

City of Mesquite, Texas

Comprehensive Annual Financial Report

For Fiscal Year Ended September 30, 2006



CITY OF MESQUITE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

September 30, 2006

Prepared by:

Finance Department

MESQUITE

T E X A S

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City of Mesquite, Texas

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

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CITY OF MESQUITE, TEXAS

CITY OFFICIALS

SEPTEMBER 30, 2006

CITY COUNCIL

Mike Anderson, Mayor

John L. Heiman Jr., Mayor Pro-Tem

David L. Paschall, Deputy Mayor Pro Tem

John Monaco, Council Member

Stan H. Pickett, Council Member

Shirley Roberts, Council Member

Dennis Tarpley, Council Member

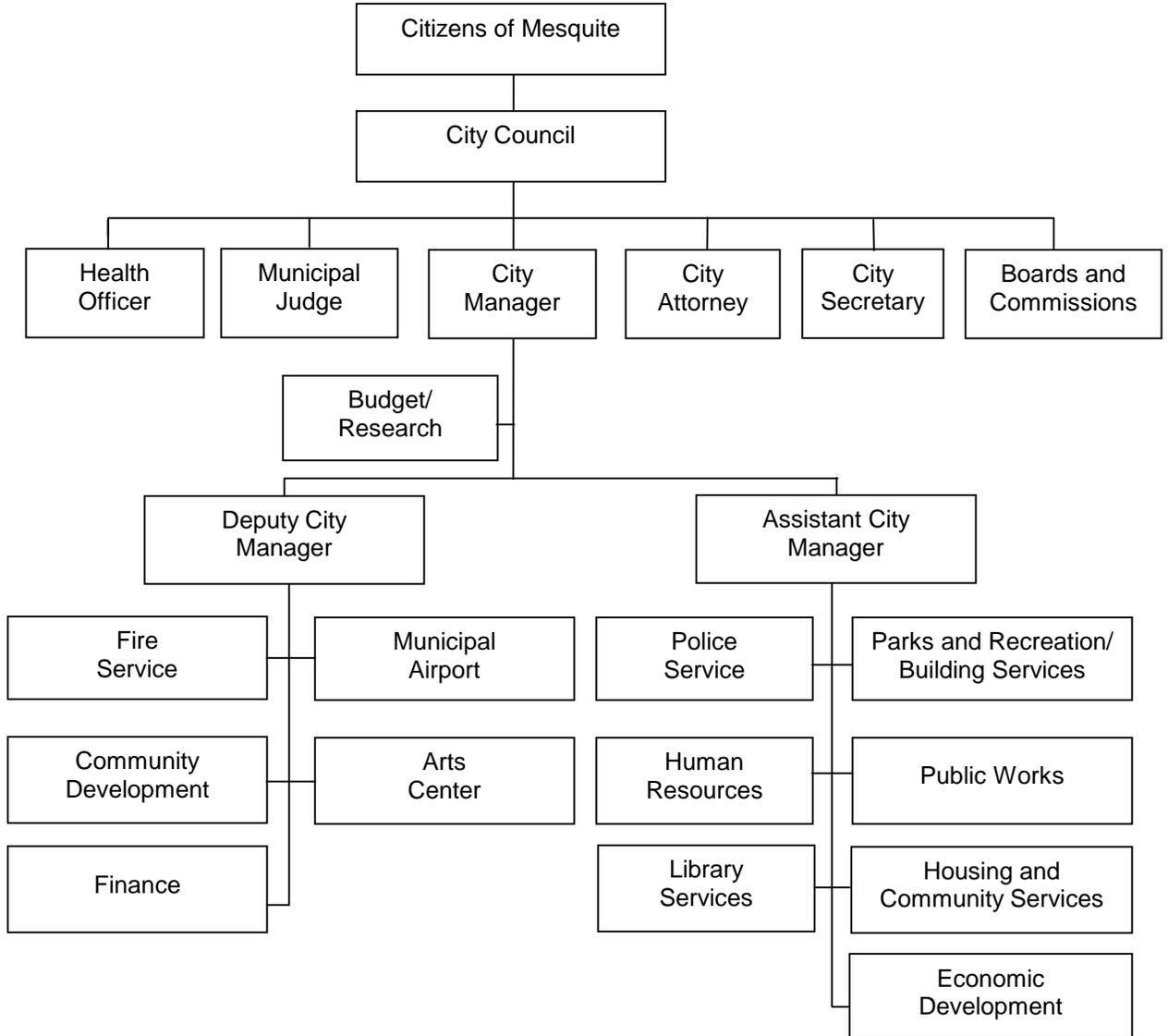
Ted Barron, City Manager

Donald W. Simons, Director of Finance

George G. Vadakin, Accounting Manager

City of Mesquite, Texas

**Organizational Chart
September 30, 2006**





February 28, 2007

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, 2006, 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.

Deloitte & Touche LLP, independent auditors, have issued an unqualified opinion on the City of Mesquite’s financial statements for the year ended September 30, 2006. The Independent Auditors’ report is located at the front of the financial section of this report.

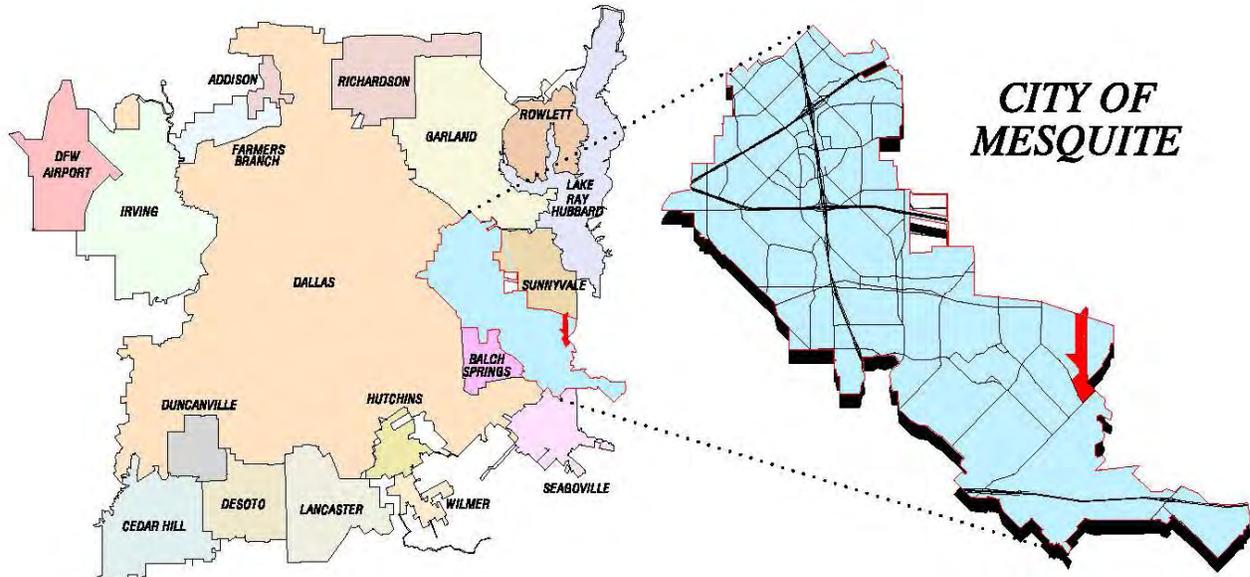
The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to the single audit, including the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

General Information - City of Mesquite

The City is located in eastern Dallas County, with its corporate limits adjoining the corporate limits of Dallas for a distance of about eight miles. The old downtown section of Mesquite is approximately 13 miles from downtown Dallas. The incorporated area of Mesquite is presently 46.3 square miles.

Mesquite celebrated its 119th birthday on December 3, 2006. 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 135,984, 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 a significant loss of general sales tax revenues or business closures.

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 southbound along the Interstate Highway 635 corridor linking it with the Mesquite Rodeo Arena and Convention Center area. This retail and entertainment destination is now collectively named *The Rows of Texas*.

The industrial side of Mesquite is equally impressive. The Skyline Industrial Park is 1,500 acres in size and is home to the largest concentration of industries on the east side of the Metroplex. Ranging in size from the small manufacturer employing less than ten people to the giants of industry such as United Parcel Service that employ approximately 2,340 people, the Skyline Industrial Park is ideally located for manufacturing and distribution industries. Recent additions to this industrial area include On Target Logistics occupying 400 thousand square feet of the former Icon Building for a Rubbermaid distribution center, the new 520 thousand square foot ProLogis Building 2 is completed and 260 thousand square feet is occupied by Prime Distribution, a Wal-Mart distributor with Shippers Warehouse-Bissell, a distributor for Bissell occupying the remaining 260 thousand square feet. Abatix, specializing in cleanup and restoration, relocated its corporate headquarters to Mesquite and is occupying 60 thousand square feet in Skyline Trade Center. Many of our older businesses are also in an expansion mode including Dal-Tile, a manufacturer of tile flooring, added an additional 200 thousand square feet in the Peachtree Center and Iris USA has nearly completed a 124 thousand square foot expansion to accommodate relocation of its California plant.

Although there has been a decline in the national and local economy, the long-range economic outlook for Mesquite is very promising. In recent years, Mesquite has been a leader in residential growth and is presently

strengthening its programs for attracting new and retaining existing businesses. Mesquite's citizens and its business community are committed to managed growth, and to maintaining the level of economic prosperity and the quality of life Mesquite currently enjoys.

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

Major Initiatives

For the Year. Following the directives of the City Council, a number of initiatives were undertaken during the year to provide for and improve the quality of governmental services the citizens of Mesquite have come to expect. These improvements were identified after a systematic review of all activities of the City in which each program was analyzed to ensure that it was needed and wanted by the community and that it was being provided with maximum efficiency at the lowest cost possible. An excellent source of information about the City, its services, and current initiatives can be found at the City's website. 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 1997 to the year 2006, over 6,900 new homes were built. This development has primarily occurred in southeast Mesquite, where the largest concentration of undeveloped land is located. To accommodate additional growth, a thoroughfare plan was developed and is presently being implemented to provide improved roadway access to and within this sector of the City. The need for other infrastructure improvements was previously addressed with expansion of the water and sewer system and the opening of a new fire station to serve the area. City Council has recently adopted an updated plan and development standards for future residential development in the area. With higher standards covering such issues as residential density, open space percentages, neighborhood amenities, minimum home sizes, and design diversity, the City feels the long-term neighborhood viability in terms of stable or appreciating values will be assured.

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

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. To preserve the value of our neighborhoods for generations to come, the City has launched “Addressing MESQUITE” – an initiative to raise awareness about existing codes that maintain the appearance and condition of our area homes and neighborhoods.

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

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 Deputy City Manager, Assistant City Manager, Finance Director and Budget Director. The City Manager makes final decisions and submits a recommended budget to the City Council prior to August 15. The proposed budget is reviewed extensively by the City Council, public hearings are conducted, and the budget is legally enacted by passage of an ordinance prior to October 1.

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

During the course of the fiscal year, monthly expenditure reports are generated by the Accounting Division using the City’s automated accounting system. These reports provide budget, expenditure, and encumbrance

data for each cost center. In addition, on-line inquiry capability is provided to every department to review appropriation, project, document, and vendor file data. At month-end, a summarized Monthly Financial Report is presented to the City Council.

Tax Rates

All eligible property within the City is subject to assessment, levy, and collection by the City of an ad valorem tax sufficient to provide for the payment of principal and interest on outstanding bonds within the limits prescribed by law, and the payment of maintenance and operation costs as approved by the City Council. Under State law and provisions of the City Charter, the City is limited to a maximum tax rate of \$2.50 per \$100 assessed valuation. The tax rate adopted by the City Council has historically been substantially lower than the maximum provided by law. Allocations of property tax levy by purpose for fiscal year 2006 and the preceding two years are as follows (amounts per \$100/assessed value):

<u>Purpose</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Maintenance and Operations	\$.44090	\$.42325	\$.38833
Debt Service	.16058	.15823	.15315
Total Tax Rate	<u>\$.60148</u>	<u>\$.58148</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, 2006 and 2005, is as follows:

	<u>2006</u>	<u>2005</u>
Net General Bonded Debt	\$ 78,591,294	\$ 73,399,211
Ratio of Net Bonded Debt to Assessed Value	1.34 %	1.31 %
Debt per Capita	\$ 578.33	\$ 549.37

The City's general obligation bonds have been assigned the rating of Aaa by Moody's Investors Service and AAA 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 the safety and preservation of the principal. The City purchases treasury bills, notes and government agencies, as well as funds from local government investment pools consisting of these securities. The average yield on investments was 4.22% for the year, and the amount of interest earned was \$4,114,450 after recording a \$326,175 net unrealized loss attributable to marking investments to their fair value as of September 30, 2006. The City's investment performance ranks favorably when compared to market yield rates. The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits are either insured by federal depository insurance or collateralized. All collateral on deposits is held by a third-party custodial bank in the City's name.

Employee's Retirement System

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

Other Information

Certificate of Achievement. The Government Finance Officers Association of the United States and Canada (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Mesquite, Texas, for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2005. This was the twenty-seventh consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully Submitted,



Director of Finance



Accounting Manager

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Mesquite
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2005

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



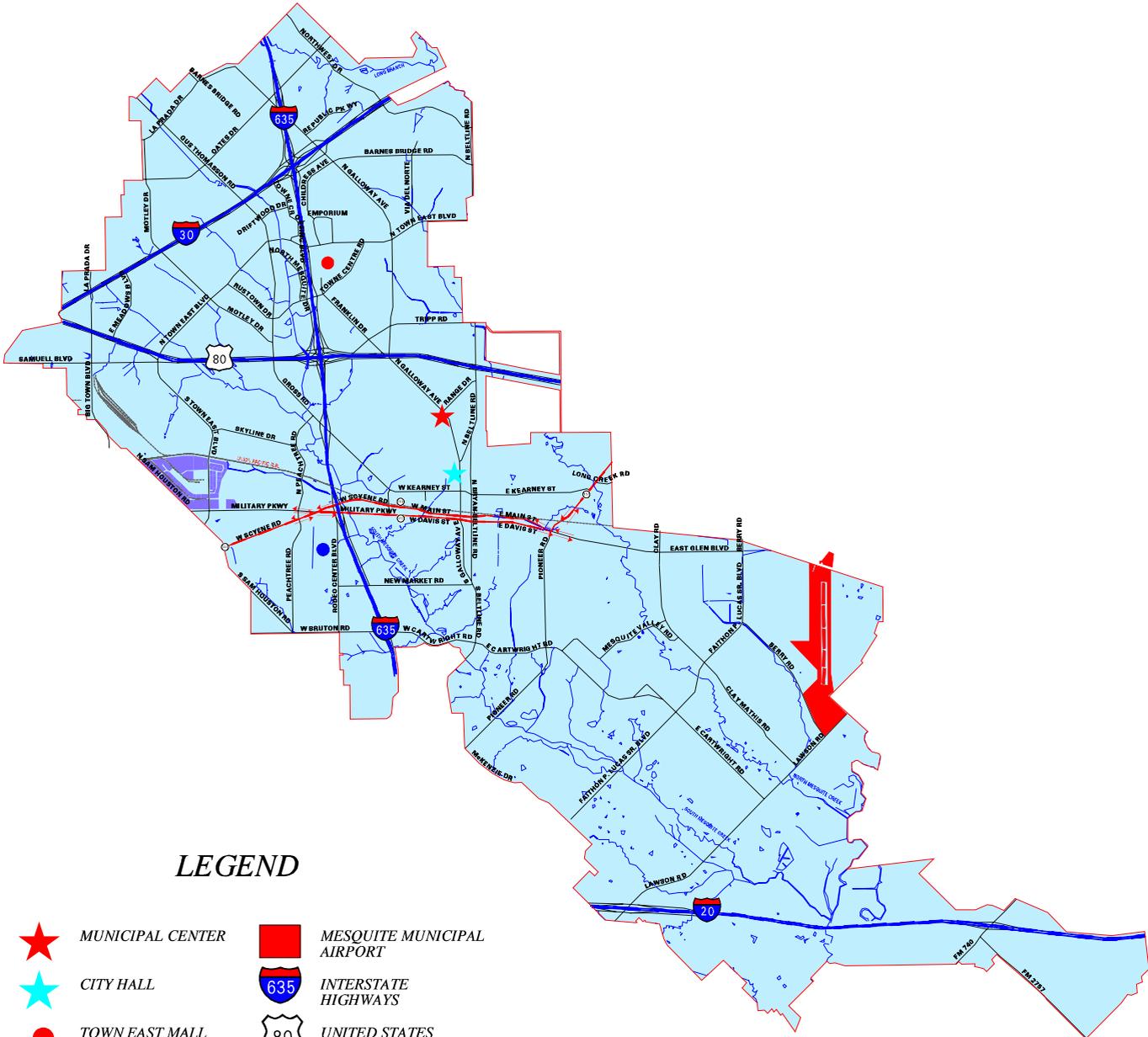
President

Executive Director

MESQUITE

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LEGEND

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

City of Mesquite
GIS Division
2007

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, 2006, 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 of Mesquite's management. Our responsibility is to express an opinion on the respective 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit 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 of Mesquite, Texas as of September 30, 2006, 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 the City of Mesquite's 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 City's respective financial statements that collectively comprise the City's basic financial statements. 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 of Mesquite'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. This additional information is the responsibility of the City of Mesquite's management. 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 28, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing, 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 28, 2007

Mesquite, City of Texas
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2006

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, 2006. 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 \$292 million (net assets). Of this amount, \$31 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 \$24.5 million this fiscal year with 48.4 percent of the increase attributable to activities which receive taxes and other nonexchange revenues (governmental activities) and the remainder from business activities.
- As of the close of the current fiscal year, the City of Mesquite's governmental funds reported combined ending fund balances of \$67.8 million, an increase of \$11.1 million from the prior year. Of this amount, \$62.1 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 \$18.8 million. This represents over 20.4 percent of expenditures and transfers out and exceeds the 15 percent required by the City's adopted fund balance policy. On a current financial resources basis, total fund balance for the general fund increased over \$2.1 million which was due to expenditure savings, favorable interest earnings and sales and property tax revenues above budget.
- The City's net bonded debt increased by \$10.1 million during this current fiscal year. The City issued general obligation debt for street, equipment, and municipal building improvements, and new facilities as well as revenue bonded debt for water and sewer improvements.

Overview of the Financial Statements

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

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

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

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

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City maintains 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 include a statement of fiduciary assets and liabilities. The accounting used for this fiduciary fund is much like that used for proprietary funds.

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

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

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. 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.

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 \$292 million as of September 30, 2006.

The largest portion of the City's net assets (83.1 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>	
	FY2006	FY2005	FY2006	FY2005	FY2006	FY2005
Current and other assets	\$ 84,702	\$ 72,854	\$ 38,868	\$ 33,050	\$ 123,570	\$ 105,904
Capital assets	<u>182,643</u>	<u>169,072</u>	<u>167,498</u>	<u>154,722</u>	<u>350,141</u>	<u>323,794</u>
Total assets	<u>267,345</u>	<u>241,926</u>	<u>206,366</u>	<u>187,772</u>	<u>473,711</u>	<u>429,698</u>
Long-term liabilities outstanding	103,727	91,077	63,415	58,565	167,142	149,642
Other liabilities	<u>8,195</u>	<u>7,278</u>	<u>6,012</u>	<u>4,886</u>	<u>14,207</u>	<u>12,164</u>
Total liabilities	<u>111,922</u>	<u>98,355</u>	<u>69,427</u>	<u>63,451</u>	<u>181,349</u>	<u>161,806</u>
Invested in capital assets, net of related debt	128,362	117,266	114,583	104,206	242,945	221,472
Restricted net assets	10,914	7,774	7,124	6,685	18,038	14,459
Unrestricted net assets	<u>16,147</u>	<u>18,531</u>	<u>15,232</u>	<u>13,430</u>	<u>31,379</u>	<u>31,961</u>
Total net assets	<u>\$ 155,423</u>	<u>\$ 143,571</u>	<u>\$ 136,939</u>	<u>\$ 124,321</u>	<u>\$ 292,362</u>	<u>\$ 267,892</u>

An additional portion of the City's net assets (6.2 percent) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$31.4 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 almost \$24.5 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	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 23,623	\$ 24,544	\$ 35,909	\$ 34,131	\$ 59,532	\$ 58,675
Operating grants and contributions	12,439	12,561	-	-	12,439	12,561
Capital grants and contributions	7,433	1,693	10,532	4,659	17,965	6,352
General revenues:						
Ad valorem taxes	35,505	33,073	-	-	35,505	33,073
Gross receipts taxes	7,551	7,416	-	-	7,551	7,416
Sales taxes	36,880	35,663	-	-	36,880	35,663
Investment income	3,204	1,343	1,251	636	4,455	1,979
Total revenues	126,635	116,293	47,692	39,426	174,327	155,719
Expenses:						
General government	16,796	18,739	-	-	16,796	18,739
Fire services	21,186	19,636	-	-	21,186	19,636
Police services	28,156	26,336	-	-	28,156	26,336
Field services	6,629	12,670	-	-	6,629	12,670
Public works	15,381	2,974	-	-	15,381	2,974
Community development	3,302	3,375	-	-	3,302	3,375
Housing services	10,305	10,918	-	-	10,305	10,918
Library services	2,137	2,052	-	-	2,137	2,052
Parks and recreation	10,538	8,135	-	-	10,538	8,135
Community services	1,561	1,121	-	-	1,561	1,121
Interest on long-term debt	3,312	2,478	-	-	3,312	2,478
Water and sewer	-	-	27,468	26,230	27,468	26,230
Drainage utility	-	-	1,550	1,615	1,550	1,615
Municipal airport	-	-	1,537	1,297	1,537	1,297
Total expenses	119,303	108,434	30,555	29,142	149,858	137,576
Increase in net assets before transfers	7,332	7,859	17,137	10,284	24,469	18,143
Transfers	4,519	4,514	(4,519)	(4,514)	-	-
Increase in net assets	11,851	12,373	12,618	5,770	24,469	18,143
Net assets - October 1	143,572	131,199	124,321	118,551	267,893	249,750
Net assets - September 30	\$ 155,423	\$ 143,572	\$ 136,939	\$ 124,321	\$ 292,362	\$ 267,893

Governmental Activities

Governmental activities increased the City of Mesquite's net assets by nearly \$11.9 million or 48.4 percent of the total growth in net assets.

The City's program revenues from governmental activities increased by \$4.7 million (12.1 percent) during the year. Contributions by private developers to the City's infrastructure increased by \$6.4 million. The City's intergovernmental revenues in support of the U. S. Department of Housing and Urban Development ("HUD") housing assistance program were \$254 thousand higher than last year. Charges for services decreased \$921 thousand, however the prior year reflected revenue of \$1.9 million for a joint planning project. Use fees

increased \$852 thousand and permit fees \$412 thousand. Recovery of costs from internal service fund activities was \$382 thousand lower. Other elements of program revenues were relatively stable or had modest increases during the year.

General revenues of the City increased \$5.6 million during the year. Property tax revenue increased \$2.4 million due to increased property valuations, addition of new property throughout the City, and a property tax rate increase of 2 cents (.02/\$100 of assessed valuation). General revenue from sales taxes was 3.4 percent higher for the year, an increase of \$1.2 million. Investment income increased by \$1.9 million due to favorable market conditions and gross receipts taxes increased by \$135 thousand.

Expenses for the City's governmental activities increased by \$10.9 million compared with the prior fiscal year. General government expenses increased \$3.7 million due largely to participation in an intergovernmental highway project involving IH-635 and the Town East area. To address public safety concerns 7 new officers were added in the current year. Police services and fire services increased \$3.4 million during the current fiscal year. Step increases in the City's pay plan accounted for most of the increases in those functional activities which include personal services, as salary and related benefit expenses were \$2.2 million (5.4 percent) higher. Parks and recreation expenses increased \$2.4 million reflecting increases in most programs and decreased operating reimbursement from 4-B Sales Tax funds. Interest on long-term debt increased \$834 thousand due to the issuance of new bonded debt and notes payable for the IH-635 project and energy conservation measures at city hall. 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 \$280 thousand depreciation expense on capital assets, and \$952 thousand in accrued compensated absences.

Business-type Activities

Business-type activities increased the City of Mesquite's net assets by \$12.6 Million or 51.6 percent of the total growth in net assets.

The City's program revenues for business-type activities increased \$7.7 million during the fiscal year. The majority of the program revenues for the City's business-type activities are from its water and sewer operations. Water and sewer customer charges increased \$1.8 million from the previous year, much less than anticipated with a 15.5 percent increase in water rates and a 17.6 percent increase in sewer rates. The City was forced to implement mandatory drought restriction in 2006 due largely to the continued extreme dry conditions north Texas is experiencing. The drought restrictions limited new plantings, watering days and times. Capital grants and contributions increased substantially during the year. Contributions by private developers increased \$9.3 million in water and sewer, however developer contributions and city contributions in the drainage utility and municipal airport decreased. Also, in 2006 the City refunded \$1.7 million in capital contributions in the drainage utility when North Texas Municipal Water District entered into an agreement with the City to construct, operate and maintain assets that were previously contributed by a developer.

Expenses attributable to the business-type activities increased by over \$1.4 million this fiscal year. Higher personal services expenditures, charges for internal service fund activities and supply expenditures were primarily responsible for these increases.

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 \$67.8 million. Approximately 92 percent of this total amount (\$62.2 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 \$5.0 million and debt service of \$584 thousand. The fund balance for all governmental funds increased by \$11.1 million from 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 \$18.9 million while the total fund balance was at \$19.5 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 20.6 percent of total General Fund expenditures and transfers out, while the total fund balance represents 21.2 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 an increase in fund balance this fiscal year of \$2 thousand. The final amended budget projected an increase of \$5 thousand. Differences between the original and final estimated revenues were primarily a decrease in ad valorem tax revenues of \$648 thousand, charges for services of \$117 thousand, and other revenues of \$203 thousand and increases in sales tax of \$442 thousand, gross receipts tax of \$159 thousand, licenses and permits of \$229 thousand, fines and forfeitures of \$3 thousand, investment income of \$534 thousand, and intergovernmental revenues of \$572 thousand. On the expenditure budget side the final budget increased \$1.3 million. Most functional areas were projected to remain basically the same as originally adopted in the budget process with the exception of fire services which increased \$457 thousand in the areas of fire operations, and fire training, public works which increased \$191 thousand due primarily to street lighting, and parks and recreation which increased \$367 thousand mainly due to parks and recreation programs. Due to conservative revenue forecasting, and savings in supplies and contractual services, fund balance increased by \$2.1 million in the General Fund.

The Grants Fund is a major special revenue fund used to accounts 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. The fund balance is \$1.7 million at the end of the year.

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 \$15.1 million and those for the Drainage Utility District amounted to \$1.3 million. The total change in net assets for both funds was \$13.3 million and \$(116) thousand, respectively. The factors concerning the finances of the Water and Sewer fund have already been addressed in the discussion of the City of Mesquite's business-type activities. The Drainage Utility District fund operating results were consistent with the prior year except for reduced contributions from developers in the amount of \$1.5 million and a refund of a contribution to developer in the amount of \$1.7 million related to the construction, maintenance and operation of fixed assets by the North Texas Municipal Water District.

Capital Assets

At the end of fiscal year 2006, the City had \$350 million (net of accumulated depreciation) invested in capital assets for its governmental and business-type activities in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. The total increase in the City of Mesquite's investment in capital assets (net of accumulated depreciation) was nearly 8 percent for the current fiscal year.

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

	Governmental Activities		Business-type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Land	\$ 18,362	\$ 17,965	\$ 6,491	\$ 6,388	\$ 24,853	\$ 24,353
Construction in progress	17,188	21,652	12,983	17,932	30,171	39,584
Buildings	32,263	28,325	2,751	2,054	35,014	30,379
Infrastructure	89,078	80,602	143,411	126,672	232,489	207,274
Improvements	9,119	4,934	334	104	9,453	5,038
Equipment	16,633	15,594	1,528	1,572	18,161	17,166
Totals	\$ 182,643	\$ 169,072	\$ 167,498	\$ 154,722	\$ 350,141	\$ 323,794

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

- Over \$6.8 million was expended for street and alley projects including continuing work on Military Parkway, Lucas Bridge, Clay Mathis, Via Del Norte, Edwards-Church Road and Pioneer.
- The need for upgraded City facilities was addressed with almost \$4.5 million being expended toward the completion of the new Animal Shelter, Community Services building, Fire Station #1, and the continuing work on the Police Facility buildings. The Animal Shelter, Community Services building, and the Fire Station were completed and occupied in the current year. Work on the Police Facilities Building will be ongoing for the next several years.
- \$3.8 million was spent on Parks and Recreation capital projects including \$2.2 million for the Vanston Pool replacement.
- Current year outlay for the water and sewer system was \$5.8 million and infrastructure and equipment amounting to \$9.9 million was placed into service.
- The drainage utility added \$950 thousand primarily from the Pecan Bend drainage improvements.
- Improvements continued at the Mesquite Municipal Airport with current year expenditures of almost \$1.3 million for a hangar acquisition and construction and completion of the airport terminal building and parking. The City made use of City bond proceeds 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 \$140.5 million in net bonded debt outstanding. Of this total amount, \$78.3 million or 56 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	
	2006	2005	2006	2005	2006	2005
General obligation	\$ 44,682	\$ 46,522	\$ -	\$ -	\$ 44,682	\$ 46,522
Certificates of obligation	28,495	21,570	-	-	28,495	21,570
Public property finance contractual obligations	5,090	4,835	-	-	5,090	4,835
Revenue bonds	-	-	62,223	57,415	62,223	57,415
Totals	<u>\$ 78,267</u>	<u>\$ 72,927</u>	<u>\$ 62,223</u>	<u>\$ 57,415</u>	<u>\$ 140,490</u>	<u>\$ 130,342</u>

During the fiscal year, there were the following debt issuances: \$1.8 million of general obligation debt for street and alley improvements; \$9.1 million of certificate of obligation debt for municipal building and other improvements; \$1.7 million in contractual obligations for equipment, and \$8.6 million of revenue bonds for water and sewer improvements.

The City's general obligation bonds have been assigned the rating of Aaa by Moody's Investors Service and AAA by the Standard & Poor's Ratings Group for these most recent issues. The revenue bond ratings were Aaa by Moody's and AAA- by Standard and Poor's. All of the City's current year bond issuances are insured by commercial insurance companies.

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

Economic Factors and Next Year's Budgets and Rates

The economic outlook for next year is slightly better than the current year with sales tax and property tax projections increasing by 3 percent and 4 percent respectively. While this is a positive sign, Mesquite still lags behind other cities in the metroplex in terms of major revenue source growth. The property tax base for area cities is expected to grow by 9 percent on average, and sales tax receipts statewide is averaging 12 percent. Our population growth has been steady with a current population at an estimated 135,894 up nearly 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 economic slowdown being experienced nationally as well as locally.

In the 2006-07 budget, General Fund revenues and transfers in are budgeted to increase by 3.8 percent from the 2005-06 budget with general property taxes making up about 38.8 percent of the total revenues. 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

3.6 percent over the preceding year while the City tax rate was increased by \$.0185 per \$100 of assessed valuation. Facing volatile sales tax revenue, rising fuel costs and a desire to maintain enhanced public safety and quality services for the community this rate increase was deemed necessary. With the increase in taxable valuations and higher tax rate, an additional \$2.4 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, increasingly high energy costs, 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 hold its share of the market. General sales tax receipts are projected to grow at a modest 3 percent due to the continued slow economy and increased competition from surrounding communities. This revenue source comprises 27.5 percent of General Fund revenues and transfers in. This revenue source is the most volatile and subject to decline if the economic slowdown worsens.

It is anticipated that under the proposed budget that the City will be able to maintain service levels and goals developed in the strategic plan. The adopted 2007 General Fund budget totals \$97.2 million in expenditures and transfers out, an increase of \$4.6 million (5.0 percent). Seven 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 2007.

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 gvadakin@ci.mesquite.tx.us.

City of Mesquite, Texas

**Statement of Net Assets
September 30, 2006**

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
ASSETS:			
Pooled cash and investments	\$ 67,400,285	\$ 32,625,721	\$ 100,026,006
Receivables (net of allowance for uncollectibles)	13,618,050	5,989,296	19,607,346
Internal balances	1,015,778	(1,015,778)	-
Inventory	364,627	383,000	747,627
Prepays and other assets	1,961,720	744,705	2,706,425
Accrued interest	341,156	141,087	482,243
Capital assets-			
Land and construction in progress	35,550,461	19,474,192	55,024,653
Other capital assets (net of accumulated depreciation)	<u>147,093,032</u>	<u>148,023,417</u>	<u>295,116,449</u>
Total Assets	<u>267,345,109</u>	<u>206,365,640</u>	<u>473,710,749</u>
LIABILITIES:			
Accounts payable	6,489,504	2,784,440	9,273,944
Accrued interest payable	637,113	220,235	857,348
Deposits	1,068,365	3,007,209	4,075,574
Long-term liabilities:			
Due within one year:			
Capital lease payable	41,211	42,363	83,574
Bonds payable	6,775,000	3,790,000	10,565,000
Notes payable	390,956	-	390,956
Accrued compensated absences	5,528,862	205,731	5,734,593
Estimated claims payable	2,098,000	-	2,098,000
Due in more than one year:			
Capital lease payable	72,933	74,975	147,908
Bonds payable	71,492,138	58,433,229	129,925,367
Notes Payable	5,644,497	-	5,644,497
Accrued compensated absences	11,263,060	868,789	12,131,849
Estimated claims payable	<u>420,646</u>	<u>-</u>	<u>420,646</u>
Total Liabilities	<u>111,922,285</u>	<u>69,426,971</u>	<u>181,349,256</u>
NET ASSETS:			
Invested in capital assets, net of related debt	128,361,801	114,583,318	242,945,119
Restricted for:			
Capital projects	10,330,585	-	10,330,585
Debt service	583,706	7,123,524	7,707,230
Unrestricted	<u>16,146,732</u>	<u>15,231,827</u>	<u>31,378,559</u>
Total Net Assets	<u>\$ 155,422,824</u>	<u>\$ 136,938,669</u>	<u>\$ 292,361,493</u>

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

**Statement of Activities
For the Year Ended September 30, 2006**

	<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	\$ 16,796,288	\$ 3,882,460	\$ 870	\$ -
Fire services	21,186,310	1,647,401	19,054	424,273
Police services	28,156,433	4,057,567	118,937	33,864
Field services	6,628,928	5,949,520	-	6,691,428
Public works	15,380,955	709,997	-	-
Community development	3,301,491	4,987,956	-	3,527
Housing services	10,305,135	70,009	11,613,624	73,785
Library services	2,137,183	76,147	71,308	12,583
Parks and recreation	10,537,593	1,552,892	26,246	-
Community services	1,560,677	303,921	583,841	7,269
Other	-	385,418	5,000	186,403
Interest on long-term debt	<u>3,312,025</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>119,303,018</u>	<u>23,623,288</u>	<u>12,438,880</u>	<u>7,433,132</u>
Business-type activities:				
Water and sewer	27,468,182	32,682,273	-	10,810,172
Drainage utility	1,549,999	2,128,412	-	(829,335)
Municipal airport	<u>1,536,997</u>	<u>1,098,175</u>	<u>-</u>	<u>551,143</u>
Total business-type activities	<u>30,555,178</u>	<u>35,908,860</u>	<u>-</u>	<u>10,531,980</u>
Total function / program activities	<u>\$ 149,858,196</u>	<u>\$ 59,532,148</u>	<u>\$ 12,438,880</u>	<u>\$ 17,965,112</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				
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>
\$	(12,912,958)	\$ -	\$ (12,912,958)
	(19,095,582)	-	(19,095,582)
	(23,946,065)	-	(23,946,065)
	6,012,020	-	6,012,020
	(14,670,958)	-	(14,670,958)
	1,689,992	-	1,689,992
	1,452,283	-	1,452,283
	(1,977,145)	-	(1,977,145)
	(8,958,455)	-	(8,958,455)
	(665,646)	-	(665,646)
	576,821	-	576,821
	<u>(3,312,025)</u>	<u>-</u>	<u>(3,312,025)</u>
	<u>(75,807,718)</u>	<u>-</u>	<u>(75,807,718)</u>
	-	16,024,263	16,024,263
	-	(250,922)	(250,922)
	-	<u>112,321</u>	<u>112,321</u>
	-	<u>15,885,662</u>	<u>15,885,662</u>
	<u>(75,807,718)</u>	<u>15,885,662</u>	<u>(59,922,056)</u>
	35,504,550	-	35,504,550
	7,551,253	-	7,551,253
	36,879,703	-	36,879,703
	3,204,427	1,251,029	4,455,456
	<u>4,519,243</u>	<u>(4,519,243)</u>	<u>-</u>
	<u>87,659,176</u>	<u>(3,268,214)</u>	<u>84,390,962</u>
	11,851,458	12,617,448	24,468,906
	143,571,366	124,321,221	267,892,587
\$	<u>155,422,824</u>	<u>\$ 136,938,669</u>	<u>\$ 292,361,493</u>

City of Mesquite, Texas

**Balance Sheet - Governmental Funds
September 30, 2006**

	<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	\$ 15,798,003	\$ 1,679,986	\$ 24,412,186	\$ 22,501,111	\$ 64,391,286
Receivables (net allowance for uncollectibles):					
Accounts receivable	3,247,352	-	39,908	423,007	3,710,267
Ad valorem taxes	1,018,664	-	-	-	1,018,664
Other taxes receivable	1,684,879	-	-	-	1,684,879
Assessments	-	-	351,866	-	351,866
Intergovernmental	4,671,646	613,915	-	1,522,994	6,808,555
Due from other funds	541,350	-	-	-	541,350
Inventory	364,627	-	-	-	364,627
Prepays	38,643	-	-	750	39,393
Accrued interest	136,219	-	111,009	76,616	323,844
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 27,501,383</u>	<u>\$ 2,293,901</u>	<u>\$ 24,914,969</u>	<u>\$ 24,524,478</u>	<u>\$ 79,234,731</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 4,344,113	\$ 45,290	\$ 683,800	\$ 1,236,246	\$ 6,309,449
Deposits	711,241	-	-	357,124	1,068,365
Due to other funds	-	541,350	-	-	541,350
Deferred revenues	2,925,495	-	383,666	246,695	3,555,856
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>7,980,849</u>	<u>586,640</u>	<u>1,067,466</u>	<u>1,840,065</u>	<u>11,475,020</u>
Fund Balances:					
Reserved for:					
Encumbrances	636,653	93,188	2,128,526	2,137,004	4,995,371
Prepays	38,643	-	-	750	39,393
Debt retirement	-	-	-	583,706	583,706
Unreserved reported in:					
General fund	18,845,238	-	-	-	18,845,238
Special revenue funds	-	1,614,073	-	11,456,610	13,070,683
Capital project funds	-	-	21,718,977	8,506,343	30,225,320
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>19,520,534</u>	<u>1,707,261</u>	<u>23,847,503</u>	<u>22,684,413</u>	<u>67,759,711</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 27,501,383</u>	<u>\$ 2,293,901</u>	<u>\$ 24,914,969</u>	<u>\$ 24,524,478</u>	<u>\$ 79,234,731</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, 2006

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

Total fund balance per balance sheet	\$ 67,759,711
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	182,643,493
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.	3,555,856
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.	2,637,281
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.	(637,113)
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	(45,590,000)
Certificate of obligation bonds payable	(28,495,000)
Public property finance contractual obligations payable	(5,090,000)
Notes payable	(6,035,453)
Capital lease payable	(114,144)
Less: deferred amounts	1,580,115
Accrued compensated absences	<u>(16,791,922)</u>
	<u>(100,536,404)</u>
Net assets of governmental activities	<u>\$ 155,422,824</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, 2006**

	<u>General</u>	<u>Grants</u>	<u>Bond Finance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Taxes-					
Ad valorem	\$ 35,391,549	\$ -	\$ -	\$ -	\$ 35,391,549
Gross receipts	7,440,729	-	-	110,524	7,551,253
Sales	26,899,670	-	-	9,980,033	36,879,703
Licenses and permits	1,658,597	-	-	2,050	1,660,647
Fines and forfeitures	2,301,551	-	-	627,317	2,928,868
Investment income	1,310,757	30,789	956,621	707,455	3,005,622
Charges for services	9,333,281	1,637	75,567	4,653,687	14,064,172
Intergovernmental	746,918	12,743,994	-	-	13,490,912
Other revenues	1,188,117	70,026	1,200	381,715	1,641,058
Contributions and donations	-	-	-	104,199	104,199
	<u>86,271,169</u>	<u>12,846,446</u>	<u>1,033,388</u>	<u>16,566,980</u>	<u>116,717,983</u>
Total Revenues					
EXPENDITURES:					
Current-					
General government	9,826,927	-	224,417	2,291,299	12,342,643
Fire services	20,420,739	426,946	-	23,025	20,870,710
Police services	26,347,070	211,743	-	787,116	27,345,929
Field Services	9,239,897	-	-	-	9,239,897
Public works	2,577,947	182,999	-	5,617,677	8,378,623
Community development	2,996,140	128,443	-	171,618	3,296,201
Housing services	-	10,344,671	-	-	10,344,671
Library services	2,027,595	57,398	-	1,304	2,086,297
Parks and recreation	8,198,244	-	-	1,654,701	9,852,945
Community services	1,134,029	384,184	-	131,486	1,649,699
Capital outlay	-	-	7,887,147	5,031,019	12,918,166
Debt service					
Principal	-	-	-	7,480,000	7,480,000
Interest and fiscal charges	-	-	-	3,056,449	3,056,449
	<u>82,768,588</u>	<u>11,736,384</u>	<u>8,111,564</u>	<u>26,245,694</u>	<u>128,862,230</u>
Total Expenditures					
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,502,581</u>	<u>1,110,062</u>	<u>(7,078,176)</u>	<u>(9,678,714)</u>	<u>(12,144,247)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	6,703,581	-	-	11,951,455	18,655,036
Transfers out	(9,801,771)	(150,000)	(825,399)	(3,358,623)	(14,135,793)
Issuance of debt	1,740,000	-	10,985,000	6,035,453	18,760,453
	<u>(1,358,190)</u>	<u>(150,000)</u>	<u>10,159,601</u>	<u>14,628,285</u>	<u>23,279,696</u>
Total Other Financing Sources (Uses)					
NET CHANGE IN FUND BALANCES	2,144,391	960,062	3,081,425	4,949,571	11,135,449
FUND BALANCES AT BEGINNING OF YEAR	<u>17,376,143</u>	<u>747,199</u>	<u>20,766,078</u>	<u>17,734,842</u>	<u>56,624,262</u>
FUND BALANCES AT END OF YEAR	<u>\$ 19,520,534</u>	<u>\$ 1,707,261</u>	<u>\$ 23,847,503</u>	<u>\$ 22,684,413</u>	<u>\$ 67,759,711</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, 2006**

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

Net change in fund balance - total governmental funds	\$ 11,135,449
<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	15,849,343
Depreciation expense	<u>(8,969,359)</u>
	6,879,984
<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>	
	6,691,428
<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>	
	38,492
<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	(18,760,453)
Refunded bond debt amortization	(94,842)
Principal amount of debt paid to bondholders	7,480,000
Principal amount of capital lease paid	39,401
Net deferred offering costs and related debt issuance items	<u>(92,056)</u>
	(11,427,950)
<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>	
	(952,313)
<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>(513,632)</u>
Change in net assets of governmental activities	<u>\$ 11,851,458</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes-				
Ad valorem	\$ 35,343,442	\$ 34,695,000	\$ 35,391,549	\$ 696,549
Gross receipts	7,526,500	7,685,500	7,440,729	(244,771)
Sales	26,039,238	26,481,000	26,899,670	418,670
Licenses and permits	1,398,375	1,626,675	1,658,597	31,922
Fines and forfeitures	2,320,000	2,322,600	2,301,551	(21,049)
Investment income	526,176	1,060,000	1,310,757	250,757
Charges for services	9,360,456	9,243,100	9,333,281	90,181
Intergovernmental	514,863	1,086,825	746,918	(339,907)
Other revenues	<u>1,177,491</u>	<u>974,129</u>	<u>1,188,117</u>	<u>213,988</u>
TOTAL REVENUES	<u>84,206,541</u>	<u>85,174,829</u>	<u>86,271,169</u>	<u>1,096,340</u>
EXPENDITURES:				
General government	9,484,214	9,775,986	9,826,927	(50,941)
Fire services	20,005,588	20,512,994	20,420,739	92,255
Police services	26,769,968	26,835,426	26,347,070	488,356
Field services	9,319,677	9,239,022	9,239,897	(875)
Public works	2,527,422	2,798,971	2,577,947	221,024
Community development	3,051,978	2,973,857	2,996,140	(22,283)
Library services	2,087,563	2,039,290	2,027,595	11,695
Parks and recreation	8,074,659	8,441,536	8,198,244	243,292
Community services	<u>1,184,296</u>	<u>1,162,718</u>	<u>1,134,029</u>	<u>28,689</u>
TOTAL EXPENDITURES	<u>82,505,365</u>	<u>83,779,800</u>	<u>82,768,588</u>	<u>1,011,212</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,701,176</u>	<u>1,395,029</u>	<u>3,502,581</u>	<u>2,107,552</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	5,862,522	6,671,336	6,703,581	32,245
Transfers out	(9,326,878)	(9,801,771)	(9,801,771)	-
Issuance of debt	<u>1,765,000</u>	<u>1,740,000</u>	<u>1,740,000</u>	<u>-</u>
TOTAL OTHER FINANCING USES	<u>(1,699,356)</u>	<u>(1,390,435)</u>	<u>(1,358,190)</u>	<u>32,245</u>
NET CHANGE IN FUND BALANCES	<u>\$ 1,820</u>	<u>\$ 4,594</u>	<u>2,144,391</u>	<u>\$ 2,139,797</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>17,376,143</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 19,520,534</u>	

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

Grants Special Revenue Fund

**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment income	\$ -	\$ -	\$ 30,789	\$ 30,789
Charges for service	-	-	1,637	1,637
Intergovernmental	12,221,540	12,232,521	12,743,994	511,473
Other revenues	-	-	70,026	70,026
	<u>12,221,540</u>	<u>12,232,521</u>	<u>12,846,446</u>	<u>613,925</u>
TOTAL REVENUES				
EXPENDITURES:				
Current-				
Fire services	-	-	426,946	(426,946)
Police services	80,000	80,000	211,743	(131,743)
Public works	-	-	182,999	(182,999)
Housing services	11,449,312	10,567,257	10,344,671	222,586
Community development	313,674	210,803	128,443	82,360
Library services	40,700	40,700	57,398	(16,698)
Community services	337,854	399,425	384,184	15,241
	<u>12,221,540</u>	<u>11,298,185</u>	<u>11,736,384</u>	<u>(438,199)</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>934,336</u>	<u>1,110,062</u>	<u>175,726</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ (150,000)</u>	<u>\$ 784,336</u>	960,062	<u>\$ 175,726</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>747,199</u>	
FUND BALANCE (DEFICIT) AT END OF YEAR			<u>\$ 1,707,261</u>	

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

**Statement of Net Assets
Proprietary Funds
September 30, 2006**

	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	\$ 13,124,354	\$ 1,111,761	\$ -	\$ 14,236,115	\$ 3,008,999
Receivables (net of allowance for uncollectibles)	5,834,599	134,847	19,850	5,989,296	43,819
Inventory	332,581	-	50,419	383,000	-
Prepays and other assets	630,854	113,851	-	744,705	1,250,076
Accrued interest	83,628	13,115	-	96,743	17,312
Total current assets	<u>20,006,016</u>	<u>1,373,574</u>	<u>70,269</u>	<u>21,449,859</u>	<u>4,320,206</u>
Noncurrent assets:					
Revenue bond construction-					
Pooled cash and investments	11,001,842	44,005	-	11,045,847	-
Accrued interest	43,960	384	-	44,344	-
Revenue bond debt service-					
Pooled cash and investments	2,208,572	545,608	-	2,754,180	-
Revenue bond reserve-					
Pooled cash and investments	3,760,856	828,723	-	4,589,579	-
Capital assets-					
Land and construction in progress	11,060,248	3,218,672	5,195,272	19,474,192	-
Other capital assets (net of accumulated depreciation)	113,826,359	25,764,838	8,432,220	148,023,417	-
Total noncurrent assets	<u>141,901,837</u>	<u>30,402,230</u>	<u>13,627,492</u>	<u>185,931,559</u>	<u>-</u>
Total Assets	<u>161,907,853</u>	<u>31,775,804</u>	<u>13,697,761</u>	<u>207,381,418</u>	<u>4,320,206</u>
LIABILITIES:					
Current liabilities:					
Accounts payable	1,011,862	36,472	72,192	1,120,526	180,055
Estimated claims payable	-	-	-	-	2,098,000
Deposits and other liabilities	2,943,337	5,588	58,284	3,007,209	-
Capital lease payable	42,363	-	-	42,363	-
Accrued compensated absences	176,391	29,340	-	205,731	-
Total current liabilities	<u>4,173,953</u>	<u>71,400</u>	<u>130,476</u>	<u>4,375,829</u>	<u>2,278,055</u>
Current liabilities payable from restricted assets:					
Accounts payable	1,663,914	-	-	1,663,914	-
Accrued interest payable	189,172	31,063	-	220,235	-
Bonds payable	2,950,000	840,000	-	3,790,000	-
Total current liabilities payable from restricted assets	<u>4,803,086</u>	<u>871,063</u>	<u>-</u>	<u>5,674,149</u>	<u>-</u>
Total current liabilities	<u>8,977,039</u>	<u>942,463</u>	<u>130,476</u>	<u>10,049,978</u>	<u>2,278,055</u>
Noncurrent liabilities:					
Estimated claims payable	-	-	-	-	420,646
Capital lease payable	74,975	-	-	74,975	-
Bonds payable	49,976,911	8,456,318	-	58,433,229	-
Accrued compensated absences	800,704	31,345	36,740	868,789	-
Total noncurrent liabilities	<u>50,852,590</u>	<u>8,487,663</u>	<u>36,740</u>	<u>59,376,993</u>	<u>420,646</u>
Total Liabilities	<u>59,829,629</u>	<u>9,430,126</u>	<u>167,216</u>	<u>69,426,971</u>	<u>2,698,701</u>
NET ASSETS:					
Invested in capital assets, net of related debt	81,224,245	19,731,581	13,627,492	114,583,318	-
Restricted for debt service	5,780,256	1,343,268	-	7,123,524	-
Unrestricted	15,073,723	1,270,829	(96,947)	16,247,605	1,621,505
Total Net Assets	<u>\$ 102,078,224</u>	<u>\$ 22,345,678</u>	<u>\$ 13,530,545</u>	<u>137,954,447</u>	<u>\$ 1,621,505</u>
Reconciliation to government-wide statement of net assets:					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				(1,015,778)	
Net assets of business-type activities				<u>\$ 136,938,669</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, 2006**

	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	\$ 32,682,273	\$ 2,128,412	\$ 1,098,175	\$ 35,908,860	\$ -
Contributions - City	-	-	-	-	9,949,520
Contributions - other	-	-	-	-	2,458,799
Total operating revenues	<u>32,682,273</u>	<u>2,128,412</u>	<u>1,098,175</u>	<u>35,908,860</u>	<u>12,408,319</u>
Operating expenses:					
Personal services	4,977,542	339,543	279,959	5,597,044	-
Supplies	211,435	11,528	611,610	834,573	-
Contractual services	15,990,848	172,068	257,860	16,420,776	13,817,163
Depreciation	3,355,005	580,399	387,568	4,322,972	-
Total operating expenses	<u>24,534,830</u>	<u>1,103,538</u>	<u>1,536,997</u>	<u>27,175,365</u>	<u>13,817,163</u>
Operating income (loss)	<u>8,147,443</u>	<u>1,024,874</u>	<u>(438,822)</u>	<u>8,733,495</u>	<u>(1,408,844)</u>
Nonoperating revenues (expenses):					
Investment income	1,116,566	134,463	-	1,251,029	198,805
Interest expense	(2,156,773)	(398,697)	-	(2,555,470)	-
Other nonoperating expenses	(80,172)	(47,764)	-	(127,936)	-
Total nonoperating revenues (expenses)	<u>(1,120,379)</u>	<u>(311,998)</u>	<u>-</u>	<u>(1,432,377)</u>	<u>198,805</u>
Income (loss) before contributions and transfers	7,027,064	712,876	(438,822)	7,301,118	(1,210,039)
Capital contributions	10,810,172	847,935	551,143	12,209,250	-
Refund to Developers	-	(1,677,270)	-	(1,677,270)	-
Transfers in	-	-	85,250	85,250	-
Transfers out	(4,550,000)	-	(54,493)	(4,604,493)	-
Change in net assets	<u>13,287,236</u>	<u>(116,459)</u>	<u>143,078</u>	<u>13,313,855</u>	<u>(1,210,039)</u>
Total net assets - beginning	<u>88,790,988</u>	<u>22,462,137</u>	<u>13,387,467</u>		<u>2,831,544</u>
Total net assets - ending	<u>\$ 102,078,224</u>	<u>\$ 22,345,678</u>	<u>\$ 13,530,545</u>		<u>\$ 1,621,505</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				(696,407)	
Change in net assets of business-type activities				<u>\$ 12,617,448</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, 2006**

	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	\$ 32,799,694	\$ 2,136,202	\$ 1,129,150	\$ 36,065,046	\$ -
Cash received from City funds	-	-	-	-	9,949,520
Cash received from other operating sources	-	-	-	-	2,458,799
Cash paid to suppliers for goods and services	(16,132,381)	(179,768)	(883,412)	(17,195,561)	(4,220,690)
Cash paid to employees for services	(4,896,012)	(332,238)	(281,107)	(5,509,357)	-
Cash paid to claimants	-	-	-	-	(9,404,153)
Net cash provided by (used for) operating activities	<u>11,771,301</u>	<u>1,624,196</u>	<u>(35,369)</u>	<u>13,360,128</u>	<u>(1,216,524)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in from other funds	-	-	85,250	85,250	-
Transfers out to other funds	(4,550,000)	-	(54,493)	(4,604,493)	-
Net cash provided by (used for) noncapital financing activities	<u>(4,550,000)</u>	<u>-</u>	<u>30,757</u>	<u>(4,519,243)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from the sale of revenue bonds	8,570,000	-	-	8,570,000	-
Discount from the sale of revenue bonds	(4,740)	-	-	(4,740)	-
Acquisition and construction of capital assets	(5,080,699)	(630,684)	-	(5,711,383)	-
Principal paid on revenue bond maturities	(2,980,000)	(820,000)	-	(3,800,000)	-
Interest paid on revenue bonds	(2,134,281)	(400,407)	-	(2,534,688)	-
Bond issuance costs and other debt related expense	(96,240)	-	-	(96,240)	-
Net cash used for capital and related financing activities	<u>(1,725,960)</u>	<u>(1,851,091)</u>	<u>-</u>	<u>(3,577,051)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received on investments	<u>1,066,201</u>	<u>129,701</u>	<u>-</u>	<u>1,195,902</u>	<u>196,136</u>
Net cash provided by investing activities	<u>1,066,201</u>	<u>129,701</u>	<u>-</u>	<u>1,195,902</u>	<u>196,136</u>
NET INCREASE (DECREASE) IN POOLED CASH AND CASH EQUIVALENTS	6,561,542	(97,194)	(4,612)	6,459,736	(1,020,388)
POOLED CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>23,534,082</u>	<u>2,627,291</u>	<u>4,612</u>	<u>26,165,985</u>	<u>4,029,387</u>
POOLED CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 30,095,624</u>	<u>\$ 2,530,097</u>	<u>\$ -</u>	<u>\$ 32,625,721</u>	<u>\$ 3,008,999</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, 2006
 (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)	\$ 8,147,443	\$ 1,024,874	\$ (438,822)	\$ 8,733,495	\$ (1,408,844)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities-					
Depreciation	3,355,005	580,399	387,568	4,322,972	-
Provision for uncollectible accounts	46,658	-	-	46,658	-
Changes in assets and liabilities-					
(Increase)decrease in accounts receivable	46,190	4,790	(15,688)	35,292	(43,819)
(Increase)decrease in inventory	(76,588)	-	(25,621)	(102,209)	-
Decrease (increase) in prepaid items	4,003	-	-	4,003	(88,933)
Increase (decrease) in accounts payable	101,183	3,164	11,974	116,321	(37,072)
Decrease in estimated claims payable	-	-	-	-	362,144
Increase in deposits	71,231	3,000	46,663	120,894	-
Increase (decrease) in accrued compensated absences	76,176	7,969	(1,443)	82,702	-
Total adjustments	3,623,858	599,322	403,453	4,626,633	192,320
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 11,771,301	\$ 1,624,196	\$ (35,369)	\$ 13,360,128	\$ (1,216,524)
NONCASH CAPITAL ACTIVITIES:					
Contribution of capital assets from (to) developers	\$ 10,810,172	\$ (829,335)	\$ -	\$ 9,980,837	\$ -
Contribution of capital assets from government	-	-	551,143	551,143	-
Total noncash capital activities	\$ 10,810,172	\$ (829,335)	\$ 551,143	\$ 10,531,980	\$ -

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
September 30, 2006

	<u>Agency Fund</u> Tax Clearing Fund
ASSETS:	
Current assets:	
Pooled cash and investments	\$ 288,247
Taxes receivable levied for other government (net of allowance for uncollectibles)	<u>3,608,912</u>
Total Assets	<u>\$ 3,897,159</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 288,247
Due to other governments	<u>3,608,912</u>
Total Liabilities	<u>\$ 3,897,159</u>

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2006**

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City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2006

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.

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, the Mesquite Cemetery Board which provides funds to maintain a small cemetery, Historic Mesquite, Inc. which provides funding to maintain historical sites, the Mesquite Arts Council which provides funding for arts and culture, and Keep Mesquite Beautiful, Inc. which provides funding for local beautification projects. Separate financial statements for these entities are not available.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2006

Also included in the financial statements are the operating activities of the Mesquite Housing Finance Corporation, the Mesquite Health Facilities Corporation, and the Mesquite Industrial Development Corporation. The corporations meet the criteria for inclusion as a blended component unit in the City's reporting entity. The issuance of conduit debt for the corporations is discussed in Note 12. Separate financial statements for these entities are not available.

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

The statement of activities presents information showing how the City's net assets changed during the fiscal year. This statement also demonstrates the degree to which the direct expenses of a given activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements- Fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All non-major funds are aggregated and presented in a single column. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Mesquite, like other local governments, uses fund accounting to aid financial management and demonstrate legal compliance.

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

The City of Mesquite maintains 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 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.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2006

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. The fiduciary fund, an agency fund applies the accrual basis of accounting but has no measurement focus.

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

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

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

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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2006

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.

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

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

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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2006

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 2005-2006 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 2005-2006 the City Council amended the budget in May and again in September. Individual amendments were not material in relation to the original appropriations. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that would increase total fund appropriations must be approved by the City Council. Expenditures may not legally exceed budgeted appropriations at the fund level.

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

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

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

Investments purchased with pooled cash are classified as pooled cash and investments in the accompanying balance sheet and statement of net assets. Earnings from these investments are allocated monthly to each fund based on each fund's relative month-end cash and investment balance, except for the debt service fund, which is allocated to the General Fund. Investments are recorded at cost, and at fiscal year-end investments with original maturity greater than one year are reflected at fair value on the accompanying balance sheet and statement of net assets.

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

City of Mesquite, Texas

Notes to Basic Financial Statements

September 30, 2006

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, 2006, 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, and then unrestricted resources as they are needed.

Capital Assets- Capital assets, which includes land, right-of-way, buildings, infrastructure, improvements, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. 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 estimated claims payable. Group health insurance is accounted for in the Health Claims Fund, an internal service fund. At year-end, an estimate of unpaid claims that were incurred prior to September 30, 2006, 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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2006

paid for accumulated vacation leave not to exceed 20 working days at their current pay rate. Sick leave accrues at an annual rate of 15 working days. Upon termination, unused accumulated sick leave is paid to employees with three to five years of service at one-third, employees with five to six years of service at two-thirds, and six years and over is paid all accumulated sick leave up to a maximum of 90 days. Police and firemen are reimbursed upon termination for all unused accumulated sick leave up to the maximum of 90 days no matter how long they were employed by the City as required by State Civil Service law.

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

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

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

New Accounting Pronouncements- 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.

GASB has issued Statement No. 47 "*Accounting for Termination Benefits*" ("GASB 47"), which is effective for the City in two parts; for those benefits that relate to other post-employment benefits, the City is to implement at the same time as GASB 45, which will be effective for the City in fiscal year 2008.

GASB has issued Statement No. 48 "*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*" ("GASB 48"), which is effective for the City in Fiscal year 2008. GASB 48 establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or as a collateralized borrowing.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2006

GASB has issued Statement No. 49 "Accounting and Financial Reporting for Pollution Remediation Obligations" ("GASB 49"), which is effective for the City in fiscal year 2009. GASB 49 identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation.

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.

Deposits

At September 30, 2006, the carrying amount of the City's demand deposits was \$1,161,352 and the bank balance was \$807,250.

Investments

The City's investments at September 30, 2006, are:

Investment type	Fair Value	Weighted Average Maturity (Years)
Managed Pools:		
Texpool	\$10,596,302	0.00029
Texstar	17,149,537	0.00047
Money Market:		
Fidelity Investments	3,266,960	0.00009
US Agency Notes	37,864,627	0.28981
US Agency Discounts	23,816,100	0.13293
US Treasury Discounts	6,459,375	0.02177
Total	\$99,152,901	0.44537

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

Credit Risk. The City's investment policy, in conjunction with state law, specifies the type of credit rating of all authorized investments. The City's investments in U.S. Agency securities (FHLB, FNMA, FHLMC, and FFCB) are rated AAA by Standard and Poor's and Aaa by Moody's Investor's Service. The investment in Texas Local Government Pools (Texpool and Texstar) carried a credit rating of AAAM by Standard and Poor's as of September 30, 2006. The City's investments in Fidelity Money Market funds carried a credit rating of AAAM by Standard and Poor's and Aaa by Moody's Investor's Service as of September 30, 2006.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2006

Concentration of Credit Risk. With the exception of U.S. Treasury securities, the City's investment policy limits the amount that may be invested in any single security type to 75% of the total investment portfolio. As of September 30, 2006, the City's total investments are in the following: U.S. Treasury Notes (6.5%), Agency issues (62.2%) consisting of FHLB (19%), FNMA (33.2%), FFCB (2%) and FHLMC (8%), investment pools (28%), and money market funds (3.3%).

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

3. AD VALOREM TAXES

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraised value less applicable exemptions authorized by the City Council. Appraised values are established by the Dallas Central Appraisal District at 100% of estimated market value. The assessed value for the tax roll of January 1, 2005, upon which the 2006 fiscal year levy was based, was \$5,952,353,569. Taxes are due on October 1, immediately following the January 1 lien date and are delinquent after the following January 31st. Penalty and interest is charged at 7% on delinquent taxes beginning February 1, and increases each month to 18% on July 1, additional interest accrues at the rate of 1% each month.

Current tax collections for the year ended September 30, 2006, were 98.01% of the tax levy and total tax collections were 100.71% 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, 2006, the City had a tax margin of \$ 1.89852 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, 2006 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:

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2006**

	<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	\$ 7,181,729	\$ -	\$ 44,887	\$ 6,000,568	\$ 134,847	\$ 486,676	\$ 13,848,707
Ad valorem taxes	1,867,931	-	-	-	-	-	1,867,931
Other taxes	1,684,879	-	-	-	-	-	1,684,879
Assessments	-	-	351,866	-	-	-	351,866
Intergovernmental	<u>4,671,646</u>	<u>613,915</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,522,994</u>	<u>6,808,555</u>
Gross receivables	15,406,185	613,915	396,753	6,000,568	134,847	2,009,670	24,561,938
Less: allowance for uncollectibles	<u>(4,783,644)</u>	<u>-</u>	<u>(4,979)</u>	<u>(165,969)</u>	<u>-</u>	<u>-</u>	<u>(4,954,592)</u>
Net total receivables	<u>\$ 10,622,541</u>	<u>\$ 613,915</u>	<u>\$ 391,774</u>	<u>\$ 5,834,599</u>	<u>\$ 134,847</u>	<u>\$ 2,009,670</u>	<u>\$ 19,607,346</u>

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

General fund - ambulance accounts receivable	\$ 1,321,777
General fund - ad valorem taxes receivable	1,018,664
General fund - court fines receivable	585,054
Bond Finance capital projects fund - assessments receivable	383,666
Nonmajor Capital Project Funds	<u>246,695</u>
Total deferred revenues for governmental funds	<u>\$ 3,555,856</u>

5. CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended September 30, 2006:

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2006**

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 17,965,018	\$ 397,709	\$ -	\$ 18,362,727
Construction in progress	21,652,340	12,367,020	16,831,626	17,187,734
Total capital assets, not being depreciated	<u>39,617,358</u>	<u>12,764,729</u>	<u>16,831,626</u>	<u>35,550,461</u>
Capital assets, being depreciated:				
Buildings	38,632,488	4,917,860	-	43,550,348
Infrastructure	176,252,538	12,688,055	-	188,940,593
Improvements	8,486,550	4,686,282	-	13,172,832
Equipment	30,854,932	4,350,477	717,841	34,487,568
Total capital assets, being depreciated	<u>254,226,508</u>	<u>26,642,674</u>	<u>717,841</u>	<u>280,151,341</u>
Less accumulated depreciation for:				
Buildings	10,307,719	979,280	-	11,286,999
Infrastructure	95,650,037	4,212,921	-	99,862,958
Improvements	3,552,993	501,025	-	4,054,018
Equipment	15,261,036	3,276,133	682,835	17,854,334
Total accumulated depreciation	<u>124,771,785</u>	<u>8,969,359</u>	<u>682,835</u>	<u>133,058,309</u>
Total capital assets, being depreciated, net	<u>129,454,723</u>	<u>17,673,315</u>	<u>35,006</u>	<u>147,093,032</u>
Governmental activities capital assets, net	<u>\$ 169,072,081</u>	<u>\$ 30,438,044</u>	<u>\$ 16,866,632</u>	<u>\$ 182,643,493</u>
Business-like activities:				
Capital assets, not being depreciated:				
Land	\$ 6,388,278	\$ 102,764	\$ -	\$ 6,491,042
Construction in progress	17,931,460	6,925,478	11,873,788	12,983,150
Total capital assets, not being depreciated	<u>24,319,738</u>	<u>7,028,242</u>	<u>11,873,788</u>	<u>19,474,192</u>
Capital assets, being depreciated:				
Buildings	3,058,524	773,162	-	3,831,686
Infrastructure	176,679,414	22,231,286	1,711,500	197,199,200
Improvements	122,064	243,944	-	366,008
Equipment	3,472,912	376,775	121,300	3,728,387
Total capital assets, being depreciated	<u>183,332,914</u>	<u>23,625,167</u>	<u>1,832,800</u>	<u>205,125,281</u>
Less accumulated depreciation for:				
Buildings	1,004,129	76,564	-	1,080,693
Infrastructure	50,007,054	3,815,807	34,229	53,788,632
Improvements	18,758	13,623	-	32,381
Equipment	1,900,980	416,978	117,800	2,200,158
Total accumulated depreciation	<u>52,930,921</u>	<u>4,322,972</u>	<u>152,029</u>	<u>57,101,864</u>
Total capital assets, being depreciated, net	<u>130,401,993</u>	<u>19,302,195</u>	<u>1,680,771</u>	<u>148,023,417</u>
Business - like activities capital assets, net	<u>\$ 154,721,731</u>	<u>\$ 26,330,437</u>	<u>\$ 13,554,559</u>	<u>\$ 167,497,609</u>

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2006**

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

Governmental activities:	
General government	\$ 944,711
Fire services	782,616
Police services	1,360,296
Field services	4,019,997
Public services	823,164
Development services	13,433
Housing services	7,632
Code compliance	76,734
Library services	40,727
Parks and recreation	752,279
Community services	120,587
Other	27,183
Total governmental activities	<u>\$ 8,969,359</u>
Business-like activities:	
Water and sewer	\$ 3,355,005
Drainage utility	580,399
Municipal airport	387,568
Total business-like activities	<u>\$ 4,322,972</u>

The City has active construction projects as of September 30, 2006. 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:

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2006**

	<u>Spent-to-date</u>	<u>Construction Commitments</u>
Governmental activities:		
Projects funded by general obligation bonds:		
Street	\$ 6,048,078	\$ 298,192
Municipal building	4,969,663	1,327,784
Traffic signal	29,090	12,117
Projects funded by local finance sources:		
Street	169,942	-
Municipal building	563,040	49,961
Parks and recreation	14,627	129,539
Projects funded by general sales tax (4B portion):		
Public safety	-	30,852
Transportation	4,379,486	1,424,371
Parks and recreation	<u>1,013,808</u>	<u>461,721</u>
 Total governmental activities	 <u>\$ 17,187,734</u>	 <u>\$ 3,734,537</u>
Business-like activities:		
Projects funded by revenue bonds:		
Water and sewer	\$ 10,165,498	\$ 2,230,788
Drainage utility district	2,201,542	35,937
Projects funded by general obligation bonds:		
Municipal airport	616,110	490,434
Projects funded by local finance sources:		
Municipal airport	<u>-</u>	<u>6,560</u>
 Total business-like activities	 <u>\$ 12,983,150</u>	 <u>\$ 2,763,719</u>

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Due to/from other funds-

The current portion of lending/ borrowing arrangements outstanding at September 30, 2006, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Grants Fund	\$541,350

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2006**

Transfers-

Transfers were as follows for the fiscal year ended September 30, 2006:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 6,703,581	\$ 9,801,771
Grants	-	150,000
Bond Finance	-	825,399
Non-major governmental fund	11,951,455	3,358,623
Water and sewer	-	4,550,000
Non-major enterprise fund	<u>85,250</u>	<u>54,493</u>
	<u>\$ 18,740,286</u>	<u>\$ 18,740,286</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	\$ 9,310,268
Operating subsidy	Municipal airport enterprise	85,250
Unreserved Council Funds	Capital Projects	400,000
Unreserved Council Funds	Confiscated Funds	6,253
Grants fund-		
Indirect cost charge	General	150,000
Bond Finance fund-		
Interest income allocation	General	825,399
Non-major governmental fund-		
Hotel / motel tax - G.O. debt allocation	Debt service	168,000
Other special revenue -		
9-1-1 operations subsidy	General	730,000
4B Operating subsidy- Parks and Recreation	General	448,182
Local finance capital project -		
Roadway impact fees	Debt service	2,934
Capital projects funding	Debt service	2,009,507
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	<u>54,493</u>
	Total	<u>\$ 18,740,286</u>

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2006**

7. LONG-TERM DEBT

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

- General obligation bonds are issued pursuant to voter authorization for infrastructure and facility projects accounted for in a governmental capital project fund. During the fiscal year, \$1,840,000 in bonds was issued for street and alley improvements. General obligation bonds have also been issued in previous fiscal years to refund prior debt issues. 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 May 2006 bond sale was \$9,145,000 for Police Facility Expansion, Airport Hangar Acquisition, Rodeo City Parking, Arts Center Parking Lot Expansion, Residential Speed Limit Signage, Land and ROW Acquisition, and other municipal building improvements.
- Contractual obligations are issued to acquire equipment and will also be repaid from ad valorem property taxes. During the year, \$1,740,000 in obligations was 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 May 2006 bond sale was \$8,570,000 for various capital improvements.
- 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.

Long-term bonded debt at September 30, 2006, includes the following individual issues:

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2006**

<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 1998 refunding and improvements	4.25-5.125	02/15/18	\$ 3,115,000	\$ 755,000
Series 1999 improvements	3.90-6.00	02/15/19	160,000	35,000
Series 2000 improvements	4.40-5.50	02/15/20	405,000	45,000
Series 2001 refunding and improvements	3.00-5.00	02/15/21	5,000,000	565,000
Series 2002 improvements	2.875-4.90	02/15/22	4,970,000	225,000
Series 2004A refunding and improvements	2.50-4.625	02/15/24	11,985,000	1,190,000
Taxable Series 2004B refunding	1.40-4.65	02/15/15	5,135,000	630,000
Series 2005 refunding and improvement	3.25-5.00	02/15/25	12,980,000	260,000
Series 2006 improvements	4.00-5.00	02/15/26	<u>1,840,000</u>	<u>65,000</u>
			<u>45,590,000</u>	<u>3,770,000</u>
Certificate of Obligation Bonds-				
Series 1995	3.75-5.20	02/15/07	515,000	515,000
Series 1998	4.05-5.375	02/15/10	735,000	170,000
Series 1999	3.90-5.30	02/15/11	870,000	155,000
Series 2000	4.40-5.00	02/15/12	505,000	75,000
Series 2001	3.00-4.25	02/15/13	245,000	30,000
Series 2002	2.25-4.20	02/15/14	670,000	75,000
Series 2004	2.00-4.625	02/15/24	5,805,000	235,000
Series 2004A	2.00-5.00	02/15/24	1,990,000	80,000
Series 2005	3.25-5.00	02/15/25	8,015,000	50,000
Series 2006	4.00-5.00	02/15/26	<u>9,145,000</u>	<u>115,000</u>
			<u>28,495,000</u>	<u>1,500,000</u>
Public Property Finance Contractual Obligations-				
Series 2001	3.00-3.45	02/15/07	285,000	285,000
Series 2002	2.00-3.15	02/15/08	685,000	335,000
Series 2004	2.00-2.90	02/15/10	980,000	235,000
Series 2005	3.25-4.00	02/15/10	1,400,000	330,000
Series 2006	4.00-4.125	02/15/11	<u>1,740,000</u>	<u>320,000</u>
			<u>5,090,000</u>	<u>1,505,000</u>
Total governmental activities long-term bonded debt			79,175,000	6,775,000
Less: deferred loss on refunding			<u>(907,862)</u>	<u>(94,842)</u>
Net governmental activities long-term bonded debt			<u>\$ 78,267,138</u>	<u>\$ 6,680,158</u>

City of Mesquite, Texas

Notes to Basic Financial Statements
September 30, 2006

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>Business-like Activities-</u>				
Water and Sewer Revenue Bonds-				
Series 1998 refunding and improvements	4.35-5.125	03/01/18	\$ 3,875,000	\$ 545,000
Series 1999 improvements	4.20-5.875	03/01/19	690,000	220,000
Series 2000 improvements	4.50-5.50	03/01/20	880,000	205,000
Series 2001 refunding and improvements	2.25-5.00	03/01/21	7,240,000	610,000
Series 2002 improvements	2.00-5.00	03/01/22	6,480,000	295,000
Series 2004 refunding and improvements	2.625-5.00	03/01/24	12,140,000	735,000
Series 2005 refunding and improvements	3.25-5.25	03/01/25	13,350,000	165,000
Series 2006 improvements	4.00-5.00	03/01/26	<u>8,570,000</u>	<u>175,000</u>
			<u>53,225,000</u>	<u>2,950,000</u>
Drainage Utility System Revenue Bonds-				
Series 1998 refunding and improvements	4.25-5.50	03/01/18	2,140,000	100,000
Series 2000 improvements	4.40-5.50	03/01/20	1,635,000	85,000
Series 2002 improvements	2.00-5.00	03/01/22	2,975,000	135,000
Series 2004 refunding	2.00-5.00	03/01/12	<u>2,655,000</u>	<u>520,000</u>
			<u>9,405,000</u>	<u>840,000</u>
Total business-like activities long-term debt			62,630,000	3,790,000
Less: premium and deferred loss on refunding			<u>(406,771)</u>	<u>(43,890)</u>
Net business-like activities long-term debt			<u>62,223,229</u>	<u>3,746,110</u>
Net long-term bonded debt			<u>\$ 130,342,244</u>	<u>\$ 11,280,000</u>

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

<u>Fiscal Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 6,775,000	\$ 3,236,622	\$ 3,790,000	\$ 2,684,282
2008	6,530,000	2,998,324	3,935,000	2,546,323
2009	5,970,000	2,765,378	4,095,000	2,395,113
2010	5,725,000	2,539,228	4,270,000	2,234,191
2011	5,275,000	2,314,535	4,485,000	2,057,494
2012-2016	21,490,000	8,474,107	19,900,000	7,417,648
2017-2021	15,380,000	4,549,166	15,245,000	3,314,997
2022-2026	<u>12,030,000</u>	<u>1,149,934</u>	<u>6,910,000</u>	<u>640,445</u>
Total	<u>\$ 79,175,000</u>	<u>\$ 28,027,294</u>	<u>\$ 62,630,000</u>	<u>\$ 23,290,493</u>

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2006**

Advance Refundings- In prior years, the City defeased certain general obligation and other bonds by using the proceeds of new bonds to purchase direct obligations of the U. S. government that were placed in separate irrevocable trusts for the purpose of generating resources for all future debt service payments of the debt being refunded. As a result, the refunded bonds are considered to be defeased and the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. The principal balance of refunded bonds at September 30, 2006 was: water and sewer \$11,225,000, general obligation \$9,250,000, and certificates of obligation \$475,000.

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.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Asset:		
Equipment	\$ 203,229	\$ 209,262
Less: Accumulated depreciation	<u>(94,840)</u>	<u>(97,656)</u>
 Total	 <u>\$ 108,389</u>	 <u>\$ 111,606</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2006, were as follows:

<u>Year ending September 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2007	\$ 45,504	\$ 46,777
2008	45,504	46,777
2009	<u>30,336</u>	<u>31,185</u>
 Total minimum future lease payments	 121,344	 124,739
Less: Amount representing interest	<u>(7,200)</u>	<u>(7,401)</u>
 Present value of minimum lease payments	 <u>\$ 114,144</u>	 <u>\$ 117,338</u>

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2006**

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

The City entered into a revolving loan agreement in an amount not to exceed \$559,730 with the State Energy Conservation Office to implement conservation improvements at the Municipal Center. Funds are being disbursed to the City on a reimbursement basis after the work is completed and the costs are certified by the lender. The expected completion date of the project is February 2007. The amount advanced at September 30, 2006 is \$420,166. The interest rate on the note is 3%. Debt service payments commence after completion of the project and will be made from available operating funds of the government. The final amount of the debt will be determined upon completion of the project.

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

<u>Fiscal Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 390,956	\$ 236,542
2008	426,158	227,041
2009	443,197	210,001
2010	460,923	192,276
2011	479,362	173,837
2012-2016	2,700,440	565,552
2017-2022	<u>1,134,417</u>	<u>70,188</u>
Total	<u>\$ 6,035,453</u>	<u>\$ 1,675,437</u>

Long-term liability activity for the year ended September 30, 2006, was as follows:

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2006**

	<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	\$ 47,525,000	\$ 1,840,000	\$ 3,775,000	\$ 45,590,000	\$ 3,770,000
Certificates of obligation	21,570,000	9,145,000	2,220,000	28,495,000	1,500,000
Public property finance contractual obligations	<u>4,835,000</u>	<u>1,740,000</u>	<u>1,485,000</u>	<u>5,090,000</u>	<u>1,505,000</u>
Total bonds payable	73,930,000	12,725,000	7,480,000	79,175,000	6,775,000
Less deferred loss on refunding	<u>(1,002,704)</u>	<u>-</u>	<u>94,842</u>	<u>(907,862)</u>	<u>-</u>
Net bonds payable	72,927,296	12,725,000	7,574,842	78,267,138	6,775,000
Other General Fund long-term liability:					
Notes Payable	-	6,035,453	-	6,035,453	390,956
Capital leases	153,545	-	39,401	114,144	41,211
Accrued compensated absences	<u>15,839,609</u>	<u>1,226,782</u>	<u>274,469</u>	<u>16,791,922</u>	<u>5,528,862</u>
Total governmental activities	<u>88,920,450</u>	<u>19,987,235</u>	<u>7,888,712</u>	<u>101,208,657</u>	<u>12,736,029</u>
Business-like activities:					
Bonds payable:					
Revenue bonds -water/sewer	47,635,000	8,570,000	2,980,000	53,225,000	2,950,000
Revenue bonds -drainage	<u>10,225,000</u>	<u>-</u>	<u>820,000</u>	<u>9,405,000</u>	<u>840,000</u>
Total revenue bonds payable	57,860,000	8,570,000	3,800,000	62,630,000	3,790,000
Less premium and deferred loss on refunding	<u>(445,052)</u>	<u>(4,740)</u>	<u>43,022</u>	<u>(406,770)</u>	<u>-</u>
Net revenue bonds payable	57,414,948	8,565,260	3,843,022	62,223,230	3,790,000
Capital leases	157,841	-	40,503	117,338	42,363
Accrued compensated absences	<u>991,818</u>	<u>86,940</u>	<u>4,237</u>	<u>1,074,521</u>	<u>205,731</u>
Total business-like activities	<u>58,564,607</u>	<u>8,652,200</u>	<u>3,887,762</u>	<u>63,415,089</u>	<u>4,038,094</u>
Total long-term liabilities	<u>\$ 147,485,057</u>	<u>\$ 28,639,435</u>	<u>\$ 11,776,474</u>	<u>\$ 164,623,746</u>	<u>\$ 16,774,123</u>

8. RETIREMENT PLAN

Plan Description- The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System ("TMRS") one of 811 administered by TMRS, an agent multiple-employer public employee retirement system. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for TMRS. That report may be obtained by writing TMRS, P. O. Box 149153, Austin, Texas, 78714-9153 or by calling 800-924-8677.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2006

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 15.22%. 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, 2005, valuation is effective for rates beginning January 2007).

Annual Pension Cost- For fiscal year 2006, the City's annual pension cost of \$8,276,438 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2005, 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) 3.5% 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, 2006

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>
09/30/2006	\$ 8,276,438	100%	\$ -
09/30/2005	7,658,549	100%	-
09/30/2004	7,124,337	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.

9. REGIONAL SYSTEMS FOR WATER SUPPLY AND WASTEWATER TREATMENT

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

Water Supply- On August 1, 1988, the City entered into a contract with the District whereby the District agreed to provide water supply for the benefit of the City. The provisions of this contract are similar in concept, essence and intent to the provisions of the contract originally entered into on December 12, 1953. In return for this service, the City agreed to pay the District at a rate per 1,000-gallon basis, subject to minimum annual payments which approximated \$7.672 million for the fiscal year ended September 30, 2006.

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, 2006, was approximately \$4.344 million.

10. SELF-INSURANCE

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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2006

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 \$622,664 in unrestricted net assets after inclusion of \$1,320,000 of estimated outstanding health claims payable. During the year, operating expenses and transfers out exceeded operating and nonoperating revenues \$292,650 after inclusion of a \$122,000 decrease in estimated claims payable resulting in a \$330,014 balance in unrestricted net assets at year-end. Actual claims paid totaled \$9,140,667. The 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 \$1,198,000 reported in the Health Claims internal service fund is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* ("GASB No. 10"), which requires that a liability be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability for unpaid claims includes allocated loss adjustment expenses. Changes in the fund's claims liability amount in fiscal years 2005 and 2006 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>
2005	\$ 1,340,682	\$ 10,250,861	\$ 10,271,543	\$ 1,320,000
2006	1,320,000	9,018,667	9,140,667	1,198,000

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

General Liability Insurance- 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. As of October 1, 2004 the City started participating in the Texas Municipal League Pool for workers' compensation claims. The City now retains risk for workers' compensation up to \$300,000 per occurrence. Prior to that date the City retained all risk for these claims. With the exception of the change in workers' compensation, coverage is consistent with prior years and settled claims have not exceeded the commercial coverage in any of the past three fiscal years. The General Liability fund began the fiscal year with unrestricted net assets of \$2,208,880. During the year, operating expenses exceeded operating and nonoperating revenues by \$917,389 after inclusion of a \$484,144 increase in estimated claims payable, resulting in a \$1,291,491 net assets balance at fiscal year-end.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2006

Actual claims paid were \$109,321. The estimated claims payable of \$1,320,646 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 2005 and 2006 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>
2005	\$ 1,376,218	\$ 366,287	\$ 906,003	\$ 836,502
2006	836,502	593,465	109,321	1,320,646

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.

11. POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the City provides postretirement healthcare benefits to retirees and their dependents. These benefits are provided to retired employees under the same plan options as active employees in accordance with City ordinances. 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's payment for the retirees' dependents is 2.6% per year of service. The City paid approximately \$1,884,820 for 235 retirees' premiums in fiscal year 2006. Claims for retired employees and their dependents approximated \$1.80 million including a provision for estimated claims incurred but not reported to the City.

12. CONTINGENT LIABILITIES

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

Arbitrage Rebate Requirements- The Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the City. Under this requirement, an amount equal to the sum of (a) the excess of the aggregate amount earned on all investments over the amount that would have been earned if all investments were invested at a rate equal to the yield on the bonds and (b) any income earned on the excess described in (a) is required to be rebated to the United States Treasury, in order for the interest on the bonds to be excluded from federal taxation. Regulations implementing the rebate requirement were released by the Internal Revenue Service on May 12, 1989. Rebateable arbitrage is computed as of each installment computation date. The last computation date for the City was performed for financial information as of December 21, 2005. No rebate liability was due to the federal government. Information for the next computation period was submitted on December 4, 2006. Management does not anticipate there will be a material liability once the computation is completed.

Grant Audit- The City receives federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by the federal and state agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2006**

opinion of City management, such disallowances, if any, will not be significant to the City's financial statements.

Conduit Debt Obligations- From time to time, various legally separate component units of the City have issued bonded debt obligations to provide financial assistance to private-sector entities. The bonds were issued to acquire and construct industrial and commercial facilities (Mesquite Industrial Development Corporation); or to construct medical and health facilities (Mesquite Health Facilities Corporation). The bonds are secured by the property financed and are payable solely from payments received on the underlying debt obligations. Upon repayment of the bonds, ownership of the acquired capital assets transfers to the private-sector entity served by the bond issuance. Even though some of the bonds are outstanding, there is no liability to the City or the component unit (no commitment debt), as all liability transfers to the trustee of the bond issue. A summary of outstanding conduit debt by component unit at September 30, 2006, is as follows (for amounts marked * more recent data was not available and the prior year balance was carried forward from the City's September 30, 2005 CAFR):

Mesquite Industrial Development Corporation	Mesquite Health Facilities Corporation	Total
\$ 1,000,000 *	\$ -	\$ 1,000,000
1,070,000	-	1,070,000
-	12,105,000 *	12,105,000
-	1,920,000 *	1,920,000
3,300,000 *	-	3,300,000
-	9,995,000	9,995,000
-	2,500,000	2,500,000
-	7,435,000	7,435,000
1,020,801	-	1,020,801
600,000	-	600,000
<u>\$ 6,990,801</u>	<u>\$ 33,955,000</u>	<u>\$ 40,945,801</u>

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

End of Notes to Basic Financial Statements

City of Mesquite, Texas

**Required Supplementary Information (Unaudited)
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>
2003	\$ 137,336,980	\$ 188,425,618	\$ 51,088,638	72.9%	\$ 47,631,939	107.3%
2004	146,678,124	201,975,900	55,297,776	72.6	51,022,420	108.4
2005	152,862,118	215,014,600	61,152,482	71.1	51,588,343	118.5

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

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

We have audited the basic financial statements of the City of Mesquite, Texas (the "City"), as of and for the year ended September 30, 2006 and have issued our report thereon dated February 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal controls over financial reporting in order to determine our procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated February 28, 2007.

Compliance and Other Matters

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

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

Deloitte & Touche LLP

February 28, 2007

Combining and Individual Fund

Statements and Schedules

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City of Mesquite, Texas

**General Fund
Comparative Balance Sheets
September 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
ASSETS:		
Pooled cash and investments	\$ 15,798,003	\$ 11,889,078
Receivables (net allowance for uncollectibles):		
Accounts receivable	3,247,352	3,118,345
Ad valorem taxes	1,018,664	905,663
Other taxes receivable	1,684,879	1,586,600
Intergovernmental	4,671,646	4,946,379
Due from other funds	541,350	664,939
Inventory	364,627	340,002
Prepays	38,643	39,258
Accrued interest	<u>136,219</u>	<u>69,243</u>
 Total Assets	 <u>\$ 27,501,383</u>	 <u>\$ 23,559,507</u>
 LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts Payable	\$ 4,344,113	\$ 2,669,612
Deposits	711,241	346,060
Deferred revenues	<u>2,925,495</u>	<u>3,167,692</u>
 Total Liabilities	 <u>7,980,849</u>	 <u>6,183,364</u>
 Fund Balances:		
Reserved for		
Encumbrances	636,653	732,332
Prepays	38,643	39,258
Unreserved-		
Undesignated	<u>18,845,238</u>	<u>16,604,553</u>
 Total Fund Balances	 <u>19,520,534</u>	 <u>17,376,143</u>
 Total Liabilities and Fund Balances	 <u>\$ 27,501,383</u>	 <u>\$ 23,559,507</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, 2006

With Comparative Actual Totals for the Year Ended September 30, 2005

	2006				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	2005 Actual Amounts
	Original	Final			
REVENUES:					
Ad valorem taxes:					
Current	\$ 34,573,442	\$ 33,775,000	\$ 34,433,390	\$ 658,390	\$ 32,151,536
Delinquent	450,000	450,000	490,405	40,405	581,773
Penalty and interest	320,000	470,000	467,754	(2,246)	425,489
Total ad valorem taxes	<u>35,343,442</u>	<u>34,695,000</u>	<u>35,391,549</u>	<u>696,549</u>	<u>33,158,798</u>
Gross receipts taxes:					
Electrical	4,439,000	4,425,000	4,169,506	(255,494)	4,061,261
Gas	940,000	1,090,000	1,133,061	43,061	1,103,708
Telephone	780,000	780,000	780,006	6	784,199
Cable television	640,000	664,000	646,158	(17,842)	642,239
Sanitation	705,000	705,000	691,464	(13,536)	692,659
Other gross receipts taxes	22,500	21,500	20,534	(966)	20,779
Total gross receipts taxes	<u>7,526,500</u>	<u>7,685,500</u>	<u>7,440,729</u>	<u>(244,771)</u>	<u>7,304,845</u>
Sales taxes:					
General sales tax	25,870,238	26,304,000	26,722,923	418,923	25,888,054
Other sales tax - liquor	169,000	177,000	176,747	(253)	173,658
Total sales taxes:	<u>26,039,238</u>	<u>26,481,000</u>	<u>26,899,670</u>	<u>418,670</u>	<u>26,061,712</u>
Licenses and permits:					
Building permits	675,400	710,000	725,639	15,639	389,792
Electrical permits	-	23,000	19,561	(3,439)	59,223
Plumbing permits	-	45,000	43,457	(1,543)	65,710
Health permits	130,000	131,000	138,270	7,270	131,360
Mechanical permits	-	10,000	8,820	(1,180)	43,419
Sign permits	59,000	59,000	62,575	3,575	57,580
Food handlers permits	62,000	58,000	53,312	(4,688)	63,586
Contractor's registration	140,000	140,000	144,890	4,890	136,685
Apartment licenses	136,000	136,000	129,330	(6,670)	110,678
Police alarm permits	80,000	75,000	75,370	370	70,897
Plan review fees	75,400	75,000	81,910	6,910	-
Other licenses and permits	40,575	164,675	175,463	10,788	118,939
Total licenses and permits	<u>1,398,375</u>	<u>1,626,675</u>	<u>1,658,597</u>	<u>31,922</u>	<u>1,247,869</u>
Fines and forfeitures:					
Traffic fines	1,800,000	1,820,000	1,791,504	(28,496)	1,811,549
Criminal fines	220,000	205,600	183,485	(22,115)	203,257
City ordinance	85,000	87,000	96,158	9,158	84,272
Other fines and forfeitures	215,000	210,000	230,404	20,404	198,122
Total fines and forfeitures	<u>2,320,000</u>	<u>2,322,600</u>	<u>2,301,551</u>	<u>(21,049)</u>	<u>2,297,200</u>
Investment income:					
Interest earned	586,176	1,100,000	1,261,605	161,605	684,721
(Decrease) increase in fair value	(60,000)	(40,000)	49,152	89,152	(39,016)
Total investment income	<u>526,176</u>	<u>1,060,000</u>	<u>1,310,757</u>	<u>250,757</u>	<u>645,705</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, 2006
With Comparative Actual Totals for the Year Ended September 30, 2005

	2006				2005 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	\$ 325,000	\$ 290,300	\$ 290,336	\$ 36	\$ 336,184
Other general government	22,006	20,100	15,532	(4,568)	6,097
Fire services-					
Ambulance fees	1,400,000	1,340,000	1,398,296	58,296	1,321,241
False alarm and other fees	4,000	4,000	2,072	(1,928)	1,390
Police services-					
False alarm fees	75,000	75,000	69,564	(5,436)	65,774
Accident reports and other fees	111,000	111,000	141,268	30,268	140,373
Field services-					
Waste collection and disposal	5,514,600	5,575,000	5,529,589	(45,411)	5,096,073
Compost materials and other fees	65,000	35,000	40,002	5,002	48,359
Public works-					
Public works inspection fee	65,000	120,000	86,684	(33,316)	119,114
Plan drawings and microfilm	1,500	1,500	1,014	(486)	834
Development services-					
Board of adjustment fees	10,000	11,000	7,200	(3,800)	8,550
Code compliance-					
Grass and weed mowing charges	250,000	250,000	283,203	33,203	236,428
Pound fees	27,000	34,000	33,555	(445)	29,975
Animal adoption fees	30,000	42,000	46,222	4,222	27,935
Repair and demolition	12,000	9,000	3,400	(5,600)	10,265
Library services-					
Public library fees	61,500	68,900	76,147	7,247	70,504
Parks and recreation-					
Parks and recreation user fees	877,300	793,500	814,239	20,739	831,648
Tennis center	29,550	31,800	48,940	17,140	41,617
Swimming pools	225,000	225,000	235,981	10,981	200,320
Golf course rental	150,000	150,000	150,000	-	150,000
Community services-					
Public health fees	85,000	35,000	37,625	2,625	40,807
Transportation fees	20,000	21,000	22,412	1,412	20,961
Total charges for services	<u>9,360,456</u>	<u>9,243,100</u>	<u>9,333,281</u>	<u>90,181</u>	<u>8,804,449</u>
Intergovernmental:					
State grants	105,000	104,825	61,040	(43,785)	94,064
Federal grants	409,863	982,000	685,878	(296,122)	1,331
Total intergovernmental	<u>514,863</u>	<u>1,086,825</u>	<u>746,918</u>	<u>(339,907)</u>	<u>95,395</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, 2006
With Comparative Actual Totals for the Year Ended September 30, 2005

	2006					2005 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)		
	Original	Final				
REVENUES (Continued):						
Other revenues:						
General government-						
Recoveries and reimbursements	\$ 148,013	\$ 80,451	\$ 285,798	\$ 205,347	\$ 135,981	
Sales and auctions	310,990	275,690	218,148	(57,542)	339,931	
Rent and lease	39,300	45,000	44,538	(462)	40,734	
Field services-						
Garbage bag / compost sales	298,000	295,000	295,968	968	292,949	
Development services-						
Planning and zoning fees	163,200	60,000	39,933	(20,067)	54,151	
Parks and recreation-						
Golf course improvements	<u>217,988</u>	<u>217,988</u>	<u>303,732</u>	<u>85,744</u>	<u>214,525</u>	
Total other revenues	<u>1,177,491</u>	<u>974,129</u>	<u>1,188,117</u>	<u>213,988</u>	<u>1,078,271</u>	
TOTAL REVENUES	<u>84,206,541</u>	<u>85,174,829</u>	<u>86,271,169</u>	<u>1,096,340</u>	<u>80,694,244</u>	

EXPENDITURES:

General government:					
City Council	208,946	240,090	272,235	(32,145)	236,466
Administration	847,989	910,718	891,015	19,703	815,955
Economic development	215,693	230,552	251,245	(20,693)	188,896
City secretary	333,583	326,653	314,958	11,695	321,410
Legal	710,911	698,124	692,492	5,632	674,775
Human resources administration	867,428	860,793	871,030	(10,237)	848,755
Risk management	-	-	1,368	(1,368)	-
Training	17,000	14,041	12,764	1,277	16,013
Finance administration	521,328	549,536	551,789	(2,253)	493,964
Accounting	508,165	483,055	459,051	24,004	502,777
Purchasing	282,329	297,498	288,433	9,065	254,177
City warehouse	210,560	189,512	184,912	4,600	212,133
Transportation pool	(1,048)	(1,048)	(3,731)	2,683	(2,646)
Printshop / mailroom	207,124	214,925	203,771	11,154	193,944
Telecommunications	250,077	249,748	223,742	26,006	237,883
Central copy	83,302	96,364	95,129	1,235	42,976
Tax	582,318	634,851	636,333	(1,482)	528,299
Municipal court	782,306	790,867	782,860	8,007	722,280
Management information services	164,000	176,042	191,525	(15,483)	98,523
Budget office	<u>225,203</u>	<u>204,633</u>	<u>204,022</u>	<u>611</u>	<u>205,375</u>
Total general government	<u>7,017,214</u>	<u>7,166,954</u>	<u>7,124,943</u>	<u>42,011</u>	<u>6,591,955</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, 2006
With Comparative Actual Totals for the Year Ended September 30, 2005

EXPENDITURES (Continued):	2006				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	2005 Actual Amounts
	Original	Final			
Fire services:					
Fire administration	\$ 838,349	\$ 871,835	\$ 915,422	\$ (43,587)	\$ 798,713
Fire operations	16,330,817	16,630,083	16,553,759	76,324	15,542,014
Emergency medical	900,868	883,020	883,461	(441)	799,155
Fire prevention	1,162,712	1,205,882	1,081,278	124,604	1,189,748
Fire training	271,774	377,264	330,252	47,012	294,679
Emergency management	101,068	94,910	84,128	10,782	55,383
Total fire services	<u>19,605,588</u>	<u>20,062,994</u>	<u>19,848,300</u>	<u>214,694</u>	<u>18,679,692</u>
Police services:					
Police administration	1,005,631	977,181	941,733	35,448	1,041,904
Police operations	13,689,398	13,607,939	13,417,782	190,157	12,892,208
Criminal investigation	4,799,138	4,869,168	4,859,505	9,663	4,286,249
School resource officers	965,275	1,009,598	967,958	41,640	847,699
Police technical services	5,256,738	5,167,431	4,937,993	229,438	4,661,293
Police staff support services	953,788	1,104,109	1,090,077	14,032	830,840
Total police services	<u>26,669,968</u>	<u>26,735,426</u>	<u>26,215,048</u>	<u>520,378</u>	<u>24,560,193</u>
Public works:					
Public works administration	220,142	275,000	287,340	(12,340)	322,053
Traffic engineering	1,085,089	1,104,751	1,007,273	97,478	1,059,309
Street lighting	976,442	1,207,871	1,209,262	(1,391)	1,079,275
Engineering	245,749	211,349	44,072	167,277	28,889
Residential solid waste collection	4,571,582	4,493,144	4,506,004	(12,860)	4,465,863
Compost facility operation	438,332	422,469	465,346	(42,877)	305,138
Street maintenance	3,063,086	2,953,722	2,952,729	993	2,719,753
Equipment services	1,246,677	1,369,687	1,315,818	53,869	1,142,190
Total public works	<u>11,847,099</u>	<u>12,037,993</u>	<u>11,787,844</u>	<u>250,149</u>	<u>11,122,470</u>
Community development:					
Community development administration	190,166	221,263	224,021	(2,758)	252,264
Building inspection	887,206	861,236	866,192	(4,956)	858,375
Environmental code inspection	558,432	502,257	496,497	5,760	483,180
Licensing and compliance	448,965	410,815	399,645	11,170	368,334
Animal services	575,401	637,253	647,946	(10,693)	509,920
Repair and demolition	15,200	15,000	14,235	765	42,055
Planning and zoning	314,225	278,100	301,300	(23,200)	298,043
Historic preservation	62,383	47,933	46,304	1,629	39,408
Total community development	<u>3,051,978</u>	<u>2,973,857</u>	<u>2,996,140</u>	<u>(22,283)</u>	<u>2,851,579</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, 2006
With Comparative Actual Totals for the Year Ended September 30, 2005

	2006				2005 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	
	Original	Final			
EXPENDITURES (Continued):					
Library services:					
Library administration	\$ 795,699	\$ 764,300	\$ 764,186	\$ 114	\$ 733,329
Library - north branch	629,469	613,417	610,413	3,004	595,106
Library - central	662,395	661,573	652,996	8,577	624,700
Total library services	2,087,563	2,039,290	2,027,595	11,695	1,953,135
Parks and recreation:					
Parks and recreation administration	746,438	729,035	719,703	9,332	413,043
Parks	2,149,650	2,361,148	2,297,318	63,830	2,080,433
Tennis	118,063	115,865	116,454	(589)	107,629
Building services	1,721,425	1,730,153	1,701,906	28,247	1,640,570
Youth services	173,220	170,765	164,895	5,870	163,161
Recreation	2,767,946	2,892,613	2,812,946	79,667	2,661,356
Swimming pools	397,917	441,957	385,022	56,935	429,627
Total parks and recreation	8,074,659	8,441,536	8,198,244	243,292	7,495,819
Housing and community services:					
Community services administration	198,775	209,295	207,564	1,731	172,372
Health clinic	148,577	140,266	125,900	14,366	126,100
Volunteer services	705,307	666,854	674,525	(7,671)	26,578
MTED-transportation elderly disabled	43,179	44,673	42,386	2,287	670,058
Mesquite arts center	88,458	101,630	83,654	17,976	92,177
Total housing and community services	1,184,296	1,162,718	1,134,029	28,689	1,087,285
Other:					
Insurance	1,740,000	1,805,312	1,884,820	(79,508)	1,931,710
Reserve appropriation	571,000	576,164	638,842	(62,678)	816,591
Public safety equipment	656,000	777,556	912,783	(135,227)	2,231,354
Other	-	-	-	-	29,719
Total other	2,967,000	3,159,032	3,436,445	(277,413)	5,009,374
TOTAL EXPENDITURES	82,505,365	83,779,800	82,768,588	1,011,212	79,351,502
EXCESS OF REVENUES OVER EXPENDITURES	1,701,176	1,395,029	3,502,581	2,107,552	1,342,742
OTHER FINANCING SOURCES (USES):					
Transfers in	5,862,522	6,671,336	6,703,581	32,245	7,084,474
Transfers out	(9,326,878)	(9,801,771)	(9,801,771)	-	(9,315,091)
Issuance of debt	1,765,000	1,740,000	1,740,000	-	1,720,000
Premium on debt	-	-	-	-	29,719
TOTAL OTHER FINANCING USES	(1,699,356)	(1,390,435)	(1,358,190)	32,245	(480,898)
NET CHANGE IN FUND BALANCES	\$ 1,820	\$ 4,594	\$ 2,144,391	\$ 2,139,797	861,844
FUND BALANCE AT BEGINNING OF YEAR			17,376,143		16,514,299
FUND BALANCE AT END OF YEAR			19,520,534		17,376,143

Note: Expense category "Other" has been reclassified for presentation in the basic financial statements.

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, 2006**

	Special Revenue			
	Quality of Life Corporation (4B Sales Tax)	Hotel/Motel Tax	Confiscated Drug	Other Special Revenue
ASSETS:				
Pooled cash and investments	\$ 9,415,434	\$ 87,699	\$ 1,927,709	\$ 1,238,882
Receivables (net of allowance for uncollectibles):				
Accounts receivable	-	3,907	-	705
Intergovernmental	1,522,994	-	-	-
Prepays	-	-	450	300
Accrued interest	39,731	551	8,533	1,011
Total Assets	<u>\$10,978,159</u>	<u>\$ 92,157</u>	<u>\$ 1,936,692</u>	<u>\$ 1,240,898</u>
 LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 647,574	\$ 17,668	\$ 69,647	\$ 8,394
Deposits	-	-	77,953	18,365
Deferred revenue	-	-	-	-
Total Liabilities	<u>647,574</u>	<u>17,668</u>	<u>147,600</u>	<u>26,759</u>
 Fund Balances:				
Reserved for:				
Encumbrances	1,916,944	-	14,720	19,281
Prepays	-	-	450	300
Debt retirement	-	-	-	-
Unreserved, reported in:				
Special revenue funds	8,413,641	74,489	1,773,922	1,194,558
Capital project funds	-	-	-	-
Total Fund Balances	<u>10,330,585</u>	<u>74,489</u>	<u>1,789,092</u>	<u>1,214,139</u>
Total Liabilities and Fund Balances	<u>\$10,978,159</u>	<u>\$ 92,157</u>	<u>\$ 1,936,692</u>	<u>\$ 1,240,898</u>

<u>Debt Service</u>	<u>Capital Projects Local Finance</u>	<u>Total Other Governmental Funds</u>
\$ 583,706	\$ 9,247,681	\$ 22,501,111
-	418,395	423,007
-	-	1,522,994
-	-	750
-	26,790	76,616
<u>\$ 583,706</u>	<u>\$ 9,692,866</u>	<u>\$ 24,524,478</u>
\$ -	\$ 492,963	\$ 1,236,246
-	260,806	357,124
-	246,695	246,695
<u>-</u>	<u>1,000,464</u>	<u>1,840,065</u>
-	186,059	2,137,004
-	-	750
583,706	-	583,706
-	-	11,456,610
-	8,506,343	8,506,343
<u>583,706</u>	<u>8,692,402</u>	<u>22,684,413</u>
<u>\$ 583,706</u>	<u>\$ 9,692,866</u>	<u>\$ 24,524,478</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, 2006**

	Special Revenue			
	Quality of Life Corporation (4B Sales Tax)	Hotel/Motel Tax	Confiscated Drug	Other Special Revenue
REVENUES:				
Gross receipts taxes	\$ -	\$ -	\$ -	\$ 110,524
Sales tax	8,907,642	1,072,391	-	-
Licenses and permits	-	-	-	2,050
Fines and forfeitures	-	-	559,821	67,496
Investment income	343,957	3,952	77,906	11,329
Charges for services	-	-	-	980,434
Other revenues	45,000	-	30,367	31,863
Contributions and donations	-	-	-	104,199
Total Revenues	<u>9,296,599</u>	<u>1,076,343</u>	<u>668,094</u>	<u>1,307,895</u>
EXPENDITURES:				
Current-				
General government	56,667	607,092	-	96,661
Fire services	-	-	-	23,025
Police services	-	-	406,902	216,490
Public works	-	-	-	-
Community development	-	114,868	-	56,750
Library services	-	-	-	1,304
Parks and recreation	1,642,228	-	-	12,473
Community services	-	131,369	-	-
Capital outlay	4,717,182	-	-	-
Debt service-				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>6,416,077</u>	<u>853,329</u>	<u>406,902</u>	<u>406,703</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,880,522</u>	<u>223,014</u>	<u>261,192</u>	<u>901,192</u>
OTHER FINANCING SOURCES (USES):				
Note payable proceeds	-	-	-	-
Transfers in	654,675	-	6,323	-
Transfers out	<u>(448,182)</u>	<u>(168,000)</u>	<u>-</u>	<u>(730,000)</u>
Total Other Financing Sources (Uses)	<u>206,493</u>	<u>(168,000)</u>	<u>6,323</u>	<u>(730,000)</u>
NET CHANGE IN FUND BALANCES	3,087,015	55,014	267,515	171,192
FUND BALANCES AT BEGINNING OF YEAR	<u>7,243,570</u>	<u>19,475</u>	<u>1,521,577</u>	<u>1,042,947</u>
FUND BALANCES AT END OF YEAR	<u>\$ 10,330,585</u>	<u>\$ 74,489</u>	<u>\$ 1,789,092</u>	<u>\$ 1,214,139</u>

	<u>Debt Service</u>	<u>Capital Projects Local Finance</u>	<u>Total Other Governmental Funds</u>
\$	-	\$ -	\$ 110,524
	-	-	9,980,033
	-	-	2,050
	-	-	627,317
	-	270,311	707,455
	-	3,673,253	4,653,687
	-	274,485	381,715
	-	-	104,199
	-	<u>4,218,049</u>	<u>16,566,980</u>
	-	1,530,879	2,291,299
	-	-	23,025
	-	163,724	787,116
	-	5,617,677	5,617,677
	-	-	171,618
	-	-	1,304
	-	-	1,654,701
	-	117	131,486
	-	313,837	5,031,019
	7,480,000	-	7,480,000
	<u>3,056,449</u>	-	<u>3,056,449</u>
	<u>10,536,449</u>	<u>7,626,234</u>	<u>26,245,694</u>
	<u>(10,536,449)</u>	<u>(3,408,185)</u>	<u>(9,678,714)</u>
	-	6,035,453	6,035,453
	10,589,366	701,091	11,951,455
	-	<u>(2,012,441)</u>	<u>(3,358,623)</u>
	<u>10,589,366</u>	<u>4,724,103</u>	<u>14,628,285</u>
	52,917	1,315,918	4,949,571
	<u>530,789</u>	<u>7,376,484</u>	<u>17,734,842</u>
\$	<u>583,706</u>	<u>\$ 8,692,402</u>	<u>\$ 22,684,413</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, 2006
 With Comparative Actual Totals for the Year Ended For the Year Ended September 30, 2005**

	2006				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)	<u>2005 Actual Amounts</u>
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Sales tax	\$ 8,623,413	\$ 8,768,000	\$ 8,907,642	\$ 139,642	\$ 8,629,650
Investment income	30,000	300,000	343,957	43,957	140,372
Intergovernmental	-	-	-	-	388,500
Other revenues	-	45,000	45,000	-	493,414
TOTAL REVENUES	8,653,413	9,113,000	9,296,599	183,599	9,651,936
EXPENDITURES:					
Current-					
General government	346,913	40,000	56,667	(16,667)	10,000
Parks and recreation	906,000	1,742,780	1,642,228	100,552	10,000
Capital projects-					
Public safety projects	100,000	741,367	669,577	71,790	2,135,935
Transportation projects	4,615,500	10,206,485	1,876,711	8,329,774	2,549,866
Parks and recreation projects	2,685,000	4,982,944	2,170,894	2,812,050	3,565,815
TOTAL EXPENDITURES	8,653,413	17,713,576	6,416,077	11,297,499	8,271,616
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ (8,600,576)	2,880,522	\$ 11,481,098	1,380,320
OTHER FINANCING SOURCES (USES):					
Transfers in	-	654,675	654,675	654,675	
Transfers out	-	(1,009,231)	(448,182)	(561,049)	(1,364,085)
TOTAL OTHER FINANCING SOURCES (USES)	-	(354,556)	206,493	93,626	(1,364,085)
NET CHANGE IN FUND BALANCES	\$ -	\$ (8,955,132)	3,087,015	\$ 11,574,724	16,235
FUND BALANCE AT BEGINNING OF YEAR			7,243,570		7,227,335
FUND BALANCE AT END OF YEAR			\$ 10,330,585		\$ 7,243,570

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, 2006
 With Comparative Actual Totals for the Year Ended September 30, 2005**

	2006				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	2005 Actual Amounts
	Original	Final			
REVENUES:					
Sales Tax	\$ 980,000	\$ 1,017,000	\$ 1,072,391	\$ 55,391	\$ 971,674
Investment income	1,200	1,200	3,952	2,752	1,521
TOTAL REVENUES	<u>981,200</u>	<u>1,018,200</u>	<u>1,076,343</u>	<u>58,143</u>	<u>973,195</u>
EXPENDITURES:					
Other-					
Administration projects-					
Personal services	12,000	12,882	27,534	(14,652)	2,654
Supplies	1,800	1,800	1,127	673	950
Contractual services	115,303	121,803	118,955	2,848	115,839
Capital outlay	-	-	-	-	-
	<u>129,103</u>	<u>136,485</u>	<u>147,616</u>	<u>(11,131)</u>	<u>119,443</u>
Chamber of Commerce projects-					
Contractual services	448,571	461,143	459,476	1,667	440,062
	<u>448,571</u>	<u>461,143</u>	<u>459,476</u>	<u>1,667</u>	<u>440,062</u>
Arts Council projects					
Contractual services	112,143	115,286	114,869	417	110,015
	<u>112,143</u>	<u>115,286</u>	<u>114,869</u>	<u>417</u>	<u>110,015</u>
Beautification Commission projects-					
Contractual services	22,000	22,000	16,500	5,500	22,000
	<u>22,000</u>	<u>22,000</u>	<u>16,500</u>	<u>5,500</u>	<u>22,000</u>
Historic Commission projects-					
Contractual services	112,143	115,286	114,868	418	110,015
	<u>112,143</u>	<u>115,286</u>	<u>114,868</u>	<u>418</u>	<u>110,015</u>
TOTAL EXPENDITURES	<u>823,960</u>	<u>850,200</u>	<u>853,329</u>	<u>(3,129)</u>	<u>801,535</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>157,240</u>	<u>168,000</u>	<u>223,014</u>	<u>55,014</u>	<u>171,660</u>
OTHER FINANCING USES:					
Transfers out	(158,000)	(168,000)	(168,000)	-	(158,000)
TOTAL OTHER FINANCING USES	<u>(158,000)</u>	<u>(168,000)</u>	<u>(168,000)</u>	<u>-</u>	<u>(158,000)</u>
NET CHANGE IN FUND BALANCES	\$ <u>(760)</u>	\$ <u>-</u>	55,014	\$ <u>55,014</u>	13,660
FUND BALANCE AT BEGINNING OF YEAR			19,475		5,815
FUND BALANCE AT END OF YEAR			\$ <u>74,489</u>		\$ <u>19,475</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, 2006
 With Comparative Actual Totals for the Year Ended September 30, 2005**

	2006				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)	<u>2005 Actual Amounts</u>
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Fines and forfeitures	\$ 100,000	\$ 400,000	\$ 559,821	\$ 159,821	\$ 629,381
Investment income	15,000	45,000	77,906	32,906	36,519
Other revenues	50,000	50,000	30,367	(19,633)	168,201
TOTAL REVENUES	<u>165,000</u>	<u>495,000</u>	<u>668,094</u>	<u>173,094</u>	<u>834,101</u>
EXPENDITURES:					
Police services-					
Supplies	53,000	135,845	46,282	89,563	127,664
Contractual services	100,400	264,166	185,519	78,647	192,172
Capital outlay	-	453,708	175,101	278,607	182,419
TOTAL EXPENDITURES	<u>153,400</u>	<u>853,719</u>	<u>406,902</u>	<u>446,817</u>	<u>502,255</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>11,600</u>	<u>(358,719)</u>	<u>261,192</u>	<u>619,911</u>	<u>331,846</u>
OTHER FINANCING SOURCES:					
Transfers in	-	6,323	6,323	-	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>6,323</u>	<u>6,323</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ 11,600</u>	<u>\$ (352,396)</u>	<u>267,515</u>	<u>\$ 619,911</u>	<u>331,846</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>1,521,577</u>		<u>1,189,731</u>
FUND BALANCE AT END OF YEAR			<u>\$ 1,789,092</u>		<u>\$ 1,521,577</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, 2006
With Comparative Actual Totals for the Year Ended September 30, 2005

	2006				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)	2005 Actual Amounts
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Other revenues	\$ 54,423	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	<u>54,423</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:					
Debt service-					
Principal	8,100,000	7,480,000	7,480,000	-	8,350,000
Interest and fiscal charges	<u>2,455,792</u>	<u>3,109,366</u>	<u>3,056,449</u>	<u>52,917</u>	<u>2,605,064</u>
TOTAL EXPENDITURES	<u>10,555,792</u>	<u>10,589,366</u>	<u>10,536,449</u>	<u>52,917</u>	<u>10,955,064</u>
EXCESS (DEFICIENCY) OF EXPENDITURES OVER (UNDER) REVENUES	<u>(10,501,369)</u>	<u>(10,589,366)</u>	<u>(10,536,449)</u>	<u>52,917</u>	<u>(10,955,064)</u>
OTHER FINANCING SOURCES:					
Transfers in	<u>10,501,369</u>	<u>10,589,366</u>	<u>10,589,366</u>	<u>-</u>	<u>11,069,019</u>
TOTAL OTHER FINANCING SOURCES	<u>10,501,369</u>	<u>10,589,366</u>	<u>10,589,366</u>	<u>-</u>	<u>11,069,019</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	52,917	<u>\$ 52,917</u>	113,955
FUND BALANCE AT BEGINNING OF YEAR			<u>530,789</u>		<u>416,834</u>
FUND BALANCE AT END OF YEAR			<u>\$ 583,706</u>		<u>\$ 530,789</u>

City of Mesquite, Texas

**Water and Sewer Fund
Statement of Net Assets
September 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
ASSETS:		
Current assets:		
Pooled cash and investments:	\$ 13,124,354	\$ 10,498,852
Receivables (net of allowance for uncollectibles)	5,834,599	5,927,447
Inventory	332,581	255,993
Prepays and other assets	630,854	629,739
Accrued interest	<u>83,628</u>	<u>48,695</u>
Total current assets	<u>20,006,016</u>	<u>17,360,726</u>
Noncurrent assets:		
Revenue bond construction-		
Pooled cash and investments	11,001,842	7,525,178
Accrued interest	43,960	28,528
Revenue bond debt service-		
Pooled cash and investments	2,208,572	2,166,312
Revenue bond reserve-		
Pooled cash and investments	3,760,856	3,343,740
Non-depreciable capital assets-		
Land	894,750	837,150
Construction in progress	10,165,498	14,067,961
Depreciable capital assets-		
Buildings	151,300	151,300
Infrastructure	158,422,726	137,944,329
Equipment	3,300,500	3,167,691
Accumulated depreciation	<u>(48,048,167)</u>	<u>(44,748,061)</u>
Total noncurrent assets	<u>141,901,837</u>	<u>124,484,128</u>
Total Assets	<u>161,907,853</u>	<u>141,844,854</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	1,011,862	910,679
Deposits	2,943,337	2,872,106
Capital lease payable	42,363	40,503
Accrued compensated absences	<u>176,391</u>	<u>170,599</u>
Total current liabilities	<u>4,173,953</u>	<u>3,993,887</u>
Current liabilities payable from restricted assets:		
Accounts payable	1,663,914	730,043
Accrued interest payable	189,172	166,680
Bonds payable	<u>2,950,000</u>	<u>2,980,000</u>
Total current liabilities payable from restricted assets	<u>4,803,086</u>	<u>3,876,723</u>
Noncurrent liabilities:		
Capital lease payable	74,975	117,338
Bonds payable	49,976,911	44,335,597
Accrued compensated absences	<u>800,704</u>	<u>730,321</u>
Total noncurrent liabilities	<u>50,852,590</u>	<u>45,183,256</u>
Total Liabilities	<u>59,829,629</u>	<u>53,053,866</u>
NET ASSETS:		
Invested in capital assets, net of related debt	81,224,245	70,873,191
Restricted for debt service	5,780,256	5,343,372
Unrestricted	<u>15,073,723</u>	<u>12,574,425</u>
Total Net Assets	<u>\$ 102,078,224</u>	<u>\$ 88,790,988</u>

City of Mesquite, Texas

**Water and Sewer Enterprise Fund
Schedule of Operating Revenues and Expenses
For the Year Ended September 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Operating revenues:		
Customer charges:		
Water customer charges:		
Water customer charges	\$ 18,587,030	\$ 17,747,276
Water taps and connections	58,555	51,307
Reconnect fees	176,000	156,885
Bulk water sales	<u>175,520</u>	<u>55,435</u>
Total water customer charges	<u>18,997,105</u>	<u>18,010,903</u>
Sewer customer charges:		
Sewer customer charges	13,099,555	12,688,699
Sewer taps and connections	<u>-</u>	<u>1,500</u>
Total sewer customer charges	<u>13,099,555</u>	<u>12,690,199</u>
Administrative charges:		
Penalty income and administrative fees	<u>575,618</u>	<u>509,707</u>
Total customer charges	<u>32,672,278</u>	<u>31,210,808</u>
Other operating revenues:		
Other revenues	<u>9,995</u>	<u>8,309</u>
Total other operating revenues	<u>9,995</u>	<u>8,309</u>
Total operating revenues	<u>32,682,273</u>	<u>31,219,117</u>
Operating expenses:		
Water and sewer accounting	1,600,115	1,520,430
G. I. S. operations	290,513	308,005
Water and sewer administration	360,092	339,728
Water production	8,943,353	8,933,175
Meter services	850,822	698,148
Water distribution	1,347,063	1,205,433
Wastewater collection	1,332,551	1,219,422
Wastewater treatment	4,426,788	4,834,643
Water and sewer reconstruction	718,934	715,460
Water and sewer insurance	805,000	805,000
Water and sewer reserves	<u>3,859,599</u>	<u>3,547,402</u>
Total operating expenses	<u>24,534,830</u>	<u>24,126,847</u>
Operating income	<u>\$ 8,147,443</u>	<u>\$ 7,092,270</u>

City of Mesquite, Texas

**Drainage Utility District Enterprise Fund
Statement of Net Assets
September 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
ASSETS:		
Current assets:		
Pooled cash and investments	\$ 1,111,761	\$ 1,056,998
Accounts receivable	134,847	139,637
Prepays and other assets	113,851	136,227
Accrued interest	<u>13,115</u>	<u>7,692</u>
Total current assets	<u>1,373,574</u>	<u>1,340,554</u>
Noncurrent assets:		
Revenue bond construction-		
Pooled cash and investments	44,005	195,962
Accrued interest	384	1,044
Revenue bond debt service-		
Pooled cash and investments	545,608	545,608
Revenue bond reserve-		
Pooled cash and investments	828,723	828,723
Non-depreciable capital assets:		
Land	1,017,130	971,966
Construction in progress	2,201,542	2,600,687
Depreciable capital assets:		
Infrastructure	29,143,838	29,102,449
Equipment	186,934	182,107
Accumulated depreciation	<u>(3,565,934)</u>	<u>(3,019,765)</u>
Total noncurrent assets	<u>30,402,230</u>	<u>31,408,781</u>
Total Assets	<u>31,775,804</u>	<u>32,749,335</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	36,472	33,308
Deposits	5,588	2,587
Accrued compensated absences	<u>29,340</u>	<u>29,253</u>
Total current liabilities	<u>71,400</u>	<u>65,148</u>
Current liabilities payable from restricted assets:		
Accounts payable	-	66,463
Accrued interest payable	31,063	32,773
Bonds payable	<u>840,000</u>	<u>820,000</u>
Total current liabilities payable from restricted assets	<u>871,063</u>	<u>919,236</u>
Noncurrent liabilities:		
Bonds payable	8,456,318	9,279,351
Accrued compensated absences	<u>31,345</u>	<u>23,463</u>
Total noncurrent liabilities	<u>8,487,663</u>	<u>9,302,814</u>
Total Liabilities	<u>9,430,126</u>	<u>10,287,198</u>
NET ASSETS:		
Invested in capital assets, net of related debt	19,731,581	19,868,636
Restricted for debt service	1,343,268	1,341,558
Unrestricted	<u>1,270,829</u>	<u>1,251,943</u>
Total Net Assets	<u>\$ 22,345,678</u>	<u>\$ 22,462,137</u>

City of Mesquite, Texas

**Municipal Airport Enterprise Fund
Statement of Net Assets
September 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
ASSETS:		
Current assets:		
Pooled cash and investments	\$ -	\$ 4,612
Receivables (net of allowance for uncollectibles)	19,850	4,162
Inventory	<u>50,419</u>	<u>24,798</u>
Total current assets	<u>70,269</u>	<u>33,572</u>
Noncurrent assets:		
Non-depreciable capital assets-		
Land	4,579,162	4,579,162
Construction in progress	616,110	1,262,812
Depreciable capital assets-		
Buildings	3,680,386	2,907,224
Infrastructure	9,632,636	9,632,636
Improvements	366,008	122,064
Equipment	240,953	123,114
Accumulated depreciation	<u>(5,487,763)</u>	<u>(5,163,095)</u>
Total noncurrent assets	<u>13,627,492</u>	<u>13,463,917</u>
Total Assets	<u>13,697,761</u>	<u>13,497,489</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	72,192	60,218
Deposits and other liabilities	<u>58,284</u>	<u>11,621</u>
Total current liabilities	<u>130,476</u>	<u>71,839</u>
Noncurrent liabilities:		
Accrued compensated absences	<u>36,740</u>	<u>38,183</u>
Total noncurrent liabilities	<u>36,740</u>	<u>38,183</u>
Total Liabilities	<u>167,216</u>	<u>110,022</u>
NET ASSETS:		
Invested in capital assets	13,627,492	13,463,917
Unrestricted	<u>(96,947)</u>	<u>(76,450)</u>
Total Net Assets	<u>\$ 13,530,545</u>	<u>\$ 13,387,467</u>

City of Mesquite, Texas

Combining Statement of Net Assets
 Internal Service Funds
 September 30, 2006
 With Comparative Totals for September 30, 2005

	Health <u>Claims</u>	General <u>Liability</u>	<u>Totals</u>	
			<u>2006</u>	<u>2005</u>
ASSETS:				
Current assets:				
Pooled cash and investments	\$ 566,649	\$ 2,442,350	\$ 3,008,999	\$ 4,029,387
Accounts receivable	-	43,819	43,819	-
Prepays and other assets	1,130,076	120,000	1,250,076	1,161,143
Accrued interest	<u>4,087</u>	<u>13,225</u>	<u>17,312</u>	<u>14,643</u>
Total Assets	<u>1,700,812</u>	<u>2,619,394</u>	<u>4,320,206</u>	<u>5,205,173</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	172,798	7,257	180,055	217,127
Estimated claims payable	<u>1,198,000</u>	<u>900,000</u>	<u>2,098,000</u>	<u>2,120,000</u>
Total Current Liabilities	<u>1,370,798</u>	<u>907,257</u>	<u>2,278,055</u>	<u>2,337,127</u>
Noncurrent liabilities:				
Estimated claims payable	-	420,646	420,646	36,502
Total Noncurrent Liabilities	<u>-</u>	<u>420,646</u>	<u>420,646</u>	<u>36,502</u>
Total Liabilities	<u>1,370,798</u>	<u>1,327,903</u>	<u>2,698,701</u>	<u>2,373,629</u>
NET ASSETS:				
Unrestricted	<u>330,014</u>	<u>1,291,491</u>	<u>1,621,505</u>	<u>2,831,544</u>
Total Net Assets	<u>\$ 330,014</u>	<u>\$ 1,291,491</u>	<u>\$ 1,621,505</u>	<u>\$ 2,831,544</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, 2006

With Comparative Totals for September 30, 2005

	Health Claims	General Liability	Totals	
			2006	2005
Operating revenues:				
Contributions - City-				
Medical insurance	\$ 8,034,620	\$ -	\$ 8,034,620	\$ 8,113,358
Life and dental insurance	608,553	-	608,553	552,473
General liability	-	805,000	805,000	805,000
Workers' compensation	-	501,347	501,347	573,180
Total contributions - City	<u>8,643,173</u>	<u>1,306,347</u>	<u>9,949,520</u>	<u>10,044,011</u>
Contributions - Other-				
Employees - medical insurance	1,528,853	-	1,528,853	1,372,907
Retirees - medical insurance	474,790	-	474,790	362,409
COBRA - medical insurance	37,925	-	37,925	21,367
Stop loss and other contributions	373,412	-	373,412	1,649,760
Other Revenues	-	43,819	43,819	169,929
Total contributions - other	<u>2,414,980</u>	<u>43,819</u>	<u>2,458,799</u>	<u>3,576,372</u>
Total operating revenues	<u>11,058,153</u>	<u>1,350,166</u>	<u>12,408,319</u>	<u>13,620,383</u>
Operating expenses:				
Claims incurred	9,018,667	593,465	9,612,132	10,617,148
Insurance premiums	1,367,499	1,189,280	2,556,779	2,186,393
Administrative fees	936,216	623,519	1,559,735	989,085
Other Expenses	<u>88,517</u>	<u>-</u>	<u>88,517</u>	<u>1,559</u>
Total operating expenses	<u>11,410,899</u>	<u>2,406,264</u>	<u>13,817,163</u>	<u>13,794,185</u>
Operating loss	<u>(352,746)</u>	<u>(1,056,098)</u>	<u>(1,408,844)</u>	<u>(173,802)</u>
Nonoperating revenues:				
Investment income	<u>60,096</u>	<u>138,709</u>	<u>198,805</u>	<u>101,129</u>
Total nonoperating revenues	<u>60,096</u>	<u>138,709</u>	<u>198,805</u>	<u>101,129</u>
Change in net assets	(292,650)	(917,389)	(1,210,039)	(72,673)
Total net assets - beginning	<u>622,664</u>	<u>2,208,880</u>	<u>2,831,544</u>	<u>2,904,217</u>
Total net assets - ending	<u>\$ 330,014</u>	<u>\$ 1,291,491</u>	<u>\$ 1,621,505</u>	<u>\$ 2,831,544</u>

City of Mesquite, Texas

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended September 30, 2006

With Comparative Actual Totals for the Year ended September 30, 2005

	Health Claims	General Liability	Totals	
			2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from City funds	\$ 8,643,173	\$ 1,306,347	\$ 9,949,520	\$ 10,044,011
Cash received from other operating sources	2,414,980	43,819	2,458,799	3,576,372
Cash paid to suppliers for goods and services	(2,331,699)	(1,888,991)	(4,220,690)	(3,015,877)
Cash paid to claimants	(9,230,771)	(173,382)	(9,404,153)	(11,588,592)
Net cash used for operating activities	<u>(504,317)</u>	<u>(712,207)</u>	<u>(1,216,524)</u>	<u>(984,086)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments	<u>59,929</u>	<u>136,207</u>	<u>196,136</u>	<u>99,655</u>
Net cash provided by investing activities	<u>59,929</u>	<u>136,207</u>	<u>196,136</u>	<u>99,655</u>
NET DECREASE IN POOLED CASH AND INVESTMENTS				
	(444,388)	(576,000)	(1,020,388)	(884,431)
POOLED CASH AND INVESTMENTS AT BEGINNING OF YEAR				
	<u>1,011,037</u>	<u>3,018,350</u>	<u>4,029,387</u>	<u>4,913,818</u>
POOLED CASH AND INVESTMENTS AT END OF YEAR				
	<u>\$ 566,649</u>	<u>\$ 2,442,350</u>	<u>\$ 3,008,999</u>	<u>\$ 4,029,387</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:				
Operating loss	\$ (352,746)	\$ (1,056,098)	\$ (1,408,844)	\$ (173,802)
Adjustments to reconcile operating loss to net cash used for operating activities-				
Changes in assets and liabilities-				
Increase in accounts receivable	-	(43,819)	(43,819)	-
Increase in prepaid items	(88,933)	-	(88,933)	(387,391)
Increase (decrease) in accounts payable	59,362	(96,434)	(37,072)	137,505
Increase (decrease) in claims payable	(122,000)	484,144	362,144	(560,398)
Total adjustments	<u>(151,571)</u>	<u>343,891</u>	<u>192,320</u>	<u>(810,284)</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (504,317)</u>	<u>\$ (712,207)</u>	<u>\$ (1,216,524)</u>	<u>\$ (984,086)</u>

City of Mesquite, Texas

**Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended September 30, 2006**

	Agency Fund - Tax Clearing Fund			
	Balance October 1, 2005	Additions	Deductions	Balance September 30, 2006
ASSETS:				
Current assets:				
Pooled cash and investments	\$ 267,934	\$ 147,571,628	\$ 147,551,315	\$ 288,247
Taxes receivable levied for other government	<u>3,425,249</u>	<u>111,696,138</u>	<u>111,512,475</u>	<u>3,608,912</u>
Total Assets	<u>\$ 3,693,183</u>	<u>\$ 259,267,766</u>	<u>\$ 259,063,790</u>	<u>\$ 3,897,159</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 267,934	\$ 260,684,492	\$ 260,664,179	\$ 288,247
Due to other governments	<u>3,425,249</u>	<u>111,696,138</u>	<u>111,512,475</u>	<u>3,608,912</u>
Total Liabilities	<u>\$ 3,693,183</u>	<u>\$ 372,380,630</u>	<u>\$ 372,176,654</u>	<u>\$ 3,897,159</u>

MESQUITE
T E X A S
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City of Mesquite, Texas

Statistical Section (Unaudited)

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

<u>Contents</u>	<u>Page</u>
Financial Trends	85
These schedules contain trend information to help the readers understand how the city's financial performance and well-being have changed over time.	
Revenue Capacity	94
These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.	
Debt Capacity	99
These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	
Demographic and Economic Information	104
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.	
Operating Information	108
These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.	

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

MESQUITE
T E X A S
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Net Assets by Component

Last Five Fiscal Years

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

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities:					
Invested in capital assets, net of related debt	\$ 78,839	\$ 95,809	\$ 105,798	\$ 117,266	\$ 128,362
Restricted	9,719	4,561	7,644	7,774	10,914
Unrestricted	<u>16,284</u>	<u>18,814</u>	<u>17,757</u>	<u>18,531</u>	<u>16,147</u>
Total governmental activities net assets	<u>\$ 104,842</u>	<u>\$ 119,184</u>	<u>\$ 131,199</u>	<u>\$ 143,571</u>	<u>\$ 155,423</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 82,804	\$ 90,629	\$ 99,992	\$ 104,206	\$ 114,583
Restricted	5,296	5,847	6,067	6,685	7,124
Unrestricted	<u>18,051</u>	<u>14,579</u>	<u>12,492</u>	<u>13,430</u>	<u>15,231</u>
Total business-type activities net assets	<u>\$ 106,151</u>	<u>\$ 111,055</u>	<u>\$ 118,551</u>	<u>\$ 124,321</u>	<u>\$ 136,938</u>
Primary government:					
Invested in capital assets, net of related debt	\$ 161,643	\$ 186,438	\$ 205,790	\$ 221,472	\$ 242,945
Restricted	15,015	10,408	13,711	14,459	18,038
Unrestricted	<u>34,335</u>	<u>33,393</u>	<u>30,249</u>	<u>31,961</u>	<u>31,378</u>
Total primary government net assets	<u>\$ 210,993</u>	<u>\$ 230,239</u>	<u>\$ 249,750</u>	<u>\$ 267,892</u>	<u>\$ 292,361</u>

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

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

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses					
Governmental activities:					
General government	\$ 8,029	\$ 8,652	\$ 9,783	\$ 18,739	\$ 16,796
Fire services	16,636	17,517	18,805	19,636	21,186
Police services	22,862	23,595	24,982	26,336	28,156
Field services	12,402	12,660	13,449	12,670	6,629
Public works	2,125	2,450	2,752	2,974	15,381
Community development	2,755	2,734	3,133	3,375	3,302
Housing services	7,194	8,861	11,069	10,918	10,305
Library services	1,885	2,049	2,080	2,052	2,137
Parks and recreation	7,378	7,933	8,834	8,135	10,538
Community services	901	1,158	1,029	1,121	1,561
Other	4,766	6,720	7,228	-	-
Interest on long-term debt	2,700	2,727	2,617	2,478	3,312
Total governmental activities expenses	<u>89,633</u>	<u>97,056</u>	<u>105,761</u>	<u>108,434</u>	<u>119,303</u>
Business-type activities:					
Water and sewer	21,948	24,961	25,604	26,230	27,468
Drainage utility	1,339	1,515	1,606	1,616	1,550
Municipal airport	964	958	1,130	1,297	1,537
Total business-type activities expenses	<u>24,251</u>	<u>27,434</u>	<u>28,340</u>	<u>29,143</u>	<u>30,555</u>
Total primary government expenses	<u>\$ 113,884</u>	<u>\$ 124,490</u>	<u>\$ 134,101</u>	<u>\$ 137,577</u>	<u>\$ 149,858</u>
Program Revenues					
Governmental activities:					
Charges for services	\$ 16,622	\$ 21,345	\$ 21,783	\$ 24,544	\$ 23,623
Operating grants and contributions	8,152	10,446	11,852	12,561	12,439
Capital grants and contributions	2,257	2,987	5,943	1,693	7,433
Total governmental activities program revenues	<u>27,031</u>	<u>34,778</u>	<u>39,578</u>	<u>38,798</u>	<u>43,495</u>
Business-type activities:					
Charges for services:					
Water and sewer	25,830	27,739	27,761	31,219	32,682
Drainage utility	2,026	2,157	2,078	2,098	2,129
Municipal airport	514	461	673	814	1,098
Capital grants and contributions	5,246	5,863	9,413	4,659	10,532
Total business-type activities program revenues	<u>33,616</u>	<u>36,220</u>	<u>39,925</u>	<u>38,790</u>	<u>46,441</u>
Total primary government program revenues	<u>\$ 60,647</u>	<u>\$ 70,998</u>	<u>\$ 79,503</u>	<u>\$ 77,588</u>	<u>\$ 89,936</u>

(Continued Next Page)

City of Mesquite, Texas

Schedule 2
(Continued)

Change in Net Assets
Last Five Fiscal Years

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

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Net (Expenses)/Program Revenues					
Governmental activities	\$ (62,602)	\$ (62,278)	\$ (66,183)	\$ (69,636)	\$ (75,808)
Business-type activities	<u>9,365</u>	<u>8,786</u>	<u>11,585</u>	<u>9,647</u>	<u>15,886</u>
Total primary government net expenses	<u>\$ (53,237)</u>	<u>\$ (53,492)</u>	<u>\$ (54,598)</u>	<u>\$ (59,989)</u>	<u>\$ (59,922)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Ad valorem taxes	\$ 26,219	\$ 28,555	\$ 29,946	\$ 33,073	\$ 35,505
Gross receipts taxes	7,516	7,580	7,137	7,416	7,551
Sales taxes	35,578	35,292	36,136	35,663	36,880
Investment income	1,260	791	547	1,343	3,204
Transfers	<u>4,437</u>	<u>4,402</u>	<u>4,431</u>	<u>4,514</u>	<u>4,519</u>
Total governmental activities	<u>75,010</u>	<u>76,620</u>	<u>78,197</u>	<u>82,009</u>	<u>87,659</u>
Business-type activities:					
Investment income	842	520	343	636	1,251
Transfers	<u>(4,437)</u>	<u>(4,402)</u>	<u>(4,431)</u>	<u>(4,514)</u>	<u>(4,519)</u>
Total business-type activities	<u>(3,595)</u>	<u>(3,882)</u>	<u>(4,088)</u>	<u>(3,878)</u>	<u>(3,268)</u>
Total primary government	<u>\$ 71,415</u>	<u>\$ 72,738</u>	<u>\$ 74,109</u>	<u>\$ 78,131</u>	<u>\$ 84,391</u>
Change in Net Assets					
Governmental activities	\$ 12,408	\$ 14,342	\$ 12,014	\$ 12,373	\$ 11,851
Business-type activities	<u>5,770</u>	<u>4,904</u>	<u>7,497</u>	<u>5,769</u>	<u>12,618</u>
Total primary government	<u>\$ 18,178</u>	<u>\$ 19,246</u>	<u>\$ 19,511</u>	<u>\$ 18,142</u>	<u>\$ 24,469</u>

City of Mesquite, Texas

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

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

	Fiscal Year				
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
General Fund:					
Reserved	\$ 342	\$ 366	\$ 222	\$ 132	\$ 618
Unreserved	<u>10,639</u>	<u>12,119</u>	<u>11,899</u>	<u>12,508</u>	<u>14,061</u>
Total General Fund	<u>\$ 10,981</u>	<u>\$ 12,485</u>	<u>\$ 12,121</u>	<u>\$ 12,640</u>	<u>\$ 14,679</u>
All other governmental funds:					
Reserved for:					
Encumbrances	\$ 1,462	\$ 6,344	\$ 3,482	\$ 3,125	\$ 3,748
Debt service	710	1,198	636	289	295
Unreserved, reported in:					
Special revenue funds	1,529	1,618	2,349	4,733	6,476
Capital projects	<u>21,146</u>	<u>10,726</u>	<u>6,324</u>	<u>6,361</u>	<u>8,576</u>
Total all other governmental funds	<u>\$ 24,847</u>	<u>\$ 19,886</u>	<u>\$ 12,791</u>	<u>\$ 14,508</u>	<u>\$ 19,095</u>

Schedule 3

Fiscal Year				
<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 192	\$ 1,848	\$ 1,674	\$ 732	\$ 637
<u>15,148</u>	<u>14,712</u>	<u>14,840</u>	<u>16,644</u>	<u>18,884</u>
<u>\$ 15,340</u>	<u>\$ 16,560</u>	<u>\$ 16,514</u>	<u>\$ 17,376</u>	<u>\$ 19,521</u>
\$ 5,895	\$ 3,342	\$ 3,284	\$ 5,673	\$ 4,359
327	337	417	531	584
6,084	5,063	7,071	9,148	13,071
<u>8,871</u>	<u>9,868</u>	<u>17,107</u>	<u>23,896</u>	<u>30,225</u>
<u>\$ 21,177</u>	<u>\$ 18,610</u>	<u>\$ 27,879</u>	<u>\$ 39,248</u>	<u>\$ 48,239</u>

City of Mesquite, Texas

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

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

(Unaudited)

	Fiscal Year				
	1997	1998	1999	2000	2001
Revenues					
Taxes	\$ 47,495	\$ 52,165	\$ 55,335	\$ 63,681	\$ 68,171
Licenses and permits	922	1,015	1,217	1,171	1,475
Fines and forfeitures	2,018	2,344	2,335	2,264	2,551
Investment income	2,101	2,156	1,469	1,834	2,245
Charges for services	6,860	6,745	7,970	7,770	9,529
Intergovernmental	5,065	5,127	6,267	7,865	7,009
Other revenues	1,497	2,266	1,832	1,609	1,986
Contributions and donations	381	138	607	179	77
Total revenues	<u>66,339</u>	<u>71,956</u>	<u>77,032</u>	<u>86,373</u>	<u>93,043</u>
Expenditures					
General government	5,808	5,594	5,802	5,941	6,033
Fire services	11,200	11,953	13,204	14,780	15,245
Police services	16,480	17,691	18,759	20,444	21,352
Field services	6,727	6,231	6,991	7,599	7,684
Public works	1,802	1,984	1,929	1,909	1,925
Community development	1,788	1,933	2,032	2,442	2,637
Housing services	3,085	3,366	4,331	4,894	5,519
Library services	1,508	1,536	1,639	1,717	1,826
Parks and recreation	6,049	6,281	6,631	7,185	7,257
Community services	285	314	274	745	695
Other	3,448	5,863	4,933	3,195	3,702
Capital outlay	4,551	10,362	12,587	9,258	9,445
Debt service - principal	5,346	7,235	8,035	8,930	6,568
Debt service - interest	5,802	3,751	3,506	3,286	4,960
Total expenditures	<u>73,879</u>	<u>84,094</u>	<u>90,653</u>	<u>92,325</u>	<u>94,848</u>
Excess of revenues over (under) expenditures	(7,540)	(12,138)	(13,621)	(5,952)	(1,805)
Other financing sources (uses)					
Transfer in	17,180	16,952	24,034	19,502	18,232
Transfers out	(13,335)	(13,107)	(19,583)	(15,378)	(13,491)
Capital lease proceeds	-	-	-	-	-
Bond proceeds	8,609	4,495	1,710	4,065	3,690
Proceeds of refunding bonds	-	4,235	-	-	-
Premium on debt	-	-	-	-	-
Payment to refunded bond agent	-	(3,960)	-	-	-
Total other financing sources (uses)	<u>12,454</u>	<u>8,615</u>	<u>6,161</u>	<u>8,189</u>	<u>8,431</u>
Net change in fund balances	<u>\$ 4,914</u>	<u>\$ (3,523)</u>	<u>\$ (7,460)</u>	<u>\$ 2,237</u>	<u>\$ 6,626</u>
Debt service as a percentage of noncapital expenditures	16.47%	15.39%	15.27%	15.10%	16.07%

Schedule 4

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$	69,195	\$ 71,352	\$ 73,146	\$ 76,238	\$ 79,822
	1,487	1,418	1,347	1,249	1,661
	2,524	3,092	3,278	2,997	2,929
	1,096	700	492	1,242	3,006
	9,590	12,599	12,509	13,212	14,064
	8,513	10,589	11,997	14,611	13,491
	1,715	2,462	2,014	3,860	1,641
	63	119	86	107	104
	<u>94,183</u>	<u>102,331</u>	<u>104,869</u>	<u>113,516</u>	<u>116,718</u>
	5,927	6,118	6,752	6,649	17,958
	16,306	17,200	18,142	18,951	20,871
	22,662	23,254	24,245	25,647	27,346
	8,738	8,764	9,222	8,794	9,240
	1,988	2,268	2,387	2,384	2,763
	2,733	2,715	3,193	3,278	3,296
	7,194	8,848	11,063	10,774	10,345
	1,841	1,982	2,071	2,011	2,086
	7,151	7,563	8,612	7,542	9,853
	837	1,186	974	1,087	1,650
	4,190	9,612	7,589	8,269	-
	10,174	16,240	11,407	17,347	12,918
	7,960	7,805	7,830	8,350	7,480
	2,734	2,727	2,656	2,605	3,056
	<u>100,435</u>	<u>116,282</u>	<u>116,143</u>	<u>123,688</u>	<u>128,862</u>
	(6,252)	(13,951)	(11,274)	(10,172)	(12,144)
	17,571	17,248	16,704	18,154	18,655
	(13,133)	(12,845)	(11,933)	(13,640)	(14,136)
	-	-	203	-	-
	4,500	8,480	15,255	17,550	18,760
	6,850	-	14,795	5,965	-
	-	-	-	433	-
	(6,793)	-	(14,805)	(6,059)	-
	<u>8,995</u>	<u>12,883</u>	<u>20,219</u>	<u>22,403</u>	<u>23,279</u>
\$	<u>2,743</u>	<u>(1,068)</u>	<u>8,945</u>	<u>12,231</u>	<u>11,135</u>
	13.43%	12.34%	12.48%	11.63%	11.78%

City of Mesquite, Texas

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

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

Year Ended <u>September</u>	<u>Total</u>	Ad Valorem <u>Taxes</u>	<u>Sales Taxes</u>		
			<u>General</u>	<u>Liquor</u>	<u>Hotel/Motel</u>
1997	47,495	19,321	22,015	100	363
% Total	100.00	40.7	46.4	0.2	0.8
1998	52,165	21,970	23,350	115	429
% Total	100.00	42.1	44.8	0.2	0.8
1999	55,335	23,285	25,090	134	674
% Total	100.00	42.1	45.3	0.2	1.2
2000	63,681	23,399	32,855 (2)	154	881
% Total	100.00	36.7	51.6	0.2	1.4
2001	68,171	24,589	34,993	170	953
% Total	100.00	36.1	51.3	0.2	1.4
2002	69,195	26,101	34,519	172	887
% Total	100.00	37.7	49.9	0.2	1.3
2003	71,352	28,480	34,270	169	853
% Total	100.00	39.9	48.0	0.2	1.2
2004	73,146	29,874	35,075	164	897
% Total	100.00	40.8	48.0	0.2	1.2
2005	76,238	33,159	34,518	174	972
% Total	100.00	43.5	45.3	0.2	1.3
2006	79,823	35,392	35,631	177	1,072
% Total	100.00	44.3	44.6	0.2	1.3

Notes:

- (1) Beginning in December 1996, the City began receiving sanitation gross receipts upon privatizing its landfill and commercial sanitation operations.
- (2) Effective January 2000, the City general sales tax increased one-half cent to fund the operations of the Quality of Life Corporation (4B Sales Tax) Fund.
- (3) A settlement was received for prior years' electric and gas gross receipts.

Schedule 5

Gross Receipts Taxes					
<u>Electrical</u>	<u>Gas</u>	<u>Telephone</u>	<u>Cable TV</u>	<u>Sanitation(1)</u>	<u>Other</u>
3,442	551	684	473	519	27
7.2	1.2	1.4	1.0	1.1	0.1
3,708	500	740	505	824	24
7.1	1.0	1.4	1.0	1.6	0.0
3,691	453	787	577	619	25
6.7	0.8	1.4	1.0	1.1	0.0
3,705	488	896	659	620	24
5.8	0.8	1.4	1.0	1.0	0.0
4,235	1,000	812	742	654	23
6.2	1.5	1.2	1.1	1.0	0.0
4,558	590	827	847	670	24
6.6	0.9	1.2	1.2	1.0	0.0
4,153	868	826	740	683	310 (3)
5.8	1.2	1.2	1.0	1.0	0.4
4,057	818	787	753	695	26
5.5	1.1	1.1	1.0	1.0	0.0
4,061	1,104	784	754	692	20
5.3	1.4	1.0	1.0	0.9	0.0
4,170	1,133	780	757	691	20
5.2	1.4	1.0	0.9	0.9	0.0

City of Mesquite, Texas

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

(amounts expressed in thousands)
(Unaudited)

Fiscal Year	Assessed and Actual Value of Property (1)					Total Assessed Value
	Real Property Residential	Real Property Commercial	Real Property Other	Utilities Real and Personal	Personal Property	
1997	\$ 2,227,437	\$ 708,754	\$ 132,378	\$ 87,105	\$ 559,156	\$ 3,714,830
1998	2,389,884	745,785	136,057	93,184	595,381	3,960,291
1999	2,528,542	841,027	132,903	90,010	577,155	4,169,637
2000	2,718,539	925,798	153,116	91,653	624,917	4,514,023
2001	3,042,793	939,537	159,058	96,716	662,920	4,901,024
2002	3,295,142	1,004,351	155,286	100,687	594,885	5,150,351
2003	3,795,150	1,101,811	146,711	104,321	642,527	5,790,520
2004	3,965,188	1,152,940	148,834	101,967	702,998	6,071,927
2005	4,091,199	1,159,083	141,971	101,599	682,109	6,175,961
2006	4,208,193	1,203,737	147,740	107,156	711,994	6,378,820

Source: Dallas Central Appraisal District

Notes:

- (1) Assessed value is 100% of estimated actual value for all years as determined by the Dallas Central Appraisal District. Values are as of January 1 of the calendar year prior to the fiscal year-end date.
- (2) Exemptions are granted by the City within the constraints of Texas Constitutional law.
- (3) Tax rate is per \$100 assessed valuation.

Schedule 6

<u>Less: Exemptions, Abatements, and TIFs (2)</u>					
<u>Exemptions Granted</u>	<u>Tax Abatements</u>	<u>Tax Incentive Financing Districts (TIF)</u>	<u>Total Exemptions</u>	<u>Total Taxable Valuation</u>	<u>Tax Rate (3)</u>
\$ 162,074	-	-	\$ 162,074	\$ 3,552,756	.54148
186,492	-	-	186,492	3,773,799	.58148
158,682	-	-	158,682	4,010,955	.58148
212,620	\$ 746	\$ 19,139	232,505	4,281,518	.54148
382,240	684	27,989	410,913	4,490,111	.54148
325,168	6,635	56,811	388,614	4,761,737	.54148
425,066	9,201	81,160	515,427	5,275,093	.54148
430,846	26,110	91,203	548,159	5,523,768	.54148
435,502	37,838	98,351	571,691	5,604,270	.58148
402,275	24,191	108,179	534,645	5,844,175	.60148

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

Fiscal Year	City of Mesquite			Overlapping Rates (1)					Total Direct & Overlapping Rates
	General	Debt Service	Total	Dallas County	Dallas Hospital District	Dallas Community College District	Dallas County School Equalization	Mesquite Independent School District	
1997	.26981	.27167	.54148	.21	.194092	.05206	.0064	1.5	2.504032
1998	.29112	.29036	.58148	.201	.18571	.05	.0063	1.53	2.55449
1999	.30471	.27677	.58148	.1972	.1799	.05	.005974	1.58	2.594554
2000	.29466	.24682	.54148	.196	.196	.05	.005699	1.58	2.569179
2001	.32717	.21431	.54148	.196	.254	.05	.005667	1.58	2.627147
2002	.35991	.18157	.54148	.196	.254	.06	.005525	1.58	2.637005
2003	.38571	.15577	.54148	.196	.254	.06	.0055	1.62	2.67698
2004	.38833	.15315	.54148	.2039	.254	.0778	.00546	1.67	2.75264
2005	.42325	.15823	.58148	.2039	.254	.0803	.00546	1.76	2.88514
2006	.44090	.16058	.60148	.2139	.254	.0816	.0053	1.7624	2.91868

Source: (1) Dallas Central Appraisal District

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

**Principal Property Taxpayers
Current Year and Nine Years Ago**
(Unaudited)

Taxpayer	2006			1997		
	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation
Town East Mall PS	\$ 97,896,350	1	1.68%	\$ 83,505,030	2	2.35%
Texas Utilites Electric Co	55,750,730	2	0.95	45,605,760	3	1.28
Sun Life Asur Co of Can	42,525,000	3	0.73	29,162,370	6	0.82
Pepsi Cola	29,858,660	4	0.51	22,784,680	8	0.64
Southwestern Bell	27,809,910	5	0.05	37,253,150	4	-
American Multicinema Inc	27,244,000	6	0.47	-	-	-
Alliance WE LP	26,781,110	7	0.46	-	-	-
Home Depot Inc	24,343,330	8	0.42	-	-	-
BRH Prescott II LTD PS	23,040,000	9	0.39	-	-	-
Barons Investors II LP	21,680,000	10	0.37	-	-	-
Lucent Technologies	-	-	-	83,755,340	1	2.36
Pep Boys	-	-	-	33,525,940	5	0.94
Dalho Corporation (UPS)	-	-	-	23,176,570	7	0.65
Sears & Roebuck	-	-	-	19,643,100	9	0.55
Camden Property Trust	-	-	-	17,234,240	10	0.49
Total	\$ 376,929,090		6.73%	\$ 395,646,180		11.14%

Source: Dallas Central Appraisal District

**Property Tax Levies and Collections
Last Ten Fiscal Years**
(Unaudited)

Fiscal Year Ended September 30	Adjusted Current Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
1997	\$19,098,963	\$19,057,577	99.78%	\$ 8,323	19,065,900	99.83%
1998	22,134,921	21,687,749	97.98	375,967	22,063,716	99.68
1999	23,205,186	23,057,699	99.36	98,038	23,155,737	99.79
2000	23,163,476	23,036,809	99.45	62,253	23,099,062	99.72
2001	24,388,207	24,206,183	99.25	100,338	24,306,521	99.67
2002	25,855,016	25,656,864	99.23	123,128	25,779,992	99.71
2003	28,861,973	27,873,063	96.57	893,681	28,766,744	99.67
2004	30,501,206	29,200,767	95.74	1,145,427	30,346,194	99.49
2005	33,124,683	32,151,536	97.06	719,609	32,871,145	99.23
2006	35,132,527	34,433,390	98.01	-	34,433,390	98.01

Note: Collections do not include penalty and interest on delinquent taxes.

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

(Unaudited)

Fiscal Year	Governmental Activities						Total
	General Obligation Bonds	Certificates of Obligations	Public Property Finance Contractual Obligations	Notes Payable	Capital Lease Obligations		
1997	\$47,818,511	\$21,010,000	\$ 3,115,000	\$ -	\$ -		\$71,943,511
1998	46,123,511	20,455,000	3,140,000	-	-		69,718,511
1999	41,118,511	18,640,000	3,635,000	-	-		63,393,511
2000	36,388,511	18,460,000	3,680,000	-	-		58,528,511
2001	37,720,000	17,300,000	4,105,000	-	-		59,125,000
2002	36,000,000	15,585,000	4,390,000	-	-		55,975,000
2003	37,420,000	14,600,000	4,630,000	-	-		56,650,000
2004	45,340,000	14,775,000	4,535,000	-	191,215		64,841,215
2005	47,525,000	21,570,000	4,835,000	-	153,545		74,083,545
2006	45,590,000	28,495,000	5,090,000	6,035,453	114,144		85,324,597

Fiscal Year	Business-Type Activities				Total Primary Government	Percentage of Effective Buying Income (1)	Per Capita (1)
	Water/Sewer Revenue Bonds	Drainage Utility District Revenue Bonds	Water/Sewer Capital Lease Obligations	Total			
1997	\$24,690,000	\$ 7,355,000	\$ -	\$32,045,000	\$ 103,988,511	5.21%	\$ 917.01
1998	27,215,000	8,480,000	-	35,695,000	105,413,511	5.28%	906.00
1999	25,370,000	8,100,000	-	33,470,000	96,863,511	4.58%	809.90
2000	28,655,000	7,695,000	-	36,350,000	94,878,511	4.19%	761.94
2001	31,845,000	9,260,000	-	41,105,000	100,230,000	3.96%	791.89
2002	35,040,000	8,745,000	-	43,785,000	99,760,000	3.83%	780.59
2003	40,340,000	11,565,000	-	51,905,000	108,555,000	4.54%	837.29
2004	45,715,000	11,015,000	196,565	56,926,565	121,767,780	5.03%	925.41
2005	47,635,000	10,225,000	157,841	58,017,841	132,101,386	5.29%	988.75
2006	53,225,000	9,405,000	117,338	62,747,338	148,071,935	6.22%	1,089.61

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

(1) See the schedule on Demographic and Economic Statistics on page 104 for Effective Buying Income and population data.

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

(Unaudited)

<u>Fiscal Year</u>	<u>Population(1)</u>	<u>Taxable Assessed Value (in 000s) (2)</u>	<u>General Bonded Debt</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Net General Bonded Debt</u>	<u>Percentage of Taxable Value of Property</u>	<u>Net General Bonded Debt Per Capita</u>
1997	113,400	\$ 3,552,756	\$71,943,511	\$ 709,919	\$71,233,592	2.01%	\$ 628.16
1998	116,350	3,773,799	69,718,511	1,197,788	68,520,723	1.82%	588.92
1999	119,600	4,010,955	63,393,511	636,476	62,757,035	1.56%	524.72
2000	124,523	4,281,518	58,528,511	289,195	58,239,316	1.36%	467.70
2001	126,570	4,490,111	59,125,000	295,125	58,829,875	1.31%	464.80
2002	127,800	4,761,737	55,975,000	327,063	55,647,937	1.17%	435.43
2003	129,650	5,275,093	56,650,000	336,646	56,313,354	1.07%	434.35
2004	131,582	5,523,768	64,650,000	416,834	64,233,166	1.16%	488.16
2005	133,605	5,604,270	73,930,000	530,789	73,399,211	1.31%	549.37
2006	135,894	5,844,175	79,175,000	583,706	78,591,294	1.34%	578.33

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

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

**Direct And Overlapping Governmental Activities Debt
September 30, 2006**

(Unaudited)

<u>Taxing Jurisdiction</u>	Total Outstanding Bonded Debt (1)	Estimated Percent Applicable	Direct and Estimated Overlapping Bonded Debt
Direct-			
City of Mesquite	\$ 79,175,000	100.00%	\$ 79,175,000
Overlapping-			
Dallas County	313,986,038	4.33	13,595,595
Dallas County Community College District	106,935,000	4.33	4,630,286
Mesquite Independent School District	412,241,902	90.40	372,666,679
Dallas Independent School District	1,503,489,288	0.26	3,909,072
Garland Independent School District	<u>433,070,782</u>	0.04	<u>173,228</u>
Total overlapping	<u>2,769,723,010</u>		<u>394,974,861</u>
Total direct and estimated overlapping bonded debt	<u>\$ 2,848,898,010</u>		<u>\$ 474,149,861</u>

Ratio, direct and estimated overlapping debt to fiscal 2006 taxable assessed valuation (2) 8.11%

Per capita direct and estimated overlapping bonded debt (3) \$3,489

Notes:

- (1) Excluding self-supporting debt. Source is most recent Texas Municipal Reports, publication of the Municipal Advisory Council of Texas
- (2) Fiscal 2006 taxable assessed valuation (Net of TIF): \$5,844,175,000.
- (3) Based on 2006 population of 135,894.

Computation of Legal Debt Margin

September 30, 2006

(Unaudited)

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

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

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

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

The tax rate at September 30, 2006, is \$.60148 per \$100 of assessed valuation with assessed valuation being 100% of market value.

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

(Unaudited)

Year Ended <u>September</u>	Operating Revenue and Other (1)	Less: Operating Expense (2)	Net Available Revenue	Debt Service (3)		Coverage
				Principal	Interest	
<u>WATER AND SEWER BONDS</u>						
1997	\$ 23,871,624	\$ 14,552,099	\$ 9,319,525	\$ 1,635,000	\$ 1,392,314	3.1
1998	27,152,174	15,803,035	11,349,139	1,845,000	1,461,658	3.4
1999	25,649,237	14,996,086	10,653,151	1,810,000	1,317,110	3.4
2000	28,375,760	15,744,659	12,631,101	1,760,000	1,481,313	3.9
2001	27,937,940	16,635,600	11,302,340	1,995,000	1,621,741	3.1
2002	26,606,963	17,664,168	8,942,795	2,025,000	1,617,073	2.5
2003	28,191,024	20,032,421	8,158,603	2,355,000	1,818,002	2.0
2004	28,057,312	20,664,239	7,393,073	2,740,000	1,949,843	1.6
2005	31,775,214	21,017,199	10,758,015	2,980,000	2,027,598	2.1
2006	33,798,839	21,179,825	12,619,014	2,950,000	2,307,939	2.4
<u>DRAINAGE UTILITY DISTRICT BONDS</u>						
1997	\$ 2,143,896	\$ 162,192	\$ 1,981,704	\$ 320,000	\$ 379,345	2.8
1998	2,289,631	324,034	1,965,597	380,000	428,300	2.4
1999	2,463,634	316,588	2,147,046	405,000	397,100	2.7
2000	2,262,958	420,771	1,842,187	430,000	374,913	2.3
2001	2,261,103	474,336	1,786,767	515,000	451,616	1.8
2002	2,090,833	521,407	1,569,426	550,000	425,213	1.6
2003	2,225,070	501,028	1,724,042	700,000	532,101	1.4
2004	2,124,677	541,703	1,582,974	790,000	426,154	1.3
2005	2,177,952	542,236	1,635,716	820,000	398,427	1.3
2006	2,262,875	523,139	1,739,736	840,000	376,343	1.4

Notes:

- (1) Includes operating and nonoperating revenues.
- (2) Includes operating expenses exclusive of depreciation.
- (3) Includes principal and interest of revenue bonds only. Principal and interest amounts represent the amounts payable in the subsequent fiscal year.

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

(Unaudited)

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Total Retail Sales (in thousands of dollars) (2)</u>	<u>Effective Buying Income (EBI) (in thousands of dollars) (2)</u>	<u>Median Household EBI (3)</u>	<u>Number of Households (3)</u>	<u>School Enrollment (4)</u>	<u>Unemployment Rate (5)</u>
1997	113,400	\$ 1,738,267	\$ 1,995,511	\$ 47,063	42,400	27,088	3.1%
1998	116,350	1,666,156	1,997,942	45,608	40,000	27,814	2.7%
1999	119,600	1,794,334	2,115,897	46,530	40,900	28,461	2.6%
2000	124,523	2,280,289	2,266,391	48,190	40,700	29,174	2.6%
2001	126,570	2,192,171	2,533,442	51,412	42,300	33,094	4.4%
2002	127,800	2,082,581	2,602,498	50,656	45,115	33,808	5.7%
2003	129,650	2,261,111	2,390,723	51,338	48,210	34,368	5.8%
2004	131,582	2,301,891	2,421,215	52,750	49,051	34,181	5.2%
2005	133,605	2,362,311	2,497,456	50,424	49,559	35,451	5.9%
2006	135,894	N/A	2,380,515	47,446	50,152	35,615	4.5%

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

City of Mesquite, Texas

Schedule 16

**Principal Employers
Current Year
(Unaudited)**

<u>Employer</u>	<u>2006</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total City Employment</u>
United Parcel Service	2,340	1	3.28%
City of Mesquite	1,054	2	1.48%
Mesquite Community Hospital	775	3	1.09%
Medical Center of Mesquite	708	4	0.99%
Tyco Electronics Power Sys	600	5	0.84%
Wal-Mart Supercenter	510	6	0.71%
Schnieder National	450	7	0.63%
Sears	450	8	0.63%
Dallas County Community College	400	9	0.56%
Baker Drywall LTD	<u>400</u>	10	<u>0.56%</u>
Total	<u>7,687</u>		<u>10.76%</u>

Source: North Central Texas Council of Governments, information from 9 years ago is not available.

City of Mesquite, Texas

**Full-time Equivalent City Government Employees
Last Ten Fiscal Years**

(Unaudited)

	Fiscal Year				
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
By Functions					
General government	87.00	87.00	86.25	86.25	84.25
Fire services	172.00	178.00	178.00	186.00	187.00
Police services	267.50	268.50	269.50	272.50	276.50
Field services	124.90	121.95	120.95	120.95	128.95
Public works	24.00	24.00	22.00	23.00	25.50
Community development	40.00	40.00	39.00	40.00	41.85
Housing services	6.75	6.75	6.75	6.75	6.75
Library services	36.57	36.57	36.57	36.57	36.57
Parks and recreation	113.83	112.05	114.83	122.77	123.85
Community services	17.23	18.23	17.23	17.09	20.65
Water and Sewer	87.00	88.00	88.50	89.50	95.57
Drainage utility district	3.00	3.00	4.00	4.00	7.00
Municipal airport	<u>8.38</u>	<u>8.38</u>	<u>8.38</u>	<u>7.88</u>	<u>7.88</u>
Total employees by function	<u>988.16</u>	<u>992.43</u>	<u>991.96</u>	<u>1,013.26</u>	<u>1,042.32</u>
By Departments					
Administration	8.00	8.00	8.00	8.00	8.00
City Secretary	3.00	3.00	3.00	3.00	3.00
City Attorney	7.00	7.00	7.00	7.00	6.00
Human Resources	14.75	14.75	14.00	14.00	15.00
Budget and Research	2.00	2.00	2.00	2.00	2.00
Finance	66.25	67.25	67.25	67.25	69.25
Fire service	172.00	178.00	178.00	186.00	187.00
Police Service	267.50	268.50	269.50	272.50	276.50
Public Works	224.90	221.95	220.45	222.45	238.02
Housing and community service	24.98	25.98	23.98	23.84	28.40
Community development	39.00	39.00	39.00	40.00	40.85
Parks/ Recreation/Building service	113.83	112.05	114.83	122.77	123.85
Library service	36.57	36.57	36.57	36.57	36.57
Airport service	<u>8.38</u>	<u>8.38</u>	<u>8.38</u>	<u>7.88</u>	<u>7.88</u>
Total employees by department	<u>988.16</u>	<u>992.43</u>	<u>991.96</u>	<u>1,013.26</u>	<u>1,042.32</u>
By Fund					
General	880.28	883.55	883.08	903.88	920.47
Grants	9.50	9.50	8.00	8.00	11.40
Water and Sewer	87.00	88.00	88.50	89.50	95.57
Drainage Utility District	3.00	3.00	4.00	4.00	7.00
Municipal Airport	<u>8.38</u>	<u>8.38</u>	<u>8.38</u>	<u>7.88</u>	<u>7.88</u>
Total employees by fund	<u>988.16</u>	<u>992.43</u>	<u>991.96</u>	<u>1,013.26</u>	<u>1,042.32</u>

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

Schedule 17

Fiscal Year				
<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
84.25	90.00	85.48	85.00	87.00
187.00	187.00	192.00	197.00	197.00
278.50	279.50	282.50	293.50	299.50
128.00	125.00	130.00	130.00	130.00
25.00	24.00	24.00	24.00	24.00
43.85	45.00	47.00	50.00	43.70
8.75	8.75	8.75	9.00	10.00
35.55	35.55	35.55	35.55	34.55
124.85	122.85	122.85	130.09	130.09
20.40	19.25	20.75	20.70	27.00
101.07	101.57	103.57	103.57	102.57
7.00	7.00	7.00	7.00	7.00
<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>
<u>1,051.60</u>	<u>1,052.85</u>	<u>1,066.83</u>	<u>1,092.79</u>	<u>1,099.79</u>
8.00	10.00	10.00	9.00	10.00
3.00	3.00	3.00	3.00	3.00
6.00	6.00	6.00	6.00	6.00
15.00	14.00	14.48	14.00	14.00
2.00	2.00	2.00	2.00	2.00
69.25	68.50	68.50	68.50	68.50
187.00	187.00	192.00	197.00	197.00
278.50	279.50	282.50	293.50	299.50
242.07	244.07	248.07	248.07	247.07
30.85	30.95	33.45	37.00	37.00
42.15	42.05	42.05	42.70	43.70
124.85	122.85	122.85	130.09	130.09
35.55	35.55	34.55	34.55	34.55
<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>
<u>1,051.60</u>	<u>1,052.85</u>	<u>1,066.83</u>	<u>1,092.79</u>	<u>1,099.79</u>
916.30	916.60	932.58	955.19	963.19
19.85	20.30	16.30	19.65	19.65
101.07	101.57	103.57	103.57	102.57
7.00	7.00	7.00	7.00	7.00
<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>
<u>1,051.60</u>	<u>1,052.85</u>	<u>1,066.83</u>	<u>1,092.79</u>	<u>1,099.79</u>

City of Mesquite, Texas

**Operating Indicators by Function
Last Ten Fiscal Years**

(Unaudited)

	Fiscal Year			
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Functions				
Fire services				
Number of calls answered	10,553	11,778	12,266	13,649
Inspections	6,616	6,360	4,410	3,810
Police services				
Reported index crimes	6,454	5,923	5,898	6,152
Criminal arrests - index crimes	2,320	1,908	2,049	1,664
Criminal arrests - non-index crimes	5,025	4,700	4,503	3,084
Traffic citations	35,110	30,753	29,615	29,714
Field services				
Residential solid waste customers	31,809	32,427	32,511	33,108
Annual tons recycled	15,781	15,685	19,624	21,010
Work hours per mile of streets and alleys	74.48	74.44	80.07	81.83
Public works				
Traffic studies conducted	112	66	60	104
Engineering Information requests	N/A	1,050	1,041	1,212
Housing services				
Number of HUD allocated unit months	7,860	8,552	10,159	9,691
Community development				
Residential building permits	1,670	1,676	2,091	2,015
Commercial building permits	622	617	690	665
Environmental code violations	30,758	25,449	35,912	36,106
Food inspections conducted	1,465	1,628	1,460	1,482
Animals processed by shelter	9,519	9,985	10,773	9,823
Library services				
Library visits per capita	3.17	3.53	2.77	2.62
Registered borrowers per capita	0.39	0.40	0.33	0.30
Parks and recreation				
Work hours per acre of park land	23.04	22.49	26.79	30.34
Athletic program participants	20,751	18,796	21,977	20,517
Aquatic program participants	91,894	92,500	N/A	67,511
Tennis program participants	14,390	15,250	N/A	7,700
Recreation centers programs offered	N/A	N/A	N/A	N/A
Community services				
Number of health clinic clients	5,735	6,180	6,381	6,695
Number of transportation service trips	37,191	38,050	36,106	36,250
Number of volunteer hours	31,693	38,980	42,382	24,544
Arts center events	1,122	670	1,150	1,161
Arts center participants	102,775	89,956	91,891	91,805
Water and Sewer				
Number of gallons of water pumped (000s)	7,233,413	7,535,336	7,298,815	7,857,950
Water main breaks	220	658	358	325
Miles of sewer mains cleaned	99	107	96	120
Municipal airport				
Number of airplanes fueled	N/A	5,627	5,768	5,595

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

Schedule 18

Fiscal Year					
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
13,647	14,390	14,063	10,661	12,945	11,746
5,317	3,948	4,070	2,647	5,841	6,736
6,059	6,542	6,480	6,652	6,582	5,554
1,606	2,105	1,632	1,590	1,561	1,198
4,922	4,821	3,106	3,555	3,400	3,262
39,261	35,552	33,261	42,587	42,523	36,372
34,100	34,491	34,077	34,477	34,830	36,000
17,771	19,280	19,770	20,430	20,520	23,678
83.07	82.25	84.24	84.24	73.88	81.85
128	145	454	332	333	346
1,450	949	1,010	1,245	995	85,146
12,250	15,060	15,708	15,258	16,308	16,308
2,050	2,133	2,192	2,196	2,053	2,175
723	750	554	601	566	738
37,856	35,012	47,593	32,839	46,980	31,553
1,352	1,239	1,033	1,374	1,193	1,407
10,714	10,489	10,491	10,164	11,873	13,141
2.60	2.76	2.90	3.11	3.13	3.00
0.29	0.31	0.27	0.28	0.29	0.28
32.34	36.48	37.01	46.12	50.50	52.15
20,730	19,731	21,535	18,325	18,700	13,527
58,619	67,380	79,078	62,432	63,000	82,605
8,000	7,450	7,315	7,525	7,800	7,700
567	678	764	800	803	838
7,265	7,128	5,445	4,845	5,000	5,534
39,223	36,623	35,202	36,900	32,318	39,700
19,849	19,133	15,517	18,274	20,000	30,093
1,162	1,174	752	920	717	757
92,300	93,997	61,732	70,267	68,463	104,128
7,228,597	6,511,114	6,929,350	6,223,119	6,500,000	6,800,000
340	325	300	177	170	360
151	170	150	115	155	130
5,021	4,558	3,860	4,299	5,700	5,700

City of Mesquite, Texas

**Capital Asset Statistics by Function
Last Ten Fiscal Years**

(Unaudited)

	Fiscal Year			
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Functions				
Police services				
Police vehicles (sedans)	144	147	149	162
Field services				
Miles of streets	410	422	422	425
Miles of alleys	199	205	205	210
Number of vehicles in City fleet	566	572	580	592
Parks and recreation				
Parks acreage	1,303	1,356	1,356	1,347
Number of parks	61	62	62	62
Water and Sewer				
Water system miles	420	424	428	434
Water system connections	43,948	44,795	45,492	47,406
Sewer system miles	362	365	368	377
Sewer system connections	42,829	44,657	44,327	46,261

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

Schedule 19

Fiscal Year					
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
163	164	168	166	184	192
428	428	432	432	435	440
212	212	213	213	215	220
588	592	601	600	624	636
1,371	1,373	1,373	1,422	1,422	1,626
62	63	63	66	66	67
437	440	445	448	450	538
47,822	48,747	48,885	49,136	50,313	50,598
480	484	488	491	492	476
36,022	36,077	36,311	36,564	36,756	36,900

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