Construction in progress	7,667,646	6,399,795
Depreciable capital assets-		
Buildings	151,300	151,300
Infrastructure	134,770,980	126,449,925
Equipment	2,525,915	1,972,948
Accumulated depreciation	<u>(41,751,714)</u>	<u>(38,922,334)</u>
Total noncurrent assets	<u>121,099,324</u>	<u>111,625,632</u>
Total Assets	<u>137,249,284</u>	<u>130,203,836</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	842,767	966,114
Deposits	2,737,788	2,636,028
Capital lease payable	38,724	-
Accrued compensated absences	<u>104,529</u>	<u>78,561</u>
Total current liabilities	<u>3,723,808</u>	<u>3,680,703</u>
Current liabilities payable from restricted assets:		
Accounts payable	1,089,958	2,034,967
Accrued interest payable	160,420	149,523
Bonds payable	<u>2,740,000</u>	<u>2,355,000</u>
Total current liabilities payable from restricted assets	<u>3,990,378</u>	<u>4,539,490</u>
Noncurrent liabilities:		
Capital lease payable	157,840	-
Bonds payable	42,358,016	37,604,230
Accrued compensated absences	<u>738,318</u>	<u>625,447</u>
Total noncurrent liabilities	<u>43,254,174</u>	<u>38,229,677</u>
Total Liabilities	<u>50,968,360</u>	<u>46,449,870</u>
NET ASSETS:		
Invested in capital assets, net of related debt	69,820,839	64,919,130
Restricted for debt service	4,733,527	4,562,782
Unrestricted	<u>11,726,558</u>	<u>14,272,054</u>
Total Net Assets	<u>\$ 86,280,924</u>	<u>\$ 83,753,966</u>

City of Mesquite, Texas

**Water and Sewer Enterprise Fund
Schedule of Operating Revenues and Expenses
For the Year Ended September 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Operating revenues:		
Customer charges:		
Water customer charges:		
Water customer charges	\$ 15,385,558	\$ 15,453,245
Water taps and connections	59,096	72,079
Reconnect fees	138,574	134,992
Bulk water sales	<u>39,816</u>	<u>49,089</u>
Total water customer charges	<u>15,623,044</u>	<u>15,709,405</u>
Sewer customer charges:		
Sewer customer charges	11,423,000	11,273,316
Sewer taps and connections	<u>500</u>	<u>1,680</u>
Total sewer customer charges	<u>11,423,500</u>	<u>11,274,996</u>
Administrative charges:		
Penalty income and administrative fees	<u>510,394</u>	<u>500,711</u>
Total customer charges	<u>27,556,938</u>	<u>27,485,112</u>
Other operating revenues:		
Other revenues	<u>-</u>	<u>2,961</u>
Total other operating revenues	<u>-</u>	<u>2,961</u>
Total operating revenues	<u>27,556,938</u>	<u>27,488,073</u>
Operating expenses:		
Water and sewer accounting	1,531,093	1,513,514
G. I. S. operations	313,833	310,061
Water and sewer administration	330,053	342,137
Water production	8,137,308	7,724,984
Meter services	647,631	631,025
Water distribution	1,142,432	1,151,305
Wastewater collection	1,216,066	1,270,666
Wastewater treatment	5,307,508	5,227,269
Water and sewer reconstruction	715,170	689,681
Water and sewer insurance	805,000	805,000
Water and sewer reserves	<u>3,400,825</u>	<u>3,113,970</u>
Total operating expenses	<u>23,546,919</u>	<u>22,779,612</u>
Operating income	<u>\$ 4,010,019</u>	<u>\$ 4,708,461</u>

City of Mesquite, Texas

**Drainage Utility District Enterprise Fund
Statement of Net Assets
September 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
ASSETS:		
Current assets:		
Pooled cash and investments	\$ 806,036	\$ 540,583
Accounts receivable	140,219	135,332
Prepays and other assets	159,800	97,159
Accrued interest	<u>4,852</u>	<u>3,278</u>
Total current assets	<u>1,110,907</u>	<u>776,352</u>
Noncurrent assets:		
Revenue bond construction-		
Pooled cash and investments	2,198,444	2,494,466
Accrued interest	6,439	5,280
Revenue bond debt service-		
Pooled cash and investments	540,419	505,390
Revenue bond reserve-		
Pooled cash and investments	828,723	822,545
Non-depreciable capital assets:		
Land	966,680	666,032
Construction in progress	599,622	445,053
Depreciable capital assets:		
Infrastructure	26,730,825	23,011,036
Equipment	179,952	173,463
Accumulated depreciation	<u>(2,435,945)</u>	<u>(1,898,369)</u>
Total noncurrent assets	<u>29,615,159</u>	<u>26,224,896</u>
Total Assets	<u>30,726,066</u>	<u>27,001,248</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	10,119	10,870
Deposits	2,588	488
Accrued compensated absences	<u>26,890</u>	<u>-</u>
Total current liabilities	<u>39,597</u>	<u>11,358</u>
Current liabilities payable from restricted assets:		
Accounts payable	182,165	41,086
Accrued interest payable	35,505	43,838
Bonds payable	<u>790,000</u>	<u>700,000</u>
Total current liabilities payable from restricted assets	<u>1,007,670</u>	<u>784,924</u>
Noncurrent liabilities:		
Bonds payable	10,082,384	10,827,151
Accrued compensated absences	<u>40,670</u>	<u>53,432</u>
Total noncurrent liabilities	<u>10,123,054</u>	<u>10,880,583</u>
Total Liabilities	<u>11,170,321</u>	<u>11,676,865</u>
NET ASSETS:		
Invested in capital assets, net of related debt	17,191,467	13,328,724
Restricted for debt service	1,333,637	1,284,097
Unrestricted	<u>1,030,641</u>	<u>711,562</u>
Total Net Assets	<u>\$ 19,555,745</u>	<u>\$ 15,324,383</u>

City of Mesquite, Texas

**Municipal Airport Enterprise Fund
Statement of Net Assets
September 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
ASSETS:		
Current assets:		
Pooled cash and investments	\$ 37,674	\$ 24,536
Receivables (net of allowance for uncollectibles)	12,672	-
Inventory	35,172	20,054
Prepays and other assets	-	197
Total current assets	<u>85,518</u>	<u>44,787</u>
Noncurrent assets:		
Non-depreciable capital assets-		
Land	4,579,162	4,579,162
Construction in progress	1,029,009	840,016
Depreciable capital assets-		
Buildings	2,302,724	1,614,000
Infrastructure	9,632,636	9,632,636
Improvements	122,064	65,247
Equipment	149,950	125,234
Accumulated depreciation	<u>(4,835,458)</u>	<u>(4,475,395)</u>
Total noncurrent assets	<u>12,980,087</u>	<u>12,380,900</u>
Total Assets	<u>13,065,605</u>	<u>12,425,687</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	34,155	22,550
Deposits	4,955	2,800
Total current liabilities	<u>39,110</u>	<u>25,350</u>
Noncurrent liabilities:		
Accrued compensated absences	<u>30,330</u>	<u>23,191</u>
Total noncurrent liabilities	<u>30,330</u>	<u>23,191</u>
Total Liabilities	<u>69,440</u>	<u>48,541</u>
NET ASSETS:		
Invested in capital assets	12,980,087	12,380,900
Unrestricted	<u>16,078</u>	<u>(3,754)</u>
Total Net Assets	<u>\$ 12,996,165</u>	<u>\$ 12,377,146</u>

City of Mesquite, Texas

**Combining Statement of Net Assets
Internal Service Funds
September 30, 2004
With Comparative Totals for September 30, 2003**

	Health <u>Claims</u>	General <u>Liability</u>	<u>Totals</u>	
			<u>2004</u>	<u>2003</u>
ASSETS:				
Current assets:				
Pooled cash and investments	\$ 1,411,218	\$ 3,502,600	\$ 4,913,818	\$ 5,541,482
Accounts Receivable	-	-	-	194,379
Prepays and other assets	653,752	120,000	773,752	433,000
Accrued interest	<u>3,212</u>	<u>9,957</u>	<u>13,169</u>	<u>11,545</u>
Total Assets	<u>2,068,182</u>	<u>3,632,557</u>	<u>5,700,739</u>	<u>6,180,406</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	1,981	77,641	79,622	129,722
Estimated Claims Payable	<u>1,340,682</u>	<u>1,376,218</u>	<u>2,716,900</u>	<u>3,058,030</u>
Total Liabilities	<u>1,342,663</u>	<u>1,453,859</u>	<u>2,796,522</u>	<u>3,187,752</u>
NET ASSETS:				
Unrestricted	<u>725,519</u>	<u>2,178,698</u>	<u>2,904,217</u>	<u>2,992,654</u>
Total Net Assets	<u>\$ 725,519</u>	<u>\$ 2,178,698</u>	<u>\$ 2,904,217</u>	<u>\$ 2,992,654</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, 2004
With Comparative Totals for September 30, 2003**

	Health Claims	General Liability	Totals	
			2004	2003
Operating revenues:				
Contributions - City-				
Medical insurance	\$ 7,472,557	\$ -	\$ 7,472,557	\$ 6,366,158
Life and dental insurance	528,260	-	528,260	453,975
General liability	-	1,105,000	1,105,000	1,105,000
Workers' compensation	-	602,480	602,480	593,764
Total contributions - City	<u>8,000,817</u>	<u>1,707,480</u>	<u>9,708,297</u>	<u>8,518,897</u>
Contributions - Other-				
Employees - medical insurance	1,345,395	-	1,345,395	1,129,680
Retirees - medical insurance	289,016	-	289,016	204,123
COBRA - medical insurance	20,921	-	20,921	4,364
Stop loss and other contributions	669,534	-	669,534	305,573
Total contributions - other	<u>2,324,866</u>	<u>-</u>	<u>2,324,866</u>	<u>1,643,740</u>
Total operating revenues	<u>10,325,683</u>	<u>1,707,480</u>	<u>12,033,163</u>	<u>10,162,637</u>
Operating expenses:				
Claims incurred	8,520,912	444,367	8,965,279	7,811,788
Insurance premiums	1,252,009	652,663	1,904,672	1,974,987
Administrative fees	601,683	365,367	967,050	760,921
Total operating expenses	<u>10,374,604</u>	<u>1,462,397</u>	<u>11,837,001</u>	<u>10,547,696</u>
Operating income (loss)	<u>(48,921)</u>	<u>245,083</u>	<u>196,162</u>	<u>(385,059)</u>
Nonoperating revenues:				
Investment income	16,002	39,399	55,401	91,270
Total nonoperating revenues	<u>16,002</u>	<u>39,399</u>	<u>55,401</u>	<u>91,270</u>
Transfer out	<u>(340,000)</u>	<u>-</u>	<u>(340,000)</u>	<u>-</u>
Change in net assets	(372,919)	284,482	(88,437)	(293,789)
Total net assets - beginning	<u>1,098,438</u>	<u>1,894,216</u>	<u>2,992,654</u>	<u>3,286,443</u>
Total net assets - ending	<u>\$ 725,519</u>	<u>\$ 2,178,698</u>	<u>\$ 2,904,217</u>	<u>\$ 2,992,654</u>

City of Mesquite, Texas

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended September 30, 2004

With Comparative Actual Totals for the Year ended September 30, 2003

	Health Claims	General Liability	Totals	
			<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from City funds	\$ 8,000,817	\$ 1,707,480	\$ 9,708,297	\$ 8,518,897
Cash received from other operating sources	2,324,866	-	2,324,866	1,643,740
Cash paid to suppliers for goods and services	(1,882,605)	(1,030,897)	(2,913,502)	(2,732,598)
Cash paid to claimants	<u>(8,528,351)</u>	<u>(932,751)</u>	<u>(9,461,102)</u>	<u>(8,151,804)</u>
Net cash used for operating activities	<u>(85,273)</u>	<u>(256,168)</u>	<u>(341,441)</u>	<u>(721,765)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers out to other funds	<u>(340,000)</u>	-	<u>(340,000)</u>	-
Net cash used for noncapital financing activities	<u>(340,000)</u>	-	<u>(340,000)</u>	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments	<u>16,962</u>	<u>36,815</u>	<u>53,777</u>	<u>101,724</u>
Net cash provided by investing activities	<u>16,962</u>	<u>36,815</u>	<u>53,777</u>	<u>101,724</u>
NET DECREASE IN POOLED CASH AND INVESTMENTS				
	(408,311)	(219,353)	(627,664)	(620,041)
POOLED CASH AND INVESTMENTS AT BEGINNING OF YEAR				
	<u>1,819,529</u>	<u>3,721,953</u>	<u>5,541,482</u>	<u>6,161,523</u>
POOLED CASH AND INVESTMENTS AT END OF YEAR				
	<u>\$ 1,411,218</u>	<u>\$ 3,502,600</u>	<u>\$ 4,913,818</u>	<u>\$ 5,541,482</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED FOR OPERATING ACTIVITIES:				
Operating income (loss)	\$ (48,921)	\$ 245,083	\$ 196,162	\$ (385,059)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities-				
Changes in assets and liabilities-				
Decrease (increase) accounts receivable	194,379	-	194,379	(189,874)
(Increase) decrease in prepaid items	(354,752)	14,000	(340,752)	(309,000)
(Decrease) accounts payable	(16,840)	(33,260)	(50,100)	(94,025)
Increase (decrease) in claims payable	<u>140,861</u>	<u>(481,991)</u>	<u>(341,130)</u>	<u>256,193</u>
Total adjustments	<u>(36,352)</u>	<u>(501,251)</u>	<u>(537,603)</u>	<u>(336,706)</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (85,273)</u>	<u>\$ (256,168)</u>	<u>\$ (341,441)</u>	<u>\$ (721,765)</u>

City of Mesquite, Texas

Statement of Changes in Assets and Liabilities
 Agency Fund
 For the Year Ended September 30, 2004

	Agency Fund - Tax Clearing Fund			Balance September 30, 2004
	Balance October 1, 2003	Additions	Deductions	
ASSETS:				
Current assets:				
Pooled cash and investments	\$ 215,583	\$ 128,531,437	\$ 128,492,234	\$ 254,786
Taxes levied for other government	3,218,164	98,046,272	97,814,285	3,450,151
Total Assets	\$ 3,433,747	\$ 226,577,709	\$ 226,306,519	\$ 3,704,937
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 215,583	\$ 98,371,519	\$ 98,322,649	\$ 264,453
Deposits	-	126,860,286	126,869,953	(9,667)
Due to other governments	3,218,164	98,046,272	97,814,285	3,450,151
Total Liabilities	\$ 3,433,747	\$ 323,278,077	\$ 323,006,887	\$ 3,704,937

City of Mesquite, Texas

**Capital Assets Used in Operation of Governmental Funds
Comparative Schedule by Source
September 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Governmental funds capital assets:		
Land	\$ 17,889,925	\$ 17,146,711
Buildings	38,213,615	36,621,839
Infrastructure	168,283,721	155,270,454
Improvements	7,273,401	5,375,954
Equipment	28,143,488	23,966,499
Construction in progress	<u>16,352,376</u>	<u>18,889,727</u>
Total governmental funds capital assets	<u>\$ 276,156,526</u>	<u>\$ 257,271,184</u>
Investment in governmental funds capital assets by source:		
General fund	\$ 24,405,855	\$ 20,960,092
Special revenue funds	31,936,411	23,733,948
Capital projects funds	148,757,060	146,682,704
Contributions from developers	<u>71,057,200</u>	<u>65,894,440</u>
Total investment in governmental funds capital assets by source	<u>\$ 276,156,526</u>	<u>\$ 257,271,184</u>

City of Mesquite, Texas

Capital Assets Used in Operation of Governmental Funds
 Schedule by Function and Activity
 September 30, 2004

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Infrastructure</u>	<u>Improvement</u>	<u>Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
General government:							
Administration	\$ -	\$ -	\$ -	\$ -	\$ 47,336	\$ -	\$ 47,336
City secretary	-	-	-	-	40,709	-	40,709
Legal	-	-	-	-	57,200	-	57,200
Human resource admin.	-	-	-	-	2,268	-	2,268
Risk management	-	-	-	-	19,400	-	19,400
Finance administration	-	-	-	-	2,825	-	2,825
Accounting	-	-	-	-	3,402	-	3,402
Purchasing	-	-	-	-	18,699	-	18,699
City warehouse	-	-	-	-	109,452	-	109,452
Transportation pool	-	-	-	-	91,184	-	91,184
Printshop/mailroom	-	-	-	-	14,700	-	14,700
Telecommunications	-	-	-	-	203,229	-	203,229
Central copy	-	-	-	-	2,850	-	2,850
Tax	-	-	-	-	34,284	-	34,284
Municipal court	-	-	-	-	36,084	-	36,084
Management information serv	-	-	-	-	282,420	-	282,420
Budget office	-	-	-	-	6,397	-	6,397
Other - unclassified	<u>8,550,283</u>	<u>36,572,645</u>	-	<u>7,155</u>	<u>148,225</u>	-	<u>45,278,308</u>
Total general government	<u>8,550,283</u>	<u>36,572,645</u>	-	<u>7,155</u>	<u>1,120,664</u>	-	<u>46,250,747</u>
Fire services:							
Fire administration	-	-	-	-	141,407	-	141,407
Fire operations	-	-	-	-	988,364	-	988,364
Emergency medical	-	-	-	-	81,588	-	81,588
Fire prevention	-	-	-	-	248,259	-	248,259
Fire training	-	-	-	-	62,800	-	62,800
Emergency management	-	-	-	-	27,534	-	27,534
Other fire services	-	-	<u>9,936</u>	<u>28,932</u>	<u>3,908,748</u>	-	<u>3,947,616</u>
Total fire services	-	-	<u>9,936</u>	<u>28,932</u>	<u>5,458,700</u>	-	<u>5,497,568</u>
Police services:							
Police administration	-	-	-	-	218,150	-	218,150
Police operations	-	-	-	-	2,660,087	-	2,660,087
Criminal investigation	-	-	-	-	995,381	-	995,381
School resource officers	-	-	-	-	282,482	-	282,482
Police technical services	-	-	-	-	341,895	-	341,895
Police staff support services	-	-	-	-	90,652	-	90,652
Other police services	-	-	-	-	4,363,227	-	4,363,227
Total police services	-	-	-	-	<u>8,951,874</u>	-	<u>8,951,874</u>

(Continued on following page)

City of Mesquite, Texas

Capital Assets Used in Operation of Governmental Funds
 Schedule by Function and Activity
 September 30, 2004 (Continued)

Function and Activity	Land	Buildings	Infrastructure	Improvement	Equipment	Construction in Progress	Total
Field services:							
Field services administration	\$ -	\$ -	\$ -	\$ -	\$ 23,108	\$ -	\$ 23,108
Residential solid waste	-	-	-	-	3,740,056	-	3,740,056
Compost facility operation	-	-	-	-	276,796	-	276,796
Street maintenance	-	-	-	-	2,135,152	-	2,135,152
Equipment services	-	-	-	-	765,349	-	765,349
Other field services	-	-	151,208,038	84,580	-	-	151,292,618
Total field services	-	-	151,208,038	84,580	6,940,461	-	158,233,079
Public services:							
Public services admin.	-	-	-	-	1,134	-	1,134
Traffic engineering	-	-	23,689	-	645,252	-	668,941
Street lighting	-	-	-	-	17,380	-	17,380
Engineering	-	-	-	-	212,913	-	212,913
Other public services	-	-	15,388,858	1,047,424	8,055	-	16,444,337
Total public services	-	-	15,412,547	1,047,424	884,734	-	17,344,705
Development services:							
Planning and zoning	-	-	-	-	23,189	-	23,189
Historic preservation	-	-	-	-	1,134	-	1,134
Total development services	-	-	-	-	24,323	-	24,323
Housing services:							
Housing office	-	-	-	-	145,639	-	145,639
Total housing services	-	-	-	-	145,639	-	145,639
Code compliance:							
Code compliance admin.	-	-	-	-	6,200	-	6,200
Building inspection	-	-	-	-	182,659	-	182,659
Environmental code inspection	-	-	-	-	93,745	-	93,745
Code enforcement	-	-	-	-	37,596	-	37,596
Food inspections	-	-	-	-	123,827	-	123,827
Animal/vector control	-	-	-	-	173,297	-	173,297
Total code compliance	-	-	-	-	617,324	-	617,324

(Continued on following page)

City of Mesquite, Texas

Capital Assets Used in Operation of Governmental Funds
 Schedule by Function and Activity
 September 30, 2004

Function and Activity	Land	Buildings	Infrastructure	Improvement	Equipment	Construction in Progress	Total
Library services:							
Library-north branch	\$ -	\$ -	\$ -	\$ -	\$ 58,236	\$ -	\$ 58,236
Library-central	-	-	-	-	192,285	-	192,285
Other library services	-	-	-	-	145,140	-	145,140
Total library services	-	-	-	-	395,661	-	395,661
Park and recreation services:							
Parks recreation admin.	-	-	-	-	45,999	-	45,999
Parks	-	-	-	-	1,457,937	-	1,457,937
Tennis	-	-	-	-	1,758	-	1,758
Building services	-	98,662	-	-	282,390	-	381,052
Youth services	-	-	-	-	28,170	-	28,170
Recreation	-	-	-	-	432,166	-	432,166
Swimming pools	-	-	-	4,980	9,928	-	14,908
Other park recreation services	9,339,642	1,474,308	1,222,283	6,026,764	216,164	-	18,279,161
Total park and recreation services	9,339,642	1,572,970	1,222,283	6,031,744	2,474,512	-	20,641,151
Community services:							
Health clinic	-	-	-	-	35,000	-	35,000
MTED - transportation elderly disabled	-	-	-	-	754,564	-	754,564
Mesquite arts center	-	-	-	-	23,000	-	23,000
CDBG office	-	-	-	-	20,963	-	20,963
CDBG grants	-	68,000	430,917	60,006	1,120	-	560,043
Total community services	-	68,000	430,917	60,006	834,647	-	1,393,570
Other:							
Miscellaneous	-	-	-	13,560	294,949	-	308,509
Total other	-	-	-	13,560	294,949	-	308,509
Construction in progress	-	-	-	-	-	16,352,376	16,352,376
Total governmental funds capital assets	<u>\$ 17,889,925</u>	<u>\$ 38,213,615</u>	<u>\$ 168,283,721</u>	<u>\$ 7,273,401</u>	<u>\$ 28,143,488</u>	<u>\$ 16,352,376</u>	<u>\$ 276,156,526</u>

City of Mesquite, Texas

**Capital Assets Used in Operation of Governmental Funds
Schedule of Changes by Function and Activity
Year Ended September 30, 2004**

Function and Activity	Governmental Funds			Governmental Funds
	Capital Assets October 1, 2003	Additions	Deductions	Capital Assets September 30, 2004
General government:				
Administration	\$ 45,538	\$ 23,798	\$ (22,000)	\$ 47,336
City secretary	40,709	-	-	40,709
Legal	57,200	22,000	(22,000)	57,200
Human resources admin.	2,268	-	-	2,268
Risk management	19,400	-	-	19,400
Finance administration	2,825	-	-	2,825
Accounting	3,402	-	-	3,402
Purchasing	18,699	-	-	18,699
City warehouse	107,661	14,091	(12,300)	109,452
Transportation pool	91,184	-	-	91,184
Printshop/mailroom	14,700	-	-	14,700
Telecommunications	-	203,229	-	203,229
Central copy	-	2,850	-	2,850
Tax	27,792	6,492	-	34,284
Municipal court	1,134	34,950	-	36,084
Management information serv.	278,977	3,443	-	282,420
Budget office	6,397	-	-	6,397
Other - unclassified	<u>44,163,508</u>	<u>1,185,300</u>	<u>(70,500)</u>	<u>45,278,308</u>
Total general government	<u>44,881,394</u>	<u>1,496,153</u>	<u>(126,800)</u>	<u>46,250,747</u>
Fire services:				
Fire administration	138,300	3,107	-	141,407
Fire operations	924,196	64,168	-	988,364
Emergency medical	69,784	11,804	-	81,588
Fire prevention	225,078	36,581	(13,400)	248,259
Fire training	62,800	-	-	62,800
Emergency management	27,534	-	-	27,534
Other fire services	<u>2,915,277</u>	<u>1,032,339</u>	<u>-</u>	<u>3,947,616</u>
Total fire services	<u>4,362,969</u>	<u>1,147,999</u>	<u>(13,400)</u>	<u>5,497,568</u>
Police services:				
Police administration	240,150	-	(22,000)	218,150
Police operations	2,503,973	405,269	(249,155)	2,660,087
Criminal investigation	917,624	111,657	(33,900)	995,381
School resource officers	253,973	72,509	(44,000)	282,482
Police technical services	325,052	16,843	-	341,895
Police staff support services	89,192	1,460	-	90,652
Other police services	<u>2,948,665</u>	<u>1,414,562</u>	<u>-</u>	<u>4,363,227</u>
Total police services	<u>7,278,629</u>	<u>2,022,300</u>	<u>(349,055)</u>	<u>8,951,874</u>

(Continued on following page)

City of Mesquite, Texas

**Capital Assets Used in Operation of Governmental Funds
Schedule of Changes by Function and Activity
Year Ended September 30, 2004 (Continued)**

<u>Function and Activity</u>	Governmental Funds Capital Assets <u>October 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	Governmental Funds Capital Assets <u>September 30, 2004</u>
Field services:				
Field services administration	\$ 21,408	\$ 22,000	\$ (20,300)	\$ 23,108
Residential solid waste collection	3,549,749	190,307	-	3,740,056
Compost facility operation	57,492	219,304	-	276,796
Street maintenance	1,914,655	283,497	(63,000)	2,135,152
Equipment services	717,961	47,388	-	765,349
Other field services	146,176,646	5,115,972	-	151,292,618
Total field services	<u>152,437,911</u>	<u>5,878,468</u>	<u>(83,300)</u>	<u>158,233,079</u>
Public services:				
Public services administration	1,134	-	-	1,134
Traffic engineering	474,094	225,547	(30,700)	668,941
Street lighting	8,000	9,380	-	17,380
Engineering	210,888	2,025	-	212,913
Other public services	8,874,885	7,569,452	-	16,444,337
Total public services	<u>9,569,001</u>	<u>7,806,404</u>	<u>(30,700)</u>	<u>17,344,705</u>
Development services:				
Planning and zoning	23,189	-	-	23,189
Historic preservation	1,134	-	-	1,134
Total development services	<u>24,323</u>	<u>-</u>	<u>-</u>	<u>24,323</u>
Housing services:				
Housing office	138,352	22,887	(15,600)	145,639
Total housing services	<u>138,352</u>	<u>22,887</u>	<u>(15,600)</u>	<u>145,639</u>
Code compliance:				
Code compliance administration	6,200	-	-	6,200
Building inspection	180,509	23,450	(21,300)	182,659
Environmental code inspection	93,745	-	-	93,745
Code enforcement	37,596	-	-	37,596
Food inspections	123,827	-	-	123,827
Animal/vector control	164,571	29,126	(20,400)	173,297
Total code compliance	<u>606,448</u>	<u>52,576</u>	<u>(41,700)</u>	<u>617,324</u>

(Continued on following page)

City of Mesquite, Texas

**Capital Assets Used in Operation of Governmental Funds
Schedule of Changes by Function and Activity
Year Ended September 30, 2004 (Continued)**

<u>Function and Activity</u>	Governmental Funds Capital Assets <u>October 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	Governmental Funds Capital Assets <u>September 30, 2004</u>
Library services:				
Library-north branch	\$ 55,473	\$ 2,763	\$ -	\$ 58,236
Library-central	166,973	25,312	-	192,285
Other library services	<u>145,140</u>	<u>-</u>	<u>-</u>	<u>145,140</u>
Total library services	<u>367,586</u>	<u>28,075</u>	<u>-</u>	<u>395,661</u>
Park and recreation services:				
Parks recreation admin.	45,999	-	-	45,999
Parks	1,413,025	76,512	(31,600)	1,457,937
Tennis	1,758	-	-	1,758
Building services	221,233	159,819	-	381,052
Youth services	28,170	-	-	28,170
Recreation	432,166	-	-	432,166
Swimming pools	9,928	4,980	-	14,908
Other park recreation services	<u>15,119,805</u>	<u>3,159,356</u>	<u>-</u>	<u>18,279,161</u>
Total park and recreation services	<u>17,272,084</u>	<u>3,400,667</u>	<u>(31,600)</u>	<u>20,641,151</u>
Community services:				
Health clinic	35,000	-	-	35,000
MTED - transportation elderly disabled	698,318	56,246	-	754,564
Mesquite arts center	23,000	-	-	23,000
Community services office	20,963	-	-	20,963
Community development grants	<u>356,970</u>	<u>203,073</u>	<u>-</u>	<u>560,043</u>
Total community services	<u>1,134,251</u>	<u>259,319</u>	<u>-</u>	<u>1,393,570</u>
Other:				
Miscellaneous	<u>308,509</u>	<u>-</u>	<u>-</u>	<u>308,509</u>
Total other	<u>308,509</u>	<u>-</u>	<u>-</u>	<u>308,509</u>
Construction in progress	<u>18,889,727</u>	<u>10,006,322</u>	<u>(12,543,673)</u>	<u>16,352,376</u>
Total governmental funds capital assets	<u>\$ 257,271,184</u>	<u>\$ 32,121,170</u>	<u>\$ (13,235,828)</u>	<u>\$ 276,156,526</u>

City of Mesquite, Texas

Statistical Section (Unaudited)

The Statistical Section presents comparative data for expenditures, revenues, property tax levies and collections, assessed value and estimated actual value of taxable property, property tax rates for direct and overlapping governments, principal taxpayers, special assessments billings and collections, legal debt margin, ratios of net bonded debt, ratio of debt service to general governmental expenditures, direct and overlapping debt, revenue bond coverage, demographic statistics, growth indices, property value/construction, retirement system funding progress, and miscellaneous statistics. Government-wide expenses by function and government-wide revenues are presented beginning in Fiscal Year 2002.

City of Mesquite, Texas

**Government-Wide Expenses By Function
Last Ten Fiscal Years**

<u>Year Ended September</u>	<u>Total (1)</u>	<u>General Government</u>	<u>Fire Services</u>	<u>Police Services</u>	<u>Field Services</u>	<u>Public Works</u>	<u>Development Services</u>	<u>Housing Services</u>
2002	\$ 113,883,819	\$ 8,028,633	\$16,636,245	\$ 22,861,897	\$12,402,219	\$ 2,124,931	\$ 570,622	\$7,194,081
% Total	100.00%	7.0%	14.6%	20.1%	10.9%	1.9%	0.5%	6.3%
2003	124,489,863	8,652,140	17,516,856	23,594,912	12,659,714	2,450,198	431,344	8,860,581
% Total	100.00	6.9	14.1	19.0	10.2	2.0	0.3	7.1
2004	134,100,704	9,782,527	18,804,970	24,982,353	13,449,453	2,751,786	713,564	11,068,541
% Total	100.00	7.3	14.0	18.6	10.0	2.1	0.5	8.3

Source: Current year and prior year government-wide financial statement.

Notes:

(1) City of Mesquite first applied GASB Statement No. 34 in fiscal year 2002; therefore, government-wide financial information for years prior to fiscal year 2002 is not available.

**Government-wide Revenues
Last Ten Fiscal Years**

<u>Year Ended September</u>	<u>Total (1)</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
2002	\$ 132,061,793	\$ 44,992,763	\$ 8,151,488	\$7,502,903
% Total	100.00%	34.1%	6.2%	5.7%
2003	143,457,279	51,422,764	10,446,022	8,849,757
% Total	100.00	35.8	7.3	6.2
2004	153,611,832	52,295,286	11,851,998	15,356,543
% Total	100.00	34.0	7.7	10.0

Source: Current year and prior year government-wide financial statement.

Notes:

(1) City of Mesquite first applied GASB Statement No. 34 in fiscal year 2002; therefore, government-wide financial information for years prior to fiscal year 2002 is not available.

Table 1

<u>Code Compliance</u>	<u>Library Services</u>	<u>Parks and Recreation</u>	<u>Community Services</u>	<u>Other Expenditures</u>	<u>Interest on Long-term Debt</u>	<u>Water and Sewer</u>	<u>Drainage Utility</u>	<u>Municipal Airport</u>
\$ 2,183,609 1.9%	\$ 1,885,428 1.6%	\$7,378,419 6.5%	\$ 900,925 0.8%	\$4,766,372 4.2%	\$ 2,700,073 2.4%	\$21,947,975 19.3%	\$ 1,338,502 1.2%	\$ 963,888 0.8%
2,303,390 1.8	2,048,735 1.6	7,933,009 6.4	1,157,536 0.9	6,720,069 5.4	2,727,361 2.2	24,960,879 20.1	1,515,075 1.2	958,064 0.8
2,419,020 1.8	2,080,003 1.5	8,834,422 6.6	1,029,164 0.8	7,228,158 5.4	2,617,152 2.0	25,603,880 19.1	1,605,813 1.2	1,129,898 0.8

Table 2

<u>General Revenues</u>			
<u>Ad Valorem Taxes</u>	<u>Gross Receipts Taxes</u>	<u>Sales Taxes</u>	<u>Investment Income</u>
\$26,218,704 19.8%	\$ 7,515,785 5.7%	\$ 35,578,250 26.9%	\$ 2,101,900 1.6%
28,554,960 19.9	7,580,444 5.3	35,291,960 24.6	1,311,372 0.9
29,946,156 19.5	7,136,451 4.7	36,135,707 23.5	889,691 0.6

City of Mesquite, Texas

**General Governmental Expenditures By Function
Last Ten Fiscal Years**

<u>Year Ended September</u>	<u>Total (1)</u>	<u>General Government</u>	<u>Fire Services</u>	<u>Police Services</u>	<u>Field Services</u>	<u>Public Works</u>
1995	\$ 58,661,190	\$ 6,323,784	\$ 9,920,260	\$14,453,463	\$ 7,680,681	\$ 1,612,872
% Total	100.00%	10.8%	16.9%	24.6%	13.1%	2.7%
1996	62,969,383	6,304,278	10,488,191	15,505,668	7,660,383	1,929,913
% Total	100.00	10.0	16.7	24.6	12.2	3.1
1997	64,414,280	5,807,528	11,200,060	15,899,497	6,727,980	1,796,932
% Total	100.00	9.0	17.4	24.7	10.4	2.8
1998	67,849,401	5,591,802	11,952,766	17,013,080	6,231,119	1,976,196
% Total	100.00	8.2	17.6	25.1	9.2	2.9
1999	70,985,578	5,799,876	13,203,915	17,995,922	6,991,225	1,832,055
% Total	100.00	8.2	18.6	25.4	9.8	2.6
2000	75,679,960	5,940,627	14,765,083	19,806,111	7,585,558	1,884,010
% Total	100.00	7.8	19.5	26.2	10.0	2.5
2001	77,325,855	5,987,803	15,242,612	20,730,595	7,651,949	1,900,571
% Total	100.00	7.7	19.7	26.8	9.9	2.5
2002	79,923,513	5,882,237	16,278,959	22,222,486	8,738,391	1,987,057
% Total	100.00	7.4	20.4	27.8	10.9	2.5
2003	81,553,355	6,063,425	16,876,418	22,467,240	8,546,858	2,208,202
% Total	100.00	7.4	20.7	27.6	10.5	2.7
2004	85,565,148	6,620,204	17,908,578	22,881,682	8,914,121	2,387,144
% Total	100.00	7.7	20.9	26.7	10.4	2.8

Source: Current year and prior year financial statements

Notes:

- (1) Includes General and Debt Service Funds.
- (2) Beginning in Fiscal Year 2003, many Parks and Recreation expenditures were included in the Mesquite Quality of Life Corporation Special Revenue Fund.
- (3) Beginning in Fiscal Year 2003, many public safety equipment expenditures were included in Other Expenditures rather than Fire and Police Services.

Table 3

<u>Development Services</u>	<u>Code Compliance</u>	<u>Library Services</u>	<u>Parks and Recreation</u>	<u>Community Services</u>	<u>Other Expenditures</u>	<u>Debt Services</u>
\$ 208,542 0.4%	\$ 901,781 1.5%	\$ 1,308,336 2.2%	\$ 5,260,326 9.0%	\$ 248,779 0.4%	\$ 1,974,163 3.4%	\$ 8,768,203 14.9%
227,156 0.4	941,926 1.5	1,462,549 2.3	5,671,806 9.0	287,539 0.5	2,233,362 3.5	10,256,612 16.3
240,032 0.4	1,550,448 2.4	1,507,512 2.3	5,813,360 9.0	284,690 0.4	2,437,981 3.8	11,148,260 17.3
254,676 0.4	1,683,448 2.5	1,535,692 2.3	5,982,775 8.8	313,712 0.5	4,328,177 6.4	10,985,958 16.2
308,205 0.4	1,729,147 2.4	1,638,860 2.3	6,359,784 9.0	273,540 0.4	3,312,000 4.7	11,541,049 16.3
285,723 0.4	1,974,856 2.6	1,652,793 2.2	6,711,890 8.9	745,400 1.0	2,111,733 2.8	12,216,176 16.1
310,464 0.4	2,101,683 2.7	1,721,194 2.2	6,877,624 8.9	694,729 0.9	2,578,461 3.3	11,528,170 14.9
326,060 0.4	2,139,081 2.7	1,772,689 2.2	6,793,656 8.5	824,166 1.0	2,264,604 2.8	10,694,127 13.4
321,192 0.4	2,156,599 2.6	1,825,392 2.2	3,903,928 (2) 4.8	1,041,770 1.3	5,610,639 (3) 6.9	10,531,692 12.9
424,799 0.5	2,367,548 2.8	2,008,573 2.3	6,190,244 (2) 7.2	973,883 1.1	4,401,913 (3) 5.1	10,486,459 12.3

City of Mesquite, Texas

**General Governmental Revenues By Source
Last Ten Fiscal Years**

<u>Year Ended September</u>	<u>Total (1)</u>	<u>Ad Valorem Taxes</u>	<u>Gross Receipts Taxes</u>	<u>Sales Taxes</u>	<u>Licenses and Permits</u>
1995	\$ 61,690,055	\$17,242,368	\$ 8,192,256 (2)	\$ 19,798,900	\$ 865,446
% Total	100.00%	27.9%	13.3%	32.1%	1.4%
1996	56,722,292	18,106,220	5,065,751	21,216,881	897,504
% Total	100.00	31.9	8.9	37.4	1.6
1997	57,474,132	19,320,738	5,617,480	22,114,397	922,401
% Total	100.00	33.6	9.8	38.5	1.6
1998	62,934,958	21,970,194	6,235,818	23,464,593	1,014,965
% Total	100.00	34.9	9.9	37.3	1.6
1999	65,770,255	23,285,178	6,058,882	25,223,747	1,217,044
% Total	100.00	35.4	9.2	38.4	1.9
2000	68,287,791	23,399,031	6,286,609	26,795,901	1,171,071
% Total	100.00	34.3	9.2	39.2	1.7
2001	72,000,510	24,589,349	7,349,089	26,414,906	1,475,304
% Total	100.00	34.2	10.2	36.7	2.0
2002	72,935,825	26,100,672	7,348,333	26,053,105	1,487,060
% Total	100.00	35.8	10.1	35.7	2.0
2003	74,450,887	28,479,661	7,182,497	25,875,544	1,417,725
% Total	100.00	38.2	9.6	34.8	1.9
2004	76,721,788	29,874,248	7,020,285	26,475,286	1,335,653
% Total	100.00	38.9	9.2	34.5	1.7

Source: Current year and prior year financial statements

Notes:

(1) Includes General and Debt Service Funds.

(2) 1995 Gross Receipts Taxes and Other Revenues include \$3,606,291 and \$5,153,501, respectively, of revenues related to the settlement of a lawsuit.

Table 4

<u>Fines and Forfeitures</u>	<u>Investment Income</u>	<u>Charges for Services</u>	<u>Inter-governmental</u>	<u>Other Revenues</u>
\$ 1,201,488 1.9%	\$ 418,574 0.7%	\$ 8,371,899 13.6%	\$ - -	\$ 5,599,124 (2) 9.1%
1,669,488 2.9	638,226 1.1	8,634,301 15.2	- -	493,921 0.9
1,978,513 3.4	590,472 1.0	6,047,924 10.5	- -	882,207 1.5
2,218,870 3.5	934,529 1.5	5,774,510 9.2	- -	1,321,479 2.1
2,194,509 3.3	783,445 1.2	6,100,358 9.3	- -	907,092 1.4
2,152,266 3.2	919,518 1.3	5,957,133 8.7	404,679 0.6	1,201,583 1.8
2,475,354 3.4	1,191,814 1.7	6,998,727 9.7	313,515 0.4	1,192,452 1.7
2,373,509 3.3	571,021 0.8	7,300,621 10.0	368,574 0.5	1,332,930 1.8
2,319,343 3.1	363,515 0.5	7,434,333 10.0	500,417 0.7	877,852 1.2
2,156,196 2.8	283,276 0.4	8,335,009 10.9	419,210 0.5	822,625 1.1

City of Mesquite, Texas

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

<u>Fiscal Year</u>	<u>Adjusted Current Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections (1)</u>
1995	\$ 17,145,059	\$ 16,944,606	98.83%	\$ 297,762
1996	18,105,702	17,891,231	98.82	214,989
1997	19,227,130	19,057,577	99.12	263,161
1998	21,971,485	21,687,749	98.71	282,445
1999	23,324,312	23,057,699	98.86	227,479
2000	23,398,863	23,036,809	98.45	362,222
2001	24,574,048	24,206,183	98.50	383,166
2002	26,003,036	25,656,864	98.67	443,808
2003	28,426,788	27,873,063	98.05	606,598
2004	29,758,669	29,200,767	98.13	673,481

Source: Tax Division/Finance Department

Notes:

- (1) Includes penalty and interest.
- (2) Outstanding delinquent taxes includes the City of Mesquite delinquent taxes before deduction of allowance for doubtful accounts.

Table 5

<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Current Tax Levy</u>	<u>Outstanding Delinquent Taxes (2)</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
\$ 17,242,368	100.57%	\$ 714,239	4.17%
18,106,220	100.00	801,874	4.43
19,320,738	100.49	806,035	4.19
21,970,194	99.99	929,328	4.23
23,285,178	99.83	1,046,474	4.49
23,399,031	100.00	1,178,922	5.04
24,589,349	100.06	1,306,080	5.31
26,100,672	100.38	1,471,001	5.66
28,479,661	100.19	1,646,103	5.79
29,874,248	100.39	1,767,939	5.94

**Assessed Value of Taxable Property,
Tax Levy, and Distribution
Last Ten Fiscal Years**

Fiscal Year	Assessed Value of Taxable Property (1)			Tax Rate (2)	Total Tax Levy	Tax Levy Distribution	
	Real Property	Personal Property	Total			General	Debt Service
1995	\$2,653,343,915	\$ 593,480,152	\$3,246,824,067	.52825	\$ 17,145,059	.25294	.27531
1996	2,736,890,783	609,029,582	3,345,920,365	.54148	18,105,702	.23660	.30488
1997	2,897,226,801	655,529,640	3,552,756,441	.54148	19,227,130	.26981	.27167
1998	3,086,880,782	686,917,890	3,773,798,672	.58148	21,971,485	.29112	.29036
1999	3,302,495,791	708,459,060	4,010,954,851	.58148	23,324,312	.30471	.27677
2000	3,572,997,772	749,206,730	4,322,204,502	.54148	23,398,863	.29466	.24682
2001	3,838,922,262	694,778,636	4,533,700,898	.54148	24,574,048	.32717	.21431
2002	4,094,263,252	720,760,830	4,815,024,082	.54148	26,003,036	.35991	.18157
2003	4,587,309,166	740,608,920	5,327,918,086	.54148	28,426,788	.38571	.15577
2004	4,803,913,201	823,581,580	5,627,494,781	.54148	29,758,669	.38833	.15315

Source: Tax Division/Finance Department

Notes:

- (1) Assessed value is 100% of estimated actual value for all years. Values are as of January 1 of the calendar year prior to the fiscal year-end date and are net of tax exemptions.
- (2) Tax rate is per \$100 assessed valuation.

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

<u>Fiscal Year</u>	<u>City of Mesquite</u>	<u>Dallas County</u>	<u>Dallas County Hospital District</u>	<u>Dallas County Community College District</u>	<u>Dallas County School Equalization</u>	<u>Mesquite Independent School District</u>	<u>Total</u>
1995	.52825	.2024	.19959	.05206	.00643	1.5	2.48873
1996	.54148	.2161	.19959	.05206	.0064	1.5	2.51563
1997	.54148	.21	.194092	.05206	.0064	1.5	2.504032
1998	.58148	.201	.18571	.05	.0063	1.53	2.55449
1999	.58148	.1972	.1799	.05	.005974	1.58	2.594554
2000	.54148	.196	.196	.05	.005699	1.58	2.569179
2001	.54148	.196	.254	.05	.005667	1.58	2.627147
2002	.54148	.196	.254	.06	.005525	1.58	2.637005
2003	.54148	.196	.254	.06	.0055	1.62	2.67698
2004	.54148	.2039	.254	.0778	.00546	1.67	2.75264

Source: Tax Division/Finance Department

City of Mesquite, Texas

Table 8

**Principal Taxpayers
September 30, 2004**

<u>Name of Taxpayer</u>	<u>Nature of Property</u>	<u>2004 Assessed Valuation (1)</u>	<u>Percent of Total Assessed Valuation</u>
Town East Mall PS	Shopping mall	\$ 103,300,000	1.84 %
TU Services	Electric utility	51,668,510	.92
Market East RPF - III	Shopping center	40,902,680	.73
Pepsi Cola	Soft drink bottling	39,295,420	.70
Southwestern Bell	Telephone utility	31,939,720	.57
Alliance WE LP	Apartment complex	28,970,000	.51
American Multicinema Inc	Cinema & restaurants	28,044,960	.50
Home Depot Inc	Retail store	25,604,030	.45
Mesquite Apartments LP	Apartment complex	23,544,470	.42
Calwest Ind Holdings (Icon)	Manufacturer	<u>22,778,202</u>	<u>.40</u>
Total Assessed Value of 10 Largest Taxpayers		<u>\$ 396,047,992</u>	<u>7.04 %</u>

Source: Tax Division/Finance Department

Note:

- (1) Assessed valuation presented is 100% of the estimated actual value of all property owned by the taxpayer as of January 1, 2003, in the City of Mesquite corporate limits.

**Special Assessment Billings and Collections
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Current Assessment Charges</u>	<u>Current Assessment Collections</u>	<u>Total Outstanding Assessments</u>
1995	\$ (149,158)	\$ 58,870	\$ 546,733
1996	12,979	39,858	519,854
1997	(5,137)	98,783	415,934
1998	13,943	7,170	422,707
1999	10,492	3,658	429,541
2000	13,053	28,394	414,200
2001	12,828	82,616	344,412
2002	15,344	10,862	348,894
2003	9,106	8,306	349,694
2004	12,662	25,142	337,214

Source: Tax Division/Finance Department

**Computation of Legal Debt Margin
September 30, 2004**

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, 2004, is \$.54148 per \$100 of assessed valuation with assessed valuation being 100% of market value.

**Ratio of Net General Obligation Bonded Debt to Assessed Value
And Net General Obligation Bonded Debt Per Capita
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Assessed Value (2)</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Fund (3)</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1995	109,450	\$3,246,824,067	\$ 55,069,141	\$ 1,264,278	\$ 53,804,863	1.66%	\$ 491.59
1996	111,550	3,345,920,365	68,447,406	1,264,906	67,182,500	2.00	602.26
1997	113,400	3,552,756,441	71,943,511	709,919	71,233,592	2.01	628.16
1998	116,350	3,773,798,672	69,718,511	1,197,788	68,520,723	1.82	588.92
1999	119,600	4,010,954,851	63,393,511	636,476	62,757,035	1.56	524.72
2000	124,523	4,322,204,502	58,528,511	289,195	58,239,316	1.35	467.70
2001	126,570	4,533,700,898	59,125,000	295,125	58,829,875	1.30	464.80
2002	127,800	4,815,024,082	55,975,000	327,063	55,647,937	1.16	435.43
2003	129,650	5,327,918,086	56,650,000	336,646	56,313,354	1.06	434.35
2004	131,600	5,627,494,781	64,650,000	416,834	64,233,166	1.14	488.07

Notes:

- (1) Population estimates were prepared by North Central Texas Council of Governments, except 2000 official U.S. Census Bureau count.
- (2) Assessed value is from Table 6.
- (3) Amount that is available for repayment of general obligation bonded debt.

**Ratio of Annual Debt Service Expenditures
For General Obligation Bonded Debt to Total
General Governmental Expenditures
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Debt Service Interest and Fiscal Charges</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures (1)</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
1995	\$ 5,620,000	\$ 3,148,203	\$ 8,768,203	\$ 58,661,190	14.95%
1996	5,021,736	5,234,876	10,256,612	62,969,383	16.29
1997	5,193,895	5,954,365	11,148,260	64,414,280	17.31
1998	7,235,000	3,750,958	10,985,958	67,849,401	16.19
1999	8,035,000	3,506,049	11,541,049	70,985,578	16.26
2000	8,930,000	3,286,176	12,216,176	75,679,960	16.14
2001	8,470,000	3,058,170	11,528,170	77,325,855	14.91
2002	7,960,000	2,734,127	10,694,127	79,923,513	13.38
2003	7,805,000	2,726,692	10,531,692	81,553,355	12.91
2004	7,830,000	2,656,459	10,486,459	85,565,148	12.26

Note:

(1) Includes Total General Governmental expenditures from Table 3.

**Computation of Direct And Estimated Overlapping Bonded Debt
September 30, 2004**

<u>Taxing Jurisdiction</u>	<u>Total Outstanding Bonded Debt (1)</u>	<u>Estimated Percent Applicable</u>	<u>Direct and Estimated Overlapping Bonded Debt</u>
Direct-			
City of Mesquite	\$ 64,650,000	100.00%	\$ 64,650,000
Overlapping-			
Dallas County	183,494,431	4.33	7,945,309
Dallas County Community College District	110,500,000	4.33	4,784,650
Mesquite Independent School District	394,724,255	90.40	356,830,727
Dallas Independent School District	939,099,255	0.26	2,441,658
Garland Independent School District	<u>282,314,346</u>	0.04	<u>112,926</u>
 Total overlapping	 <u>1,910,132,287</u>		 <u>372,115,269</u>
 Total direct and estimated overlapping bonded debt	 <u>\$1,974,782,287</u>		 <u>\$ 436,765,269</u>

Ratio, direct and estimated overlapping debt to fiscal 2004 assessed valuation (2) 7.76%

Per capita direct and estimated overlapping bonded debt (3) \$3,319

Notes:

- (1) Excluding self-supporting debt.
- (2) Fiscal 2004 assessed valuation: \$5,627,494,781.
- (3) Based on 2004 population of 131,600.

**Schedule of Revenue Bond Coverage -
Last Ten Fiscal Years**

<u>Year Ended September</u>	<u>Gross Revenue (1)</u>	<u>Operating Expense (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Average Annual Debt Service Requirements(3)</u>	<u>Times Coverage</u>
<u>WATER AND SEWER BONDS</u>					
1995	\$ 22,642,626	\$ 13,649,394	\$ 8,993,232	\$ 1,664,360	5.4
1996	24,195,845	13,963,338	10,232,507	1,787,352	5.7
1997	23,871,624	14,552,099	9,319,525	1,937,701	4.8
1998	27,152,174	15,803,035	11,349,139	1,976,484	5.7
1999	25,649,237	14,996,086	10,653,151	1,906,475	5.6
2000	28,375,760	15,744,659	12,631,101	2,296,401	5.5
2001	27,937,940	16,635,600	11,302,340	2,477,543	4.6
2002	26,606,963	17,664,168	8,942,795	2,599,696	3.4
2003	28,191,024	20,032,421	8,158,603	2,976,855	2.7
2004	28,057,312	20,664,239	7,393,073	3,164,722	2.3
<u>DRAINAGE UTILITY DISTRICT BONDS</u>					
1995	\$ 1,319,387	\$ 190,881	\$ 1,128,506	\$ 231,640	4.9
1996	2,134,181	203,981	1,930,200	637,679	3.0
1997	2,143,896	162,192	1,981,704	634,007	3.1
1998	2,289,631	324,034	1,965,597	607,911	3.2
1999	2,463,634	316,588	2,147,046	597,364	3.6
2000	2,262,958	420,771	1,842,187	585,990	3.1
2001	2,261,103	474,336	1,786,767	692,970	2.6
2002	2,090,833	521,407	1,569,426	662,266	2.4
2003	2,225,070	501,028	1,724,042	837,604	2.1
2004	2,124,677	541,703	1,582,974	806,313	2.0

Notes:

- (1) Includes operating and nonoperating revenues.
- (2) Includes operating expenses exclusive of depreciation.
- (3) Includes principal and interest of revenue bonds only.

Demographic Statistics

Population Change by Decade

<u>Year</u>	<u>Population (1)</u>	<u>Increase</u>	<u>Percent of Increase by Decade</u>
1920	674	-	-
1930	729	55	8.2%
1940	1,045	316	43.3
1950	1,696	651	62.3
1960	27,526	25,830	1,523.0
1970	55,131	27,605	100.3
1980	67,053	11,922	21.6
1990	101,484	34,431	51.3
2000	124,523	23,039	22.7

Other Demographic Statistics

<u>Year</u>	<u>Population (1)</u>	<u>Labor Force (2)</u>	<u>Unemployment Rate (2)</u>	<u>School Enrollment (3)</u>
1995	109,450	63,492	3.8%	25,871
1996	111,550	64,065	3.4	26,314
1997	113,400	65,727	3.1	27,088
1998	116,350	67,917	2.7	27,814
1999	119,600	68,596	2.6	28,461
2000	124,523	69,341	2.6	29,174
2001	126,570	73,392	4.4	33,094
2002	127,800	72,068	5.7	33,808
2003	129,650	70,747	5.8	34,368
2004	131,600	69,205	4.9	34,181

Sources and Notes:

- (1) 1920 through 2000 population is official U.S. Census Bureau count; 1995 through 1999 and 2001 through 2004 populations are estimates provided by the North Central Texas Council of Governments.
- (2) Texas Employment Commission.
- (3) Mesquite Independent School District serves most of the City, encompassing approximately 60 square miles. There are 45 campuses in the District, 31 elementary 7 middle, 5 senior high, 1 academy, 1 learning center and a total of 4,101 employees, of which 2125 are teachers.

**Growth Indices
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Number of Households (1)</u>	<u>Income per Households (2)</u>	<u>Utility Customers (3)</u>		
			<u>Water</u>	<u>Electric</u>	<u>Gas</u>
1995	40,500	\$46,018	32,866	43,876	23,646
1996	41,000	46,026	33,813	46,780	24,206
1997	42,400	47,063	34,380	45,361	24,907
1998	40,000	45,608	34,865	45,953	25,148
1999	40,900	46,530	35,456	46,549	25,201
2000	40,700	48,190	36,416	47,313	25,260
2001	42,300	51,412	36,941	48,620	25,682
2002	45,115	50,656	37,237	49,098	26,000
2003	48,210	51,302	37,501	44,080	26,376
2004	49,051	52,750	37,827	41,388	26,433

Sources:

- (1) North Central Texas Council of Governments
- (2) MSN.com
- (3) City of Mesquite Water Department, TXU Energy and Gas.

**Property Value and Construction
Last Ten Fiscal Years**

Fiscal Year	New Commercial Construction		New Residential Construction		Real Property Value (2)
	Number of Units (1)	Value (1)	Number of Units (1)	Value (1)	
1995	19	\$ 19,263,060	462	\$ 37,461,459	\$ 2,653,343,915
1996	45	30,838,347	588	48,222,962	2,736,890,783
1997	48	51,696,398	615	56,867,536	2,897,226,801
1998	49	37,310,350	583	63,637,613	3,086,880,782
1999	51	50,081,649	642	98,531,766	3,302,495,791
2000	38	51,590,699	736	89,686,677	3,572,997,772
2001	41	40,765,688	469	67,851,524	3,838,922,262
2002	44	61,065,142	395	75,181,070	4,094,263,252
2003	24	23,307,800	424	71,085,875	4,587,309,166
2004	30	18,856,439	542	60,334,305	4,803,913,201

Sources:

- (1) Building Inspection Division
- (2) Tax Division - See Table 6

**Texas Municipal Retirement System (TMRS) -
Schedule of Funding Progress
Last Ten Fiscal Years**

<u>As of 12/31</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
1994	\$73,075,980	\$ 94,709,498	\$ 21,633,518	77.2%	\$30,030,264	72.0%
1995	82,116,677	106,091,411	23,974,734	77.4	31,490,192	76.1
1996	87,943,825	116,781,094	28,837,269	75.3	33,689,809	85.6
1997	96,790,717	129,603,719	32,813,002	74.7	34,183,150	96.0
1998	103,141,557	133,767,499	30,625,942	77.1	35,779,768	85.6
1999	113,073,340	144,626,978	31,553,638	78.2	38,733,415	81.5
2000	114,748,270	149,980,022	35,231,752	76.5	41,374,327	85.2
2001	126,644,260	164,947,365	38,303,105	76.8	44,197,739	86.7
2002	133,208,075	176,937,579	43,729,504	75.3	46,246,511	94.6
2003	137,336,980	188,425,618	51,088,638	72.9	47,631,939	107.3

<u>Year Ended 12/31</u>	<u>Revenues by Source</u>			<u>Expenses by Type</u>			
	<u>Employee Contributions</u>	<u>Employer Contributions</u>	<u>Investment Income</u>	<u>Benefits Paid</u>	<u>Refunds</u>	<u>Transfers</u>	<u>Other</u>
1994	\$ 2,123,217	\$ 3,347,788	\$ 6,618,615	\$ 986,094	\$ 289,527	\$ 3,465,947	\$ (113)
1995	2,276,564	3,784,806	7,166,560	1,069,414	467,876	2,630,514	(19,429)
1996	2,365,360	4,378,552	7,967,285	1,332,786	521,635	7,031,582	1,954
1997	2,505,895	4,623,884	8,577,774	1,515,237	602,017	4,744,626	1,219
1998	2,570,119	5,189,091	9,349,113	2,403,961	841,195	7,530,701	(18,374)
1999	2,785,773	5,856,923	10,080,953	2,476,044	525,926	5,789,896	-
2000	2,996,174	5,913,002	10,805,524	5,034,638	449,615	12,554,341	(1,176)
2001	3,150,926	6,111,869	10,709,509	3,197,141	573,941	4,347,712	42,480
2002	3,370,857	6,584,254	10,892,446	4,056,425	437,473	9,788,760	(1,084)
2003	3,408,854	6,764,887	10,386,303	5,039,997	351,519	11,039,120	(503)

Source: Texas Municipal Retirement System Comprehensive Annual Financial Reports.

NOTES:

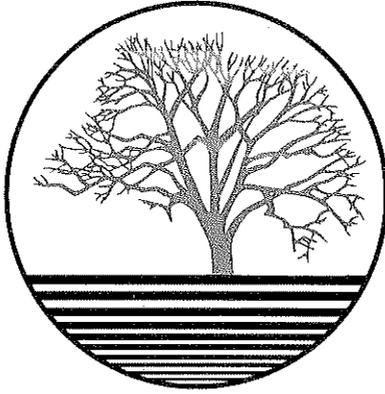
Trend data presented is based on the fiscal year of the Texas Municipal Retirement System which ends December 31.

**Miscellaneous Statistical Data
September 30, 2004**

Government-		Culture and recreation-	
Date of incorporation	December 3, 1887	Number of libraries	2
Date of adoption of city charter	August 22, 1953	Number of volumes	175,806
Form of government	Council-Manager	Number of other media	12,972
Area now incorporated	43.7 sq. mi.	Number of parks	66 with 1,422ac.
		Athletic fields	107
		Municipal swimming pools	4
		Playgrounds	34
		Golf course	1
		Community centers	6
Employees-	<u>Full Time</u>	Reservation sites	28
General fund:	<u>Equivalents</u>	Tennis courts	33
General government	85.48	Arts Center	1
Fire services	192.00	Water and sewer-	
Police services	282.50	Number of water customers	37,827
Field services	130.00	Daily average consumption (gallons)	18,984,000
Public services	24.00	Water system miles	448
Code compliance	37.00	Number of sewer customers	36,410
Development services	5.05	Sewer system miles	491
Library services	34.55	Municipal airport-	
Parks and recreation	122.85	Number of landings and takeoffs (annual)	100,000
Community services	19.15	Number of hangars (city and private)	141
Total general	<u>932.58</u>	Number of tie-downs (city and private)	55
Grant services	16.30	Elections-	
Water and sewer operations	103.57	Registered voters	66,316
Municipal airport	7.38	Number of votes cast last presidential election	35,025
Drainage utility district	7.00	Percentage of registered voters voting	52.82%
Total other funds	<u>134.25</u>		
	<u>1066.83</u>	Sex and age characteristics- (1)	
Volunteers-			
Number of volunteers	230		
Total hours worked	14,726		
Fire service-			
Number of stations	7	Total population	124,523 100.00%
Number of sworn employees	189	Male	59,987 48.20%
		Female	64,536 51.80%
		Median age	31.9
Police service-		Housing characteristics- (2)	
Number of sworn employees	214		
Public service-			
Miles of street	435	Total housing units	46,245 100.00%
Miles of alleys	215	Occupied	43,926 95.00%
Number of street lights	3,986	Vacant	2,319 5.00%
Code compliance-		Occupied housing units	43,926 100.00%
Building permits issued	2,915	Owner-occupied	28,762 65.50%
Estimated value of improvements	\$145,000,000	Renter-occupied	15,164 34.50%

Sources:

- (1) U. S. Census Report - 2000
- (2) North Central Texas Council of Governments



**MESQUITE
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