

1515 N. Galloway Avenue, Mesquite, Texas, 75149

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# MESQUITE

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## Comprehensive Annual Financial Report

For Fiscal Year Ended September 30, 2007

**CITY OF MESQUITE, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended**

**September 30, 2007**

**Prepared by:**

**Finance Department**

**MESQUITE**

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# City of Mesquite, Texas

## Comprehensive Annual Financial Report For the Fiscal Year Ended September 30, 2007

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**City of Mesquite, Texas**

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**MESQUITE**  
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**CITY OF MESQUITE, TEXAS**

**CITY OFFICIALS**

**SEPTEMBER 30, 2007**

***CITY COUNCIL***

John Monaco, Mayor

David L. Paschall, Mayor Pro Tem

Shirley Roberts, Deputy Mayor Pro Tem

John L. Heiman Jr., Council Member

Stan H. Pickett, Council Member

Dennis Tarpley, Council Member

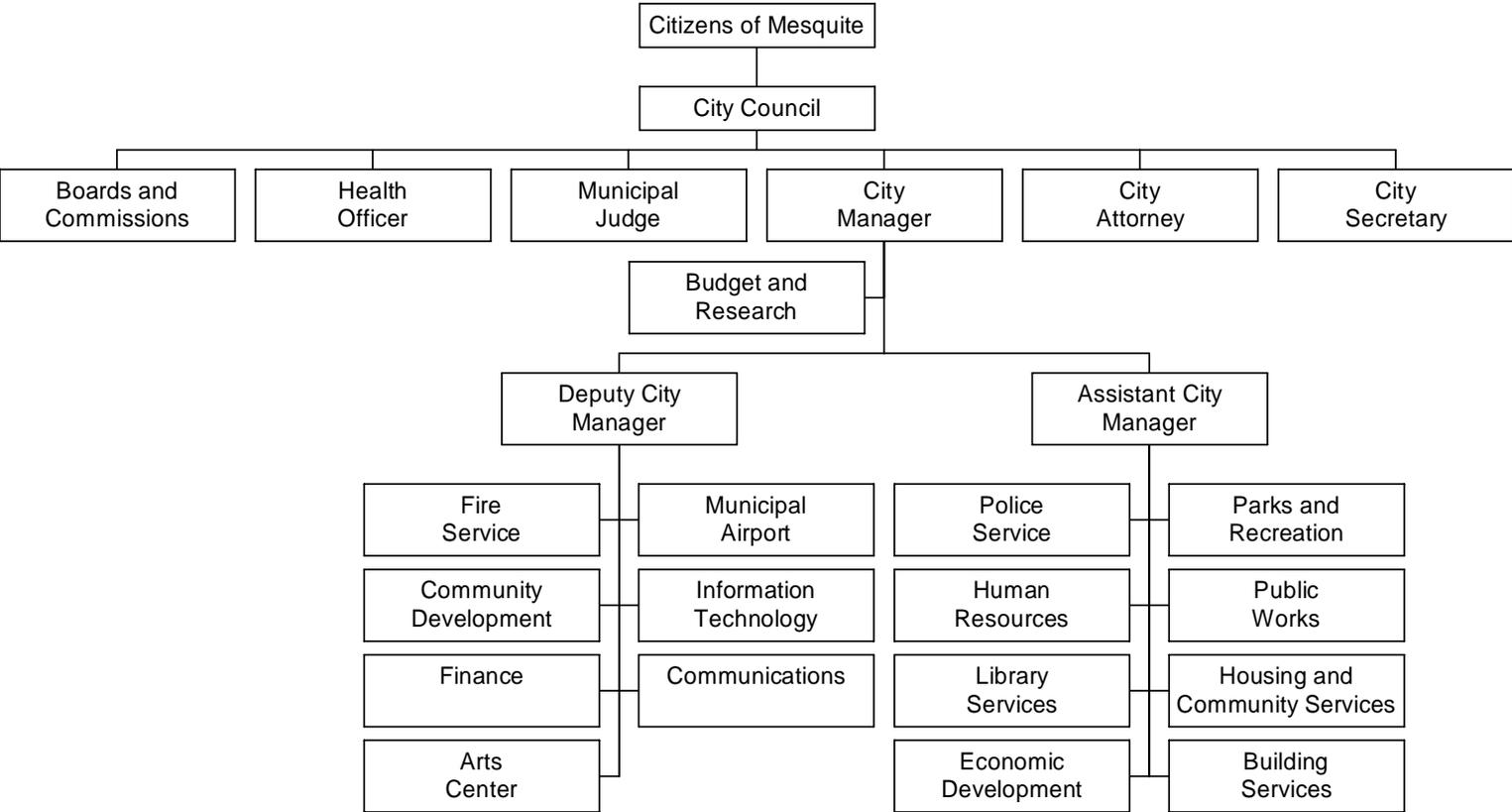
Ted Barron, City Manager

Donald W. Simons, Director of Finance

George G. Vadakin, Accounting Manager

# City of Mesquite, Texas

Organizational Chart  
September 30, 2007





April 22, 2008

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, 2007, is hereby submitted.

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

Deloitte & Touche LLP, have issued an unqualified (“clean”) opinion on the City of Mesquite’s financial statements for the year ending September 30, 2007. The independent auditors’ report is located at the front of the financial section of this report.

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

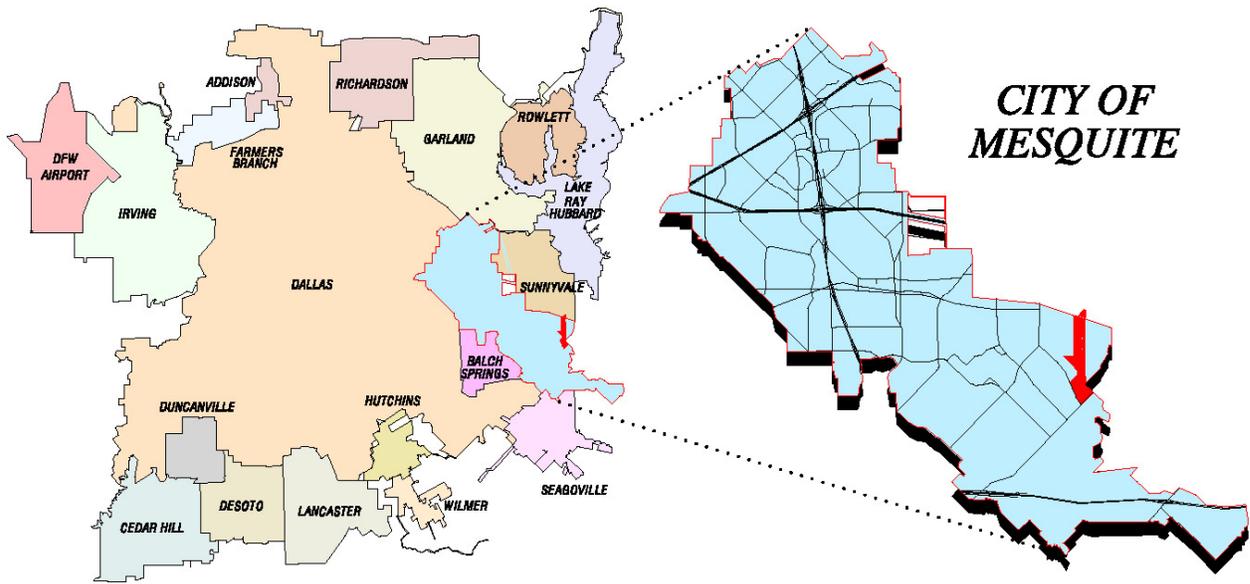
The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to the single audit, including the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

### **General Information - City of Mesquite**

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

Mesquite celebrated its 120th birthday on December 3, 2007. 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 136,750, and Mesquite is still one of the most dynamic cities in the Metroplex, served by excellent schools, churches, healthcare institutions, cultural and entertainment facilities, parks, playgrounds and many other amenities.



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

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

**Economic Condition and Outlook**

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. It is anticipated that the current highway and access improvements in and around Town East Mall will revitalize the retail and restaurant trade.

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

With the opening of Town East Mall in 1970, Mesquite has long been recognized as a major retail area within the Dallas/Fort Worth metroplex. 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 3,000 people, the Skyline Industrial Park is ideally located for manufacturing and distribution industries.

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

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

## **Major Initiatives**

***For the Year.*** Following the directives of the City Council, a number of initiatives were undertaken during the year to provide for and improve the quality of governmental services the citizens of Mesquite have come to expect. These improvements were identified after a systematic review of all activities of the City in which each program was analyzed to ensure that it was needed and wanted by the community and that it was being provided with maximum efficiency at the lowest cost possible. An excellent source of information about the City, its services, and current initiatives can be found at the City's website. 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 2007, over 7,000 new homes were built. This development has primarily occurred in

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

In north central Mesquite, a continued emphasis was placed on efforts to improve traffic conditions around the Town East Mall and *The Rows of Texas* area. The City has funded signal projects, built alternative access points, extended streets, and constructed dedicated turn lanes in an effort to keep motorists moving in the area. Furthermore, the Texas Department of Transportation (TxDOT) has completed the Town Centre ramp project that provides entrance and exit ramps between IH635 and Town Center Drive and improves access to the Mall area. TxDOT construction of Phase II of the Town East/IH635 area improvements 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. This project is well into its second year with an expected completion date in late 2008.

***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.

Beginning in fiscal year 2008 the City is embarking on a deliberate process of community revitalization which community leaders have called "Project Renewal". Project Renewal's goal is to achieve long-term economic vitality through reinvestment and restoration throughout the City. Mesquite is an inner-ring suburb community experiencing redevelopment issues like many of the central cities in North Texas. Based on this challenge the City is proposing a very aggressive plan to improve the aesthetic appearance of the city, revive older neighborhoods and bolster its retail and commercial development prospects.

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

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

## **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 2007 and the preceding two years are as follows (amounts per \$100/assessed value):

<u>Purpose</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Maintenance and Operations	\$.46246	\$.44090	\$.42325
Debt Service	<u>.15754</u>	<u>.16058</u>	<u>.15823</u>
Total Tax Rate	<u>\$.62000</u>	<u>\$.60148</u>	<u>\$.58148</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, 2007 and 2006, as reflected in the Statistical Section, Schedule 11 is as follows:

	<u>2007</u>	<u>2006</u>
Net General Bonded Debt	\$ 94,286,631	\$ 78,591,294
Ratio of Net Bonded Debt to Assessed Value	1.56 %	1.34 %
Debt per Capita	\$ 689.48	\$ 578.33

The City's general obligation bonds have been assigned the rating of Aa3 by Moody's Investors Service and AA by the Standard & Poor's Ratings Group for these most recent issues. The revenue bond ratings were A1 by Moody's and AA by Standard and Poor's. All of the City's current year bond issuances are insured by Financial Security Assurance with ratings of Aaa by Moody's and AAA by Standard and Poor's.

### 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 5.2% for the year, and the amount of interest earned was \$6,056,891 after recording a \$238,941 net unrealized gain attributable to marking investments to their fair value as of September 30, 2007. 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

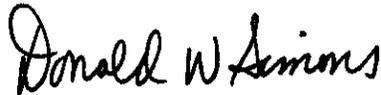
**Certificate of Achievement.** The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Mesquite, Texas, for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2006. This was the twenty-eighth 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

Mesquite, Texas, for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2006. This was the twenty-eighth 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, 2006

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



*Oliver S. Cox*

President

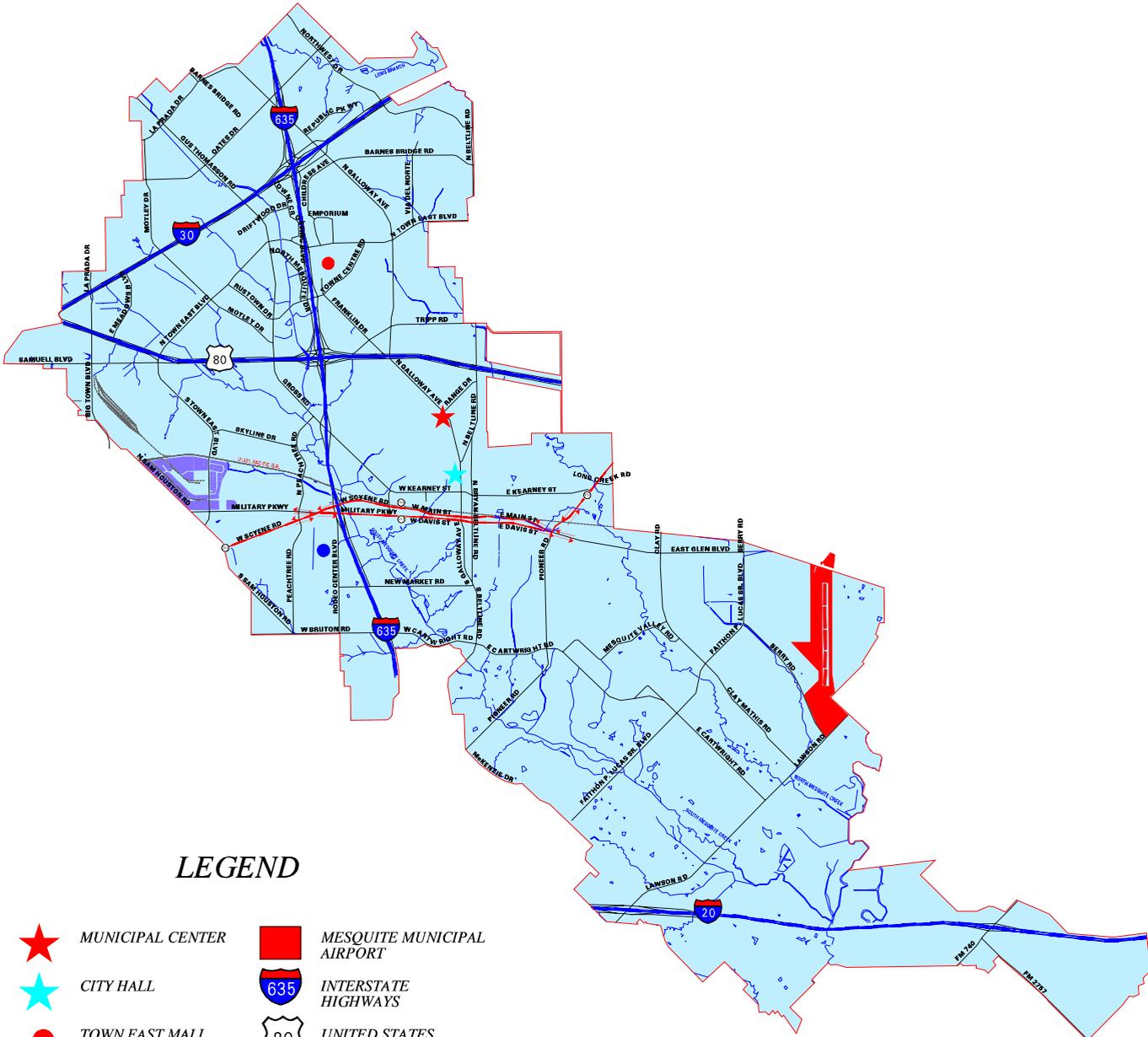
*Jeffrey R. Emmer*

Executive Director

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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, 2007, which collectively comprise the City's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the City 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, 2007, 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 housing grants special revenue fund and the Mesquite Quality of Life (4B Sales Tax) 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 April 22, 2008, 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

April 22, 2008

**Mesquite, City of Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended September 30, 2007**

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, 2007. 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 \$314 million (net assets). Of this amount, over \$30.6 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 \$21.8 million this fiscal year with 82.6 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 \$84.7 million, an increase of \$16.9 million from the prior year. Of this amount, \$57.9 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 \$17.3 million. This represents over 17.4 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 decreased \$1.5 million which was primarily the result of a \$1.4 million transfer to the Capital Projects Local Finance Reserve fund.
- The City's net bonded debt increased by \$20 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, Quality of Life Corporation (4B Sales Tax) Special Revenue and Bond Finance Capital Project funds, all of which are to be considered major funds. Data from the other six funds are combined into a single, aggregated presentation. Individual fund data for these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for the General, Quality of Life Corporation (4B Sales Tax) Special Revenue and the 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-type activities, current year results have been allocated by function in the government-wide financial statements.

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

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

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

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

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

## **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the City of Mesquite, assets exceeded liabilities by \$314.2 million as of September 30, 2007.

The largest portion of the City's net assets (82.8 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>	
	FY2007	FY2006	FY2007	FY2006	FY2007	FY2006
Current and other assets	\$ 100,341	\$ 84,702	\$ 38,313	\$ 38,868	\$ 138,654	\$ 123,570
Capital assets	<u>199,900</u>	<u>182,643</u>	<u>176,711</u>	<u>167,498</u>	<u>376,611</u>	<u>350,141</u>
Total assets	<u>300,241</u>	<u>267,345</u>	<u>215,024</u>	<u>206,366</u>	<u>515,265</u>	<u>473,711</u>
Long-term liabilities outstanding	119,956	103,727	67,560	63,415	187,516	167,142
Other liabilities	<u>8,470</u>	<u>8,195</u>	<u>5,076</u>	<u>6,012</u>	<u>13,546</u>	<u>14,207</u>
Total liabilities	<u>128,426</u>	<u>111,922</u>	<u>72,636</u>	<u>69,427</u>	<u>201,062</u>	<u>181,349</u>
Invested in capital assets, net of related debt	137,669	128,362	122,377	114,583	260,046	242,945
Restricted net assets	19,717	10,914	7,484	7,124	27,201	18,038
Unrestricted net assets	<u>14,429</u>	<u>16,147</u>	<u>12,526</u>	<u>15,232</u>	<u>26,955</u>	<u>31,379</u>
Total net assets	<u>\$ 171,815</u>	<u>\$ 155,423</u>	<u>\$ 142,387</u>	<u>\$ 136,939</u>	<u>\$ 314,202</u>	<u>\$ 292,362</u>

An additional portion of the City's net assets (7.5 percent) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$27.0 million may be used to meet the government's ongoing obligation to citizens and creditors.

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

**Analysis of the City's Operations.** Governmental and Business-type activities increased the City's net assets by \$21.8 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	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 25,819	\$ 23,623	\$ 33,086	\$ 35,909	\$ 58,905	\$ 59,532
Operating grants and contributions	13,351	12,439	-	-	13,351	12,439
Capital grants and contributions	7,934	7,433	7,221	10,532	15,155	17,965
General revenues:						
Ad valorem taxes	37,705	35,505	-	-	37,705	35,505
Gross receipts taxes	7,333	7,551	-	-	7,333	7,551
Sales taxes	35,996	36,880	-	-	35,996	36,880
Sale of capital assets	79	-	23	-	102	-
Investment income	4,397	3,204	1,659	1,251	6,056	4,455
Total revenues	<u>132,614</u>	<u>126,635</u>	<u>41,989</u>	<u>47,692</u>	<u>174,603</u>	<u>174,327</u>
Expenses:						
General government	18,562	16,796	-	-	18,562	16,796
Fire services	22,245	21,186	-	-	22,245	21,186
Police services	30,850	28,156	-	-	30,850	28,156
Field services	13,424	6,629	-	-	13,424	6,629
Public works	3,539	15,381	-	-	3,539	15,381
Community development	3,731	3,302	-	-	3,731	3,302
Housing & community services	10,883	11,866	-	-	10,883	11,866
Library services	2,198	2,137	-	-	2,198	2,137
Parks and recreation	10,993	10,538	-	-	10,993	10,538
Interest on long-term debt	3,740	3,312	-	-	3,740	3,312
Water and sewer	-	-	29,341	27,468	29,341	27,468
Drainage utility	-	-	1,736	1,550	1,736	1,550
Municipal airport	-	-	1,521	1,537	1,521	1,537
Total expenses	<u>120,165</u>	<u>119,303</u>	<u>32,598</u>	<u>30,555</u>	<u>152,763</u>	<u>149,858</u>
Increase in net assets before transfers	12,449	7,332	9,391	17,137	21,840	24,469
Transfers	<u>3,943</u>	<u>4,519</u>	<u>(3,943)</u>	<u>(4,519)</u>	<u>-</u>	<u>-</u>
Increase in net assets	16,392	11,851	5,448	12,618	21,840	24,469
Net assets - October 1	<u>155,423</u>	<u>143,572</u>	<u>136,939</u>	<u>124,321</u>	<u>292,362</u>	<u>267,893</u>
Net assets - September 30	<u>\$ 171,815</u>	<u>\$ 155,423</u>	<u>\$ 142,387</u>	<u>\$ 136,939</u>	<u>\$ 314,202</u>	<u>\$ 292,362</u>

**Governmental Activities**

Governmental activities increased the City of Mesquite's net assets by \$16.4 million or 75.2 percent of the total growth in net assets.

The City's program revenues from governmental activities increased by \$3.6 million (8.3 percent) during the year. Charges for services increased almost \$2.2 million reflecting higher user charges in such areas as ambulance services, and parks and recreation programming. Permit fees decreased \$267 thousand and fines decreased \$412 thousand. Government-wide entries recovering the costs from internal service fund activities

were \$807 thousand higher. The City received almost \$1.2 million reimbursement for joint projects. Contributions by private developers to the City's infrastructure increased by \$990 thousand. The City's intergovernmental revenues in support of the U. S. Department of Housing and Urban Development ("HUD") housing assistance program were \$97 thousand lower than last year. Other elements of program revenues were relatively stable or had modest increases during the year.

General revenues of the City increased \$2.4 million during the year. Property tax revenue increased almost \$2.4 million due to increased property valuations, addition of new property throughout the City, and a property tax rate increase of less than 2 cents (.01852/\$100 of assessed valuation). General revenue from sales taxes was 2.4 percent lower for the year, a decrease of \$884 thousand. Investment income increased by almost \$1.2 million due to favorable market conditions; gross receipts taxes decreased by \$218 thousand.

Expenses for the City's governmental activities increased \$862 thousand compared with the prior fiscal year. Fire services increased \$1 million and Police services \$2.7 million. Most of these increases are accounted for in pay plan adjustments for sworn public safety employees. 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 \$3.4 million (8.0 percent) higher. Public services and field services account for activity in traffic, engineering, street lighting, street maintenance, solid waste, compost operations and the service center. Expenses for these functions decreased \$5.1 million due mostly to one-time 2006 expenses related to an intergovernmental highway project involving IH-635 and the Town East area, which is not capitalizable as an asset for the City. Interest on long-term debt increased \$428 thousand due to the issuance of new bonded debt and notes payable for the IH-635 project and energy conservation measures at city hall.

### **Business-type Activities**

Business-type activities increased the City of Mesquite's net assets by \$5.4 million or 24.8 percent of the total growth in net assets.

The City's program revenues for business-type activities decreased over \$6.1 million during the fiscal year. The majority of the program revenues for the City's business-type activities are from its water and sewer operations. Water and sewer customer charges decreased \$2.8 million from the previous year, mostly due to the extremely wet conditions during the spring and summer. Mandatory drought restrictions which had been in place since 2006 were suspended, however after record rainfalls and reservoir levels nearing capacity, demand was reduced. Included in revenue this year is a \$1.2 million increase in the sewer service charges which represents the reimbursement for payments to the North Texas Municipal Water District (NTMWD) by the municipal utility districts for the lower east fork interceptor project. Capital grants and contributions decreased 31.4% from the previous year. Contributions by private developers decreased \$5.9 million in water and sewer, however developer contributions in the drainage utility increased \$3.2 million. Contributions from the City to the airport enterprise for capital improvement additions are no longer being shown as capital contributions in the government wide presentation but rather as transfers. Increases in interest income made up \$409 thousand of these other shortfalls. Expenses attributable to the business-type activities increased by over \$2.0 million this fiscal year. The increase is primarily due to higher personal services expenditures, a 5.15% increase from NTMWD for treated water, and a \$564 thousand increase in supplies for emergency repairs.

### **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 \$84.7 million. Approximately 68 percent of this total amount (\$58.6 million) constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available to pay for new spending because it has already been committed to pay for encumbrances of \$25.8 million and debt service of \$919 thousand. The fund balance for all governmental funds increased by \$16.9 million from the previous fiscal year; \$8.1 million of that increase is due to unspent bond funds for capital projects primarily the police facility expansion and the Pioneer Rd transportation project.

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 almost \$16.8 million while the total fund balance was at \$18 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 16.9 percent of total General Fund expenditures and transfers out, while the total fund balance represents 18.2 percent of that same amount. By the City's adopted fund balance policy, fund balance is required to exceed expenditures and transfers out by 15 percent.

In the General Fund, total revenues increased almost 2% from the prior year. The original budget was optimistic that ad valorem taxes, gross receipts tax and sales tax would show a modest increase. Ad valorem taxes increased 6.2% because of a rate increase and increases in the value of properties. Sales tax declined \$703 thousand which is attributed to the construction around the Town East Mall and tougher competition from surrounding retail areas. On the expenditure side the actual expenditures increased almost \$5.2 million. Savings in most functional areas allowed for overall budget to actual savings of over \$1.4 million. Most of the increase in actual expenditures were for police and fire services. Expenditures in excess of budget in parks, recreation, and building services of \$699 thousand are due to work order credit reimbursements from Quality of Life (4B Sales Tax) fund based on actual expenditures rather than budgeted expenditures. Expenditures in excess of budget in field services of \$141 thousand are primarily due to fuel costs.

The Housing Grants Fund is a major special revenue fund used to account for funds awarded the City by the U. S. Department of Housing and Urban Development under their housing assistance program. The fund balance is almost \$3.7 million at the end of the year. In the future it is anticipated that more program participants will be qualified or future funding from the federal government will be reduced.

The Mesquite 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 balance at year end is \$15.1 million, \$7.4 million of which is reserved for encumbrances.

The Bond Finance capital projects fund is a major fund used to account for capital project expenditures from the proceeds of governmental debt. Fund balance at year end is \$31.9 million, \$17.6 million is reserved for encumbrances and \$14.3 million is unreserved for capital projects.

Proprietary funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Water and Sewer fund at the end of the year amounted to \$11.5 million and those for the Drainage Utility District amounted to \$1.1 million. The total change in net assets for both funds was \$1.4 million and \$2.9 million, respectively. The factors concerning the finances of the Water and Sewer fund have already been addressed in the discussion of the City of Mesquite's business-type activities. The Drainage Utility District fund operating results were consistent with prior year except for increased contributions from developers of \$3.1 million due partially to a refund to a developer in the prior year related to the construction, maintenance and operation of improvements by the North Texas Municipal Water District. The drainage utility district also added a full time engineer to their operation.

## Capital Assets

At the end of fiscal year 2007, the City had over \$376 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 7.6 percent for the current fiscal year.

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

	Governmental Activities		Business-type Activities		Totals	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 18,505	\$ 18,362	\$ 6,759	\$ 6,491	\$ 25,264	\$ 24,853
Construction in progress	25,655	17,188	7,852	12,983	33,507	30,171
Buildings	32,389	32,263	3,085	2,751	35,474	35,014
Infrastructure	98,035	89,078	157,049	143,411	255,084	232,489
Improvements	8,989	9,119	314	334	9,303	9,453
Equipment	<u>16,327</u>	<u>16,633</u>	<u>1,652</u>	<u>1,528</u>	<u>17,979</u>	<u>18,161</u>
Totals	<u>\$ 199,900</u>	<u>\$ 182,643</u>	<u>\$ 176,711</u>	<u>\$ 167,498</u>	<u>\$ 376,611</u>	<u>\$ 350,141</u>

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

- Almost \$22 million was expended for capital projects in 2007 and \$18.5 million was completed and placed in service
- Over \$8.9 million was expended for transportation and street and alley projects including continuing work on Edward Church Rd, Lucas Bridge, Military Parkway, Pioneer Rd design and Tripp Road construction.
- The need for upgraded City facilities was addressed with over \$5.3 million being expended toward the new police facility and various municipal improvements. Work on the Police Facilities Building will be ongoing over the next few years.
- \$1.2 million was expended on the joint City/ School District fiber optic project.
- Almost \$2.4 million was spent on Parks and Recreation capital projects for items such as playground replacements, Rorie-Galloway day camp fence, highway corridor maintenance, and building renovations.
- Current year outlay for the water and sewer system was \$5.2 million and infrastructure and equipment amounting to \$8.9 million was placed into service.
- The drainage utility added \$368 thousand primarily from the Berry Rd property acquisitions for anticipated drainage improvements. \$1.7 million from the Green Canyon/Via Del Norte drainage improvements were placed in service.

- Improvements continued at the Mesquite Municipal Airport with current year expenditures of almost \$638 thousand for a hangar acquisition and construction and completion of the airport terminal building signage. City bond proceeds were made available to the airport 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 \$160.5 million in net bonded debt outstanding. Of this total amount, \$94.4 million or 59 percent is comprised of bonded debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured by specified revenue sources (i.e., revenue bonds).

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

	Governmental Activities		Business-type Activities		Totals	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General obligation	\$ 41,007	\$ 44,682	\$ -	\$ -	\$ 41,007	\$ 44,682
Certificates of obligation	47,540	28,495	-	-	47,540	28,495
Public property finance contractual obligations	5,845	5,090	-	-	5,845	5,090
Revenue bonds	<u>-</u>	<u>-</u>	<u>66,149</u>	<u>62,223</u>	<u>66,149</u>	<u>62,223</u>
Totals	<u>\$ 94,392</u>	<u>\$ 78,267</u>	<u>\$ 66,149</u>	<u>\$ 62,223</u>	<u>\$ 160,541</u>	<u>\$ 140,490</u>

During the fiscal year, there were the following debt issuances: \$20.5 million of certificate of obligation debt for the police facility, street and alley and transportation projects and other improvements; \$2.3 million in contractual obligations for equipment, and \$7.7 million of revenue bonds for water and sewer improvements.

The City's general obligation bonds have been assigned the rating of Aa3 by Moody's Investors Service and AA by the Standard & Poor's Ratings Group for these most recent issues. The revenue bond ratings were A1 by Moody's and AA by Standard and Poor's. All of the City's current year bond issuances are insured by Financial Security Assurance with ratings of Aaa by Moody's and AAA by Standard and Poor's.

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 remaining stable or increasing slightly. Mesquite is experiencing redevelopment issues like many of the other inner ring, suburban cities in North Texas. However, Mesquite's sales tax revenue has not rebounded from the events of 9/11 as it has in other suburban communities. The average annual growth in sales tax revenue, which was ten percent prior to 9/11, has since fallen to less than one percent. Our population growth has been steady with a current population at an estimated 136,750 up nearly 18 percent in the last decade. The full impact of the declining housing market remains unknown. 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.

2008 begins a deliberate process by the City to redefine its future; it is being called *Project Renewal*. The goal of *Project Renewal* is to achieve long-term economic vitality through reinvestment and restoration throughout the City. A property tax rate increase of .02/\$100 is expected to generate increased revenue of \$2.9 million and fund many of the initiatives for *Project Renewal*.

In the 2007-08 budget, General Fund revenues and transfers in are projected to increase by 4.6 percent from the 2006-07 final budget with general property taxes making up nearly 40 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 5.6 percent over the preceding year while the City tax rate was increased by \$.02 per \$100 of assessed valuation. Facing volatile sales tax revenue, rising fuel costs, a desire to maintain enhanced public safety and quality services for the community, and implementing the goals of *Project Renewal*, this rate increase was deemed necessary. With the increase in taxable valuations and higher tax rate, an additional \$2.9 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, increasing high energy costs, unemployment, the downturn in the housing market and a slowdown in regional growth have all impacted the City budget for the upcoming fiscal year. General sales tax receipts are projected to grow at less than 1 percent due to the continued slow economy and increased competition from surrounding communities. This revenue source comprises almost 27 percent of General Fund revenues and transfers in. This revenue source is the most volatile and subject to decline if the economic slowdown worsens.

It is anticipated that under the proposed budget that the City will be able to maintain service levels and goals developed in the strategic plan and implement the major initiatives under *Project Renewal*. The adopted 2008 General Fund budget totals \$103.7 million in expenditures and transfers out, an increase of \$3.2 million (4.6 percent). Several new positions related to *Project Renewal* are included in this budget as well as authorization for additional full-time public safety employees. Total fund balance is projected to remain unchanged in fiscal year 2008.

### **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](mailto:gvadakin@ci.mesquite.tx.us).

**City of Mesquite, Texas**

**Statement of Net Assets  
September 30, 2007**

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Pooled cash and investments	\$ 84,670,916	\$ 30,223,176	\$ 114,894,092
Receivables (net of allowance for uncollectibles)	13,148,138	6,756,809	19,904,947
Inventory	521,048	355,645	876,693
Prepays and other assets	1,547,787	815,516	2,363,303
Accrued interest	453,501	160,893	614,394
Capital assets-			
Land and construction in progress	44,159,805	14,610,775	58,770,580
Other capital assets (net of accumulated depreciation)	<u>155,739,995</u>	<u>162,100,526</u>	<u>317,840,521</u>
Total Assets	<u>300,241,190</u>	<u>215,023,340</u>	<u>515,264,530</u>
<b>LIABILITIES:</b>			
Accounts payable	6,728,012	1,696,876	8,424,888
Accrued interest payable	704,591	235,990	940,581
Cash overdraft	-	100,086	100,086
Deposits	1,037,412	3,042,816	4,080,228
Long-term liabilities:			
Due within one year:			
Capital lease payable	60,834	80,514	141,348
Bonds payable	7,625,000	4,130,000	11,755,000
Notes payable	436,980	-	436,980
Accrued compensated absences	5,885,366	250,116	6,135,482
Estimated claims payable	1,069,022	-	1,069,022
Due in more than one year:			
Capital lease payable	80,425	155,645	236,070
Bonds payable	86,766,980	62,018,642	148,785,622
Notes Payable	5,349,753	-	5,349,753
Accrued compensated absences	11,936,438	925,737	12,862,175
Estimated claims payable	<u>745,000</u>	<u>-</u>	<u>745,000</u>
Total Liabilities	<u>128,425,813</u>	<u>72,636,422</u>	<u>201,062,235</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	137,669,277	122,376,967	260,046,244
Restricted for:			
Capital projects	15,112,152	-	15,112,152
Housing grant	3,686,283	-	3,686,283
Debt service	918,639	7,483,496	8,402,135
Unrestricted	<u>14,429,026</u>	<u>12,526,455</u>	<u>26,955,481</u>
Total Net Assets	<u>\$ 171,815,377</u>	<u>\$ 142,386,918</u>	<u>\$ 314,202,295</u>

The accompanying notes are an integral part of this statement.

**City of Mesquite, Texas**

**Statement of Activities  
For the Year Ended September 30, 2007**

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTION / PROGRAM ACTIVITIES:				
Governmental activities:				
General government	\$ 18,562,245	\$ 5,270,574	\$ 66,860	\$ 6,378
Fire services	22,245,342	1,226,970	348,885	-
Police services	30,850,226	3,874,056	161,759	50,000
Field services	13,423,438	5,950,681	-	7,680,883
Public works	3,538,831	1,374,424	500	196,642
Community development	3,731,069	6,314,261	565,420	-
Housing & community services	10,883,269	177,730	12,095,705	-
Library services	2,198,311	81,220	55,935	-
Parks and recreation	10,992,876	1,549,277	55,463	-
Interest on long-term debt	3,739,678	-	-	-
Total governmental activities	<u>120,165,285</u>	<u>25,819,193</u>	<u>13,350,527</u>	<u>7,933,903</u>
Business-type activities:				
Water and sewer	29,341,790	29,833,431	-	4,898,598
Drainage utility	1,735,812	2,141,992	-	2,322,730
Municipal airport	1,520,812	1,110,457	-	-
Total business-type activities	<u>32,598,414</u>	<u>33,085,880</u>	<u>-</u>	<u>7,221,328</u>
Total function / program activities	<u>\$ 152,763,699</u>	<u>\$ 58,905,073</u>	<u>\$ 13,350,527</u>	<u>\$ 15,155,231</u>
General revenues:				
Ad valorem taxes				
Gross receipts taxes				
Sales taxes				
Sale of capital assets				
Investment income				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

The accompanying notes are an integral part of this statement.

Net (Expenses) Revenues and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (13,218,433)	\$ -	\$ (13,218,433)
(20,669,487)	-	(20,669,487)
(26,764,411)	-	(26,764,411)
208,126	-	208,126
(1,967,265)	-	(1,967,265)
3,148,612	-	3,148,612
1,390,166	-	1,390,166
(2,061,156)	-	(2,061,156)
(9,388,136)	-	(9,388,136)
<u>(3,739,678)</u>	<u>-</u>	<u>(3,739,678)</u>
<u>(73,061,662)</u>	<u>-</u>	<u>(73,061,662)</u>
-	5,390,239	5,390,239
-	2,728,910	2,728,910
-	<u>(410,355)</u>	<u>(410,355)</u>
<u>-</u>	<u>7,708,794</u>	<u>7,708,794</u>
<u>(73,061,662)</u>	<u>7,708,794</u>	<u>(65,352,868)</u>
37,705,304		37,705,304
7,333,116		7,333,116
35,996,004		35,996,004
79,564	22,791	102,355
4,397,341	1,659,550	6,056,891
<u>3,942,886</u>	<u>(3,942,886)</u>	<u>-</u>
<u>89,454,215</u>	<u>(2,260,545)</u>	<u>87,193,670</u>
16,392,553	5,448,249	21,840,802
<u>155,422,824</u>	<u>136,938,669</u>	<u>292,361,493</u>
<u>\$ 171,815,377</u>	<u>\$ 142,386,918</u>	<u>\$ 314,202,295</u>

**City of Mesquite, Texas**

**Balance Sheet - Governmental Funds  
September 30, 2007**

	<u>General</u>	<u>Housing Grants</u>	<u>Quality of Life Corporation (4B Sales Tax)</u>	<u>Bond Finance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>						
Pooled cash and investments	\$ 13,010,905	\$ 3,681,669	\$ 14,567,255	\$ 33,616,638	\$ 16,379,297	\$ 81,255,764
Receivables (net of allowance):						
Accounts receivable	3,369,583	-	-	32,139	13,900	3,415,622
Ad valorem taxes	1,172,090	-	-	-	-	1,172,090
Other taxes receivable	1,525,510	-	-	-	-	1,525,510
Assessments	-	-	-	330,063	-	330,063
Intergovernmental	4,460,806	263	1,483,416	-	760,368	6,704,853
Due from other funds	670,164	-	-	-	-	670,164
Inventory	521,048	-	-	-	-	521,048
Prepays	16,937	-	-	-	358	17,295
Accrued interest	128,199	16,216	65,175	174,095	53,281	436,966
	<u>128,199</u>	<u>16,216</u>	<u>65,175</u>	<u>174,095</u>	<u>53,281</u>	<u>436,966</u>
<b>Total Assets</b>	<b><u>\$ 24,875,242</u></b>	<b><u>\$ 3,698,148</u></b>	<b><u>\$ 16,115,846</u></b>	<b><u>\$ 34,152,935</u></b>	<b><u>\$ 17,207,204</u></b>	<b><u>\$ 96,049,375</u></b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 2,978,740	\$ 11,865	\$ 4,081	\$ 64,017	\$ 261,298	\$ 3,320,001
Contracts payable	-	-	999,613	1,815,227	2,850	2,817,690
Deposits	712,172	-	-	-	325,240	1,037,412
Due to other funds	-	-	-	-	670,164	670,164
Deferred revenues	3,138,643	-	-	360,663	2,500	3,501,806
	<u>3,138,643</u>	<u>-</u>	<u>-</u>	<u>360,663</u>	<u>2,500</u>	<u>3,501,806</u>
<b>Total Liabilities</b>	<b><u>6,829,555</u></b>	<b><u>11,865</u></b>	<b><u>1,003,694</u></b>	<b><u>2,239,907</u></b>	<b><u>1,262,052</u></b>	<b><u>11,347,073</u></b>
<b>Fund Balances:</b>						
<b>Reserved for:</b>						
Encumbrances	747,650	-	7,387,654	17,562,411	110,817	25,808,532
Prepays	16,937	-	-	-	358	17,295
Inventory	521,048	-	-	-	-	521,048
Debt retirement	-	-	-	-	918,639	918,639
<b>Unreserved reported in:</b>						
General fund	16,760,052	-	-	-	-	16,760,052
Special revenue funds	-	3,686,283	7,724,498	-	2,963,313	14,374,094
Capital project funds	-	-	-	14,350,617	11,952,025	26,302,642
	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,350,617</u>	<u>11,952,025</u>	<u>26,302,642</u>
<b>Total Fund Balances</b>	<b><u>18,045,687</u></b>	<b><u>3,686,283</u></b>	<b><u>15,112,152</u></b>	<b><u>31,913,028</u></b>	<b><u>15,945,152</u></b>	<b><u>84,702,302</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 24,875,242</u></b>	<b><u>\$ 3,698,148</u></b>	<b><u>\$ 16,115,846</u></b>	<b><u>\$ 34,152,935</u></b>	<b><u>\$ 17,207,204</u></b>	<b><u>\$ 96,049,375</u></b>

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, 2007**

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

Total fund balance per balance sheet	\$ 84,702,302
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	199,899,800
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.	3,501,806
Internal service funds are used by management to charge the costs of health claims and general liability to individual funds. The assets and liabilities are included in governmental activities in the statement of net assets.	1,625,131
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.	(704,591)
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	(41,820,000)
Certificate of obligation bonds payable	(47,540,000)
Public property finance contractual obligations payable	(5,845,000)
Notes payable	(5,786,733)
Capital lease payable	(141,259)
Less: deferred amounts	1,745,725
Accrued compensated absences	<u>(17,821,804)</u>
	<u>(117,209,071)</u>
Net assets of governmental activities	<u>\$ 171,815,377</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, 2007**

	<u>General</u>	<u>Housing Grants</u>	<u>Quality of Life Corporation (4B Sales Tax)</u>	<u>Bond Finance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>						
Taxes-						
Ad valorem	\$ 37,735,196	\$ -	\$ -	\$ -	\$ -	\$ 37,735,196
Gross receipts	7,240,042	-	-	-	93,074	7,333,116
Sales	26,197,171	-	8,654,075	-	1,144,758	35,996,004
Licenses and permits	1,393,356	-	-	-	2,875	1,396,231
Fines and forfeitures	2,146,886	-	-	-	370,081	2,516,967
Investment income	1,641,916	117,809	579,108	1,430,408	486,064	4,255,305
Charges for services	9,707,414	-	-	86,310	5,782,307	15,576,031
Intergovernmental	592,054	10,859,224	-	-	2,007,455	13,458,733
Other revenues	1,256,691	-	1,185,100	1,200	265,519	2,708,510
Contributions and donations	110,133	-	-	-	74,733	184,866
<b>Total Revenues</b>	<b>88,020,859</b>	<b>10,977,033</b>	<b>10,418,283</b>	<b>1,517,918</b>	<b>10,226,866</b>	<b>121,160,959</b>
<b>EXPENDITURES:</b>						
Current-						
General government	9,793,945	-	546,094	73,362	2,057,199	12,470,600
Fire services	21,814,884	-	1,479	-	355,955	22,172,318
Police services	29,453,119	-	-	-	1,010,381	30,463,500
Field Services	9,530,886	-	-	-	-	9,530,886
Public works	2,588,708	-	-	-	196,642	2,785,350
Community development	2,986,719	-	-	-	693,578	3,680,297
Library services	2,099,835	-	-	-	76,484	2,176,319
Parks and recreation	8,283,686	-	1,742,033	11,500	69,277	10,106,496
Housing and community services	1,321,290	8,808,177	-	-	798,787	10,928,254
Capital outlay	-	-	3,765,844	12,336,129	224,654	16,326,627
Debt service						
Principal	-	-	-	-	7,146,571	7,146,571
Interest and fiscal charges	-	-	-	-	3,672,200	3,672,200
Bond issuance costs	48,243	-	-	305,515	-	353,758
<b>Total Expenditures</b>	<b>87,921,315</b>	<b>8,808,177</b>	<b>6,055,450</b>	<b>12,726,506</b>	<b>16,301,728</b>	<b>131,813,176</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>99,544</b>	<b>2,168,856</b>	<b>4,362,833</b>	<b>(11,208,588)</b>	<b>(6,074,862)</b>	<b>(10,652,217)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	7,261,828	-	654,675	-	12,285,093	20,201,596
Transfers out	(11,170,311)	(150,000)	(235,941)	(1,270,887)	(2,793,903)	(15,621,042)
Issuance of debt	2,260,000	-	-	20,545,000	-	22,805,000
Capital lease proceeds	74,092	-	-	-	-	74,092
Note payable proceeds	-	-	-	-	135,162	135,162
<b>Total Other Financing Sources (Uses)</b>	<b>(1,574,391)</b>	<b>(150,000)</b>	<b>418,734</b>	<b>19,274,113</b>	<b>9,626,352</b>	<b>27,594,808</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,474,847)</b>	<b>2,018,856</b>	<b>4,781,567</b>	<b>8,065,525</b>	<b>3,551,490</b>	<b>16,942,591</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>19,520,534</b>	<b>1,667,427</b>	<b>10,330,585</b>	<b>23,847,503</b>	<b>12,393,662</b>	<b>67,759,711</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 18,045,687</b>	<b>\$ 3,686,283</b>	<b>\$ 15,112,152</b>	<b>\$ 31,913,028</b>	<b>\$ 15,945,152</b>	<b>\$ 84,702,302</b>

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, 2007**

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

Net change in fund balance - total governmental funds	\$ 16,942,591
<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	19,426,979
Depreciation expense	<u>(9,808,503)</u>
	9,618,476
<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>	
	7,637,831
<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>	
	(54,050)
<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, notes payable and capital lease issued	(23,014,254)
Refunded bond debt amortization	(94,842)
Principal amount of debt paid to bondholders	6,775,000
Principal amount of capital lease paid	46,977
Principal amount of notes paid	383,882
Net deferred offering costs and related debt issuance items	<u>192,976</u>
	(15,710,261)
<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>	
	(1,029,882)
<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>(1,012,152)</u>
Change in net assets of governmental activities	<u>\$ 16,392,553</u>

The accompanying notes are an integral part of this statement.

**City of Mesquite, Texas**

**General Fund**

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended September 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes-				
Ad valorem	\$ 37,748,882	\$ 38,025,000	\$ 37,735,196	\$ (289,804)
Gross receipts	7,802,500	7,501,500	7,240,042	(261,458)
Sales	26,768,000	26,306,000	26,197,171	(108,829)
Licenses and permits	1,280,675	1,377,975	1,393,356	15,381
Fines and forfeitures	2,362,354	2,371,500	2,146,886	(224,614)
Investment income	1,725,000	3,160,000	1,641,916	(1,518,084)
Charges for services	9,649,528	9,728,916	9,707,414	(21,502)
Intergovernmental	599,972	666,776	592,054	(74,722)
Contributions & donations	-	55,000	110,133	55,133
Other revenues	1,217,681	1,876,328	1,256,691	(619,637)
	<u>89,154,592</u>	<u>91,068,995</u>	<u>88,020,859</u>	<u>(3,048,136)</u>
<b>TOTAL REVENUES</b>				
<b>EXPENDITURES:</b>				
General government	9,805,625	10,014,413	9,793,945	220,468
Fire services	21,430,902	22,142,137	21,814,884	327,253
Police services	29,558,977	30,888,990	29,453,119	1,435,871
Field services	9,453,008	9,389,085	9,530,886	(141,801)
Public works	3,032,340	2,865,204	2,588,708	276,496
Community development	3,093,577	2,993,034	2,986,719	6,315
Library services	2,192,737	2,172,187	2,099,835	72,352
Parks, recreation, and building services	7,361,135	7,584,375	8,283,686	(699,311)
Housing and community services	1,138,075	1,243,238	1,321,290	(78,052)
Debt service:				
Bond issuance costs	35,000	35,000	48,243	(13,243)
	<u>87,101,376</u>	<u>89,327,663</u>	<u>87,921,315</u>	<u>1,406,348</u>
<b>TOTAL EXPENDITURES</b>				
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>2,053,216</u>	<u>1,741,332</u>	<u>99,544</u>	<u>(1,641,788)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	5,755,000	5,755,000	7,261,828	1,506,828
Transfers out	(10,070,311)	(11,170,311)	(11,170,311)	-
Issuance of debt	2,275,000	2,275,000	2,260,000	(15,000)
Capital lease proceeds	-	-	74,092	74,092
	<u>(2,040,311)</u>	<u>(3,140,311)</u>	<u>(1,574,391)</u>	<u>1,565,920</u>
<b>TOTAL OTHER FINANCING USES</b>				
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 12,905</u>	<u>\$ (1,398,979)</u>	<u>(1,474,847)</u>	<u>\$ (75,868)</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>			<u>19,520,534</u>	
<b>FUND BALANCE AT END OF YEAR</b>			<u>\$ 18,045,687</u>	

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

**Housing Grants Special Revenue Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended September 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment income	\$ 2,000	\$ 40,000	\$ 117,809	\$ 77,809
Intergovernmental	<u>10,952,174</u>	<u>9,535,858</u>	<u>10,859,224</u>	<u>1,323,366</u>
TOTAL REVENUES	<u>10,954,174</u>	<u>9,575,858</u>	<u>10,977,033</u>	<u>1,401,175</u>
EXPENDITURES:				
Current-				
Housing & community services	<u>10,804,174</u>	<u>9,425,858</u>	<u>8,808,177</u>	<u>617,681</u>
TOTAL EXPENDITURES	<u>10,804,174</u>	<u>9,425,858</u>	<u>8,808,177</u>	<u>617,681</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>150,000</u>	<u>150,000</u>	<u>2,168,856</u>	<u>2,018,856</u>
OTHER FINANCING USES:				
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
TOTAL OTHER FINANCING USES	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	2,018,856	<u>\$ 2,018,856</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>1,667,427</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 3,686,283</u>	

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

**Mesquite Quality of Life Corporation (4B Sales Tax) Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended September 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Sales tax	\$ 8,765,000	\$ 8,710,000	\$ 8,654,075	(55,925)
Investment income	200,000	390,000	579,108	189,108
Other revenues	-	-	1,185,100	1,185,100
	<u>8,965,000</u>	<u>9,100,000</u>	<u>10,418,283</u>	<u>1,318,283</u>
TOTAL REVENUES				
EXPENDITURES:				
Current-				
General government	40,000	40,000	546,094	(506,094)
Fire services	-	-	1,479	(1,479)
Parks and recreation	1,851,500	1,851,500	1,742,033	109,467
Capital Projects				
Public safety projects	75,000	105,000	15,669	89,331
Transportation Projects	5,117,500	6,715,338	3,358,463	3,356,875
Parks and recreation projects	3,125,000	3,125,000	391,712	2,733,288
	<u>10,209,000</u>	<u>11,836,838</u>	<u>6,055,450</u>	<u>5,781,388</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,244,000)</u>	<u>(2,736,838)</u>	<u>4,362,833</u>	<u>7,099,671</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	654,675	654,675	654,675	-
Transfers out	-	-	(235,941)	(235,941)
	<u>654,675</u>	<u>654,675</u>	<u>418,734</u>	<u>(235,941)</u>
TOTAL OTHER FINANCING SOURCES				
NET CHANGE IN FUND BALANCES	<u>\$ (589,325)</u>	<u>\$ (2,082,163)</u>	4,781,567	<u>\$ 6,863,730</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>10,330,585</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 15,112,152</u>	

The accompanying notes are an integral part of this statement.

**MESQUITE**  
T E X A S  
Real. Texas. Flavor.

**City of Mesquite, Texas**

**Statement of Net Assets  
Proprietary Funds  
September 30, 2007**

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Major Funds		Non-Major Fund		
	Water and Sewer	Drainage Utility District	Municipal Airport	Totals	
<b>ASSETS:</b>					
Current assets:					
Pooled cash and investments	\$ 9,111,100	\$ 1,010,024	\$ -	\$ 10,121,124	\$ 3,415,152
Restricted pooled cash and investments	14,605,806	584,583	12,985	15,203,374	-
Accrued interest	63,712	224	-	63,936	-
Receivables (net of allowance for uncollectibles)	6,594,387	131,160	31,262	6,756,809	-
Inventory	321,666	-	33,979	355,645	-
Prepays and other assets	721,361	94,155	-	815,516	597,787
Accrued interest	84,989	11,968	-	96,957	16,535
Total current assets	<u>31,503,021</u>	<u>1,832,114</u>	<u>78,226</u>	<u>33,413,361</u>	<u>4,029,474</u>
Noncurrent assets:					
Revenue bond reserve-					
Pooled cash and investments	4,069,955	828,723	-	4,898,678	-
Capital assets-					
Land and construction in progress	7,296,922	1,905,335	5,408,518	14,610,775	-
Other capital assets (net of accumulated depreciation)	124,368,391	29,295,863	8,436,272	162,100,526	-
Total noncurrent assets	<u>135,735,268</u>	<u>32,029,921</u>	<u>13,844,790</u>	<u>181,609,979</u>	<u>-</u>
Total Assets	<u>167,238,289</u>	<u>33,862,035</u>	<u>13,923,016</u>	<u>215,023,340</u>	<u>4,029,474</u>
<b>LIABILITIES:</b>					
Current liabilities:					
Accounts payable	1,244,530	18,450	37,862	1,300,842	590,321
Estimated claims payable	-	-	-	-	1,069,022
Cash overdraft	-	-	100,086	100,086	-
Deposits and other liabilities	3,013,758	14,587	14,471	3,042,816	-
Capital lease payable	80,514	-	-	80,514	-
Accrued compensated absences	220,058	30,058	-	250,116	-
Total current liabilities	<u>4,558,860</u>	<u>63,095</u>	<u>152,419</u>	<u>4,774,374</u>	<u>1,659,343</u>
Current liabilities payable from restricted assets:					
Accounts payable	396,034	-	-	396,034	-
Accrued interest payable	206,755	29,235	-	235,990	-
Bonds payable	3,275,000	855,000	-	4,130,000	-
Total current liabilities payable from restricted assets	<u>3,877,789</u>	<u>884,235</u>	<u>-</u>	<u>4,762,024</u>	<u>-</u>
Total current liabilities	<u>8,436,649</u>	<u>947,330</u>	<u>152,419</u>	<u>9,536,398</u>	<u>1,659,343</u>
Noncurrent liabilities:					
Estimated claims payable	-	-	-	-	745,000
Capital lease payable	155,645	-	-	155,645	-
Bonds payable	54,400,357	7,618,285	-	62,018,642	-
Accrued compensated absences	812,933	69,511	43,293	925,737	-
Total noncurrent liabilities	<u>55,368,935</u>	<u>7,687,796</u>	<u>43,293</u>	<u>63,100,024</u>	<u>745,000</u>
Total Liabilities	<u>63,805,584</u>	<u>8,635,126</u>	<u>195,712</u>	<u>72,636,422</u>	<u>2,404,343</u>
<b>NET ASSETS:</b>					
Invested in capital assets, net of related debt	85,752,081	22,767,111	13,857,775	122,376,967	-
Restricted for debt service	6,138,400	1,345,096	-	7,483,496	-
Unrestricted	11,542,224	1,114,702	(130,471)	12,526,455	1,625,131
Total Net Assets	<u>\$ 103,432,705</u>	<u>\$ 25,226,909</u>	<u>\$ 13,727,304</u>	<u>\$ 142,386,918</u>	<u>\$ 1,625,131</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, 2007**

	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	\$ 29,833,431	\$ 2,141,992	\$ 1,110,457	\$ 33,085,880	\$ -
Contributions - City	-	-	-	-	9,887,010
Contributions - other	-	-	-	-	3,830,347
Total operating revenues	<u>29,833,431</u>	<u>2,141,992</u>	<u>1,110,457</u>	<u>33,085,880</u>	<u>13,717,357</u>
Operating expenses:					
Personal services	5,198,486	484,466	280,680	5,963,632	-
Supplies	834,439	10,930	607,092	1,452,461	-
Contractual services	18,094,611	183,136	212,671	18,490,418	13,855,767
Depreciation	<u>3,719,435</u>	<u>644,121</u>	<u>420,369</u>	<u>4,783,925</u>	<u>-</u>
Total operating expenses	<u>27,846,971</u>	<u>1,322,653</u>	<u>1,520,812</u>	<u>30,690,436</u>	<u>13,855,767</u>
Operating income (loss)	<u>1,986,460</u>	<u>819,339</u>	<u>(410,355)</u>	<u>2,395,444</u>	<u>(138,410)</u>
Nonoperating revenues (expenses):					
Investment income	1,523,881	135,669	-	1,659,550	142,036
Gain on sale of capital assets	6,139	16,652	-	22,791	-
Interest expense	(2,417,584)	(376,496)	-	(2,794,080)	-
Other nonoperating expenses	<u>(93,013)</u>	<u>(36,663)</u>	<u>-</u>	<u>(129,676)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(980,577)</u>	<u>(260,838)</u>	<u>-</u>	<u>(1,241,415)</u>	<u>142,036</u>
Income (loss) before contributions and transfers	1,005,883	558,501	(410,355)	1,154,029	3,626
Capital contributions	4,898,598	2,322,730	637,668	7,858,996	-
Transfers in	-	-	85,250	85,250	-
Transfers out	<u>(4,550,000)</u>	<u>-</u>	<u>(115,804)</u>	<u>(4,665,804)</u>	<u>-</u>
Change in net assets	1,354,481	2,881,231	196,759	4,432,471	3,626
Total net assets - beginning	<u>102,078,224</u>	<u>22,345,678</u>	<u>13,530,545</u>		<u>1,621,505</u>
Total net assets - ending	<u>\$ 103,432,705</u>	<u>\$ 25,226,909</u>	<u>\$ 13,727,304</u>		<u>\$ 1,625,131</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				<u>1,015,778</u>	
Change in net assets of business-type activities				<u>\$ 5,448,249</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, 2007**

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Major Funds	Drainage Utility District	Non-Major Fund Municipal Airport	Totals	
	Water and Sewer				
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 29,143,360	\$ 2,154,678	\$ 1,155,318	\$ 32,453,356	\$ -
Cash received from City funds				-	9,887,011
Cash received from other operating sources				-	3,874,165
Cash paid to suppliers for goods and services	(18,688,140)	(215,388)	(836,923)	(19,740,451)	(3,729,098)
Cash paid to employees for services	(5,139,213)	(442,283)	(274,856)	(5,856,352)	-
Cash paid to claimants	-	-	-	-	(9,768,738)
Net cash provided by operating activities	<u>5,316,007</u>	<u>1,497,007</u>	<u>43,539</u>	<u>6,856,553</u>	<u>263,340</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers out to other funds	<u>(4,550,000)</u>	<u>-</u>	<u>(30,554)</u>	<u>(4,580,554)</u>	<u>-</u>
Net cash used for noncapital financing activities	<u>(4,550,000)</u>	<u>-</u>	<u>(30,554)</u>	<u>(4,580,554)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from the sale of revenue bonds	7,670,000	-	-	7,670,000	-
Premium from the sale of revenue bonds	1,282	-	-	1,282	-
Proceeds from the sale of capital assets	6,139	16,652	-	22,791	-
Acquisition and construction of capital assets	(6,868,299)	(539,078)	-	(7,407,377)	-
Principal paid on revenue bond maturities	(2,950,000)	(840,000)	-	(3,790,000)	-
Interest paid on revenue bonds	(2,400,001)	(378,324)	-	(2,778,325)	-
Bond issuance costs and other debt related expense	(36,659)	-	-	(36,659)	-
Net cash used for capital and related financing activities	<u>(4,577,538)</u>	<u>(1,740,750)</u>	<u>-</u>	<u>(6,318,288)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest received on investments	<u>1,502,768</u>	<u>136,976</u>	<u>-</u>	<u>1,639,744</u>	<u>142,813</u>
Net cash provided by investing activities	<u>1,502,768</u>	<u>136,976</u>	<u>-</u>	<u>1,639,744</u>	<u>142,813</u>
<b>NET INCREASE (DECREASE) IN POOLED CASH AND CASH EQUIVALENTS</b>					
	(2,308,763)	(106,767)	12,985	(2,402,545)	406,153
<b>POOLED CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>					
	<u>30,095,624</u>	<u>2,530,097</u>	<u>-</u>	<u>32,625,721</u>	<u>3,008,999</u>
<b>POOLED CASH AND CASH EQUIVALENTS AT END OF YEAR</b>					
	<u>\$ 27,786,861</u>	<u>\$ 2,423,330</u>	<u>\$ 12,985</u>	<u>\$ 30,223,176</u>	<u>\$ 3,415,152</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, 2007

	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)	\$ 1,986,460	\$ 819,339	\$ (410,355)	\$ 2,395,444	\$ (138,410)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities-					
Depreciation	3,719,435	644,121	420,369	4,783,925	-
Provision for uncollectible accounts	704	-	-	704	-
Changes in assets and liabilities-					
(Increase)decrease in accounts receivable	(760,492)	3,686	(11,412)	(768,218)	43,819
(Increase)decrease in inventory	10,915	-	16,440	27,355	-
Decrease (increase) in prepaid items	-	-	-	-	652,289
Increase (decrease) in accounts payable	232,668	(18,022)	(34,329)	180,317	410,266
Decrease in estimated claims payable	-	-	-	-	(704,624)
Increase in deposits	70,421	8,999	56,273	135,693	-
Increase (decrease) in accrued compensated absences	55,896	38,884	6,553	101,333	-
Total adjustments	3,329,547	677,668	453,894	4,461,109	401,750
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 5,316,007	\$ 1,497,007	\$ 43,539	\$ 6,856,553	\$ 263,340
NONCASH CAPITAL ACTIVITIES:					
Contribution of capital assets from (to) developers	\$ 4,898,598	\$ 2,322,730	\$ -	\$ 7,221,328	\$ -
Contribution of capital assets from government	-	-	637,668	637,668	-
Total noncash capital activities	\$ 4,898,598	\$ 2,322,730	\$ 637,668	\$ 7,858,996	\$ -

(Concluded)

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

Statement of Fiduciary Assets and Liabilities  
Fiduciary Fund  
September 30, 2007

	<u>Agency Fund</u> Tax Clearing <u>Fund</u>
ASSETS:	
Current assets:	
Pooled cash and investments	\$ 191,367
Taxes receivable levied for other government (net of allowance for uncollectibles)	<u>4,360,150</u>
Total Assets	<u>\$ 4,551,517</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 191,367
Due to other governments	<u>4,360,150</u>
Total Liabilities	<u>\$ 4,551,517</u>

The accompanying notes are an integral part of this statement.

**City of Mesquite, Texas**

**Notes to Basic Financial Statements  
September 30, 2007**

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## City of Mesquite, Texas

### Notes to Basic Financial Statements September 30, 2007

#### 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. Also included in the financial statements are the operating activities of the Mesquite Housing Finance Corporation, the Mesquite

## City of Mesquite, Texas

### Notes to Basic Financial Statements September 30, 2007

Health Facilities Corporation, and the Mesquite Industrial Development Corporation which provide services almost entirely to the primary government. 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. During the year, the City changed its policy in allocating the internal service fund activities between governmental and business type activities. The City no longer allocates internal service fund activity to business type activities since any allocations are considered not significant.

***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, Mesquite Quality of Life (4B Sales Tax) Special Revenue and Bond Finance Capital Projects funds, all of which are considered to be major funds. A

## City of Mesquite, Texas

### Notes to Basic Financial Statements September 30, 2007

budgetary comparison statement has also been provided for the General, Grants Special Revenue, and the 4B Sales Tax Special Revenue fund in the basic financial statements. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Budgetary comparison schedules follow these combining statements for those nonmajor funds, which adopt annual budgets.

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

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The resources of these funds are not reflected in the government-wide financial statements because they are not available to support the City's own programs. The City reports only one fiduciary fund, an agency fund used to account for ad valorem taxes collected on behalf of the Mesquite Independent School District. 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

## City of Mesquite, Texas

### Notes to Basic Financial Statements September 30, 2007

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 sewer, drainage utility and other proprietary operations are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses that do not meet this definition are reported as nonoperating revenues and expenses.

The City of Mesquite reports the following major governmental funds:

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

The City of Mesquite reports the following major proprietary funds:

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

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

## City of Mesquite, Texas

### Notes to Basic Financial Statements September 30, 2007

- 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.

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 2006-2007 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 2006-2007 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

## City of Mesquite, Texas

### Notes to Basic Financial Statements September 30, 2007

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.

***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, 2007, are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are accounted for on the consumption basis in governmental funds.

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

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

Beginning in 2007 the City has implemented a new asset capitalization policy. Assets capitalized have an original cost of \$5,000 or more, instead of \$1,000, and a useful life of at least five years. This change is consistent with the Government Finance Association recommended practice on "Establishing Appropriate

## City of Mesquite, Texas

### Notes to Basic Financial Statements September 30, 2007

Capitalization Thresholds for Tangible Capital Assets.” 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, 2007, is accrued based on past claims experience.

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

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

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

**Net Assets-** In the government-wide financial statements and the fund level proprietary financial statements, net assets represent the difference between assets and liabilities. The net assets are reported in three

## City of Mesquite, Texas

### Notes to Basic Financial Statements

September 30, 2007

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.

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.

GASB has issued Statement No. 50 *Pension Disclosures – an amendment of GASB Statements No. 25 and No 27.* ("GASB 50"), which is effective for the City in fiscal year 2008. GASB 50 enhances information disclosed in notes to financial statements or presented as required supplementary information by pension plans and by employers that provide pension benefits.

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

GASB has issued Statement No. 52 *Land and Other Real Estate Held as Investments by Endowments* ("GASB 52"), which is effective for the City in fiscal year 2009. GASB52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair market value, and other information that they currently present for other investments reported at fair market value.

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

## City of Mesquite, Texas

### Notes to Basic Financial Statements September 30, 2007

## 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, 2007, the carrying amount of the City's demand deposits was \$(2,069,514) and the bank balance was \$356,615.

### *Investments*

The City's investments at September 30, 2007, are:

<b>Investment type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (Years)</b>
Managed Pools:		
Texpool	\$13,703,795	0.00032
Texstar	16,011,755	0.00037
Money Market:		
Fidelity Investments	3,438,661	0.00008
US Agency Notes	60,929,160	0.62192
US Agency Discounts	19,420,840	0.03364
US Treasury Discounts	3,522,968	0.02763
Total	\$117,027,179	0.68396

*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 at the date of purchase. The investment in Texas Local Government Pools (Texpool and Texstar) carried a credit rating of AAAM by Standard and Poor's as of September 30, 2007. 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, 2007.

*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, 2007, the City's total investments are in the following: U.S. Treasury Notes (3%),

## City of Mesquite, Texas

### Notes to Basic Financial Statements September 30, 2007

Agency issues (68.6%) consisting of FHLB (21.3%), FNMA (28.1%), FFCB (8.5%) and FHLMC (10.7%), investment pools (25%), and money market funds (2.9%).

*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, 2006, upon which the 2007 fiscal year levy was based, was \$6,200,963,477. 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, 2007, were 97.95% of the tax levy and total tax collections were 100.27% 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, 2007, the City had a tax margin of \$1.88000 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, 2007 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, 2007**

	<u>General</u>	<u>Grants</u>	<u>Quality of Life Corporation (4B Sales Tax)</u>	<u>Bond Finance</u>	<u>Water and Sewer</u>	<u>Drainage Utility District</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:								
Accounts	\$ 8,446,900	\$ -	\$ -	\$ 38,568	\$ 6,761,059	\$ 131,160	\$ 45,162	\$ 15,422,849
Ad valorem taxes	1,837,126	-	-	-	-	-	-	1,837,126
Other taxes	1,525,510	-	-	-	-	-	-	1,525,510
Assessments	-	-	-	330,063	-	-	-	330,063
Intergovernmental	4,468,622	263	1,483,416	-	-	-	760,368	6,712,669
Gross receivables	16,278,158	263	1,483,416	368,631	6,761,059	131,160	805,530	25,828,217
Less: allowance for uncollectibles	(5,750,169)	-	-	(6,429)	(166,672)	-	-	(5,923,270)
Net total receivables	<u>\$ 10,527,989</u>	<u>\$ 263</u>	<u>\$ 1,483,416</u>	<u>\$ 362,202</u>	<u>\$ 6,594,387</u>	<u>\$ 131,160</u>	<u>\$ 805,530</u>	<u>\$ 19,904,947</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	\$ 996,677
General fund - ad valorem taxes receivable	988,772
General fund - court fines receivable	511,547
General fund - accounts receivable, grass and weed mowing	280,017
General fund - accounts receivable, TXU settlement	361,630
Bond Finance capital projects fund - assessments receivable	360,663
Nonmajor Special Revenue Funds	<u>2,500</u>
Total deferred revenues for governmental funds	<u>\$ 3,501,806</u>

**5. CAPITAL ASSETS**

The following is a summary of the changes in capital assets for the fiscal year ended September 30, 2007:

**City of Mesquite, Texas**

**Notes to Basic Financial Statements  
September 30, 2007**

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 18,362,727	\$ 141,853	\$ -	\$ 18,504,580
Construction in progress	17,187,734	15,688,959	7,221,468	25,655,225
Total capital assets, not being depreciated	<u>35,550,461</u>	<u>15,830,812</u>	<u>7,221,468</u>	<u>44,159,805</u>
Capital assets, being depreciated:				
Buildings	43,550,348	1,206,848	-	44,757,196
Infrastructure	188,940,593	13,437,610	-	202,378,203
Improvements	13,172,832	507,204	-	13,680,036
Equipment	34,487,568	3,405,975	864,784	37,028,759
Total capital assets, being depreciated	<u>280,151,341</u>	<u>18,557,637</u>	<u>864,784</u>	<u>297,844,194</u>
Less accumulated depreciation for:				
Buildings	11,286,999	1,081,095	-	12,368,094
Infrastructure	99,862,958	4,480,179	-	104,343,137
Improvements	4,054,018	637,444	-	4,691,462
Equipment	17,854,334	3,609,785	762,613	20,701,506
Total accumulated depreciation	<u>133,058,309</u>	<u>9,808,503</u>	<u>762,613</u>	<u>142,104,199</u>
Total capital assets, being depreciated, net	<u>147,093,032</u>	<u>8,749,134</u>	<u>102,171</u>	<u>155,739,995</u>
Governmental activities capital assets, net	<u>\$ 182,643,493</u>	<u>\$ 24,579,946</u>	<u>\$ 7,323,639</u>	<u>\$ 199,899,800</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 6,491,042	\$ 267,973	\$ -	\$ 6,759,015
Construction in progress	12,983,150	6,196,258	11,327,648	7,851,760
Total capital assets, not being depreciated	<u>19,474,192</u>	<u>6,464,231</u>	<u>11,327,648</u>	<u>14,610,775</u>
Capital assets, being depreciated:				
Buildings	3,831,686	424,422	-	4,256,108
Infrastructure	197,199,200	17,856,580	-	215,055,780
Improvements	366,008	-	-	366,008
Equipment	3,728,387	580,907	58,500	4,250,794
Total capital assets, being depreciated	<u>205,125,281</u>	<u>18,861,909</u>	<u>58,500</u>	<u>223,928,690</u>
Less accumulated depreciation for:				
Buildings	1,080,693	89,864	-	1,170,557
Infrastructure	53,788,632	4,217,834	-	58,006,466
Improvements	32,381	19,722	-	52,103
Equipment	2,200,158	456,505	57,625	2,599,038
Total accumulated depreciation	<u>57,101,864</u>	<u>4,783,925</u>	<u>57,625</u>	<u>61,828,164</u>
Total capital assets, being depreciated, net	<u>148,023,417</u>	<u>14,077,984</u>	<u>875</u>	<u>162,100,526</u>
Business - type activities capital assets, net	<u>\$ 167,497,609</u>	<u>\$ 20,542,215</u>	<u>\$ 11,328,523</u>	<u>\$ 176,711,301</u>

**City of Mesquite, Texas**

**Notes to Basic Financial Statements  
September 30, 2007**

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

Governmental activities:	
General government	\$ 1,031,544
Fire services	1,001,718
Police services	1,441,698
Field services	4,270,174
Public works	895,326
Community development	88,021
Library services	28,813
Parks and recreation	886,547
Housing and community services	164,662
Total governmental activities	<u>\$ 9,808,503</u>
Business-type activities:	
Water and sewer	\$ 3,719,435
Drainage utility	644,121
Municipal airport	420,369
Total business-type activities	<u>\$ 4,783,925</u>

The City has active construction projects as of September 30, 2007. 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, 2007**

	<u>Spent-to-date</u>	<u>Construction Commitments</u>
Governmental activities:		
Projects funded by general obligation bonds:		
Street	\$ 5,991,149	\$ 365,510
Municipal building	11,272,430	18,221,916
Traffic signal	36,704	-
Projects funded by local finance sources:		
Street	169,942	-
Municipal building	102,218	44,893
Projects funded by general sales tax (4B portion):		
Public safety	(9,231)	1,868
Transportation	7,341,376	7,289,690
Parks and recreation	<u>750,637</u>	<u>532,340</u>
 Total governmental activities	 <u>\$ 25,655,225</u>	 <u>\$ 26,456,217</u>
 Business-type activities:		
Projects funded by revenue bonds:		
Water and sewer	\$ 6,402,172	\$ 1,779,559
Drainage utility district	620,233	67,734
Projects funded by general obligation bonds:		
Municipal airport	<u>829,355</u>	<u>137,837</u>
 Total business-type activities	 <u>\$ 7,851,760</u>	 <u>\$ 1,985,130</u>

**6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

*Due to/from other funds-*

These amounts represent intergovernmental revenue accrued but not received in the Other Grants special revenue fund in the "Other Governmental Funds". The current portion of lending/ borrowing arrangements outstanding at September 30, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Grants Special Revenue Fund	\$670,164

**City of Mesquite, Texas**

**Notes to Basic Financial Statements  
September 30, 2007**

***Transfers-***

Transfers were as follows for the fiscal year ended September 30, 2007:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 7,261,828	\$ 11,170,311
Grants	-	150,000
4B Sales Tax Special Revenue	654,675	235,941
Bond Finance	-	1,270,887
Non-major governmental fund	12,285,093	2,793,903
Water and sewer	-	4,550,000
Non-major enterprise fund	<u>85,250</u>	<u>115,804</u>
	<u>\$ 20,286,846</u>	<u>\$ 20,286,846</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	\$ 9,685,061
Operating subsidy	Municipal airport enterprise	85,250
Unreserved Council Funds	Capital Projects- Local Finance	1,400,000
Grants fund-		
Indirect cost charge	General	150,000
4B Sales Tax Special Revenue -		
Operating subsidy - Parks & recreation	General	235,941
Bond Finance fund-		
Interest income allocation	General	1,270,887
Non-major governmental fund-		
Hotel / motel tax - G.O. debt allocation	Debt service	158,000
Other special revenue -		
9-1-1 operations subsidy	General	740,000
Local finance capital project -		
Unreserved Council Funds	General	315,000
Capital projects funding	Debt Service	593,041
TIF special revenue	Capital Projects- Local Finance	333,187
Capital projects funding	Capital Projects- Local Finance	654,675
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>115,804</u>
	Total	<u>\$ 20,286,846</u>

## City of Mesquite, Texas

### Notes to Basic Financial Statements September 30, 2007

The Water and Sewer fund contributes on behalf of the other funds to the General Liability fund. The total amount contributed to the General Liability fund was \$805,000.

In the government wide statement of activities an additional transfer is shown for assets purchased by the government for the airport enterprise. In the fund level statements it is shown as a capital contribution in the airport fund.

#### **7. LONG-TERM DEBT**

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

- General obligation bonds are issued pursuant to voter authorization for infrastructure and facility projects accounted for in a governmental capital project fund. General obligation bonds have also been issued in previous fiscal years to refund prior debt issues. 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 2007 bond sale was \$20,545,000 for Police Facility Expansion, Airport Property Acquisition, Fiber Optic Communications Backbone, Lucas Farms Bridge, Pioneer Road, Concrete Street Rehabilitation, other street, alley, and sidewalk improvements, and municipal building improvements.
- Contractual obligations are issued to acquire equipment and will also be repaid from ad valorem property taxes. During the year, \$2,260,000 in obligations was issued to purchase computer equipment and motor vehicles and equipment used in General fund operations.
- Water and sewer revenue bonds are issued to provide funds for certain improvements to the water distribution and wastewater collection systems as well as to refund prior water and sewer debt issues. These bonds are reported in the Water and Sewer fund as the debt will be repaid from revenues of this enterprise fund operation. Included in the May 2007 bond sale was \$7,670,000 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, 2007, includes the following individual issues:

City of Mesquite, Texas

Notes to Basic Financial Statements  
September 30, 2007

<u>Governmental Activities</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<b>General Obligation Bonds-</b>				
Series 1998 refunding and improvements	4.25-5.125	02/15/18	\$ 2,360,000	\$ 705,000
Series 1999 improvements	3.90-6.00	02/15/19	125,000	40,000
Series 2000 improvements	4.40-5.50	02/15/20	360,000	45,000
Series 2001 refunding and improvements	3.00-5.00	02/15/21	4,435,000	580,000
Series 2002 improvements	2.875-4.90	02/15/22	4,745,000	235,000
Series 2004A refunding and improvements	2.50-4.625	02/15/24	10,795,000	965,000
Taxable Series 2004B refunding	1.40-4.65	02/15/15	4,505,000	630,000
Series 2005 refunding and improvement	3.25-5.00	02/15/25	12,720,000	760,000
Series 2006 improvements	4.00-5.00	02/15/26	1,775,000	-
			<u>41,820,000</u>	<u>3,960,000</u>
<b>Certificate of Obligation Bonds-</b>				
Series 1998	4.05-5.375	02/15/10	565,000	180,000
Series 1999	3.90-5.30	02/15/11	715,000	165,000
Series 2000	4.40-5.00	02/15/12	430,000	80,000
Series 2001	3.00-4.25	02/15/13	215,000	30,000
Series 2002	2.25-4.20	02/15/14	595,000	75,000
Series 2004	2.00-4.625	02/15/24	5,570,000	240,000
Series 2004A	2.00-5.00	02/15/24	1,910,000	80,000
Series 2005	3.25-5.00	02/15/25	7,965,000	330,000
Series 2006	4.00-5.00	02/15/26	9,030,000	120,000
Series 2007	4.00-5.00	02/15/27	20,545,000	675,000
			<u>47,540,000</u>	<u>1,975,000</u>
<b>Public Property Finance Contractual Obligations-</b>				
Series 2002	2.00-3.15	02/15/08	350,000	350,000
Series 2004	2.00-2.90	02/15/10	745,000	240,000
Series 2005	3.25-4.00	02/15/10	1,070,000	345,000
Series 2006	4.00-4.125	02/15/11	1,420,000	335,000
Series 2007	3.65-3.75	02/15/12	2,260,000	420,000
			<u>5,845,000</u>	<u>1,690,000</u>
Total governmental activities long-term bonded debt			95,205,000	7,625,000
Less: deferred loss on refunding			(813,020)	-
Net governmental activities long-term bonded debt			<u>\$ 94,391,980</u>	<u>\$ 7,625,000</u>

City of Mesquite, Texas

Notes to Basic Financial Statements  
September 30, 2007

	Interest Rate (%)	Maturity Date	Amount Outstanding	Due Within One Year
<u>Business-type Activities-</u>				
Water and Sewer Revenue Bonds-				
Series 1998 refunding and improvements	4.35-5.125	03/01/18	\$ 3,330,000	\$ 570,000
Series 1999 improvements	4.20-5.875	03/01/19	470,000	230,000
Series 2000 improvements	4.50-5.50	03/01/20	675,000	215,000
Series 2001 refunding and improvements	2.25-5.00	03/01/21	6,630,000	635,000
Series 2002 improvements	2.00-5.00	03/01/22	6,185,000	305,000
Series 2004 refunding and improvements	2.625-5.00	03/01/24	11,405,000	760,000
Series 2005 refunding and improvements	3.25-5.25	03/01/25	13,185,000	170,000
Series 2006 improvements	4.00-5.00	03/01/26	8,395,000	195,000
Series 2007 improvements	4.00-5.00	03/01/27	7,670,000	195,000
			<u>57,945,000</u>	<u>3,275,000</u>
Drainage Utility System Revenue Bonds-				
Series 1998 refunding and improvements	4.25-5.50	03/01/18	2,040,000	230,000
Series 2000 improvements	4.40-5.50	03/01/20	1,550,000	85,000
Series 2002 improvements	2.00-5.00	03/01/22	2,840,000	140,000
Series 2004 refunding	2.00-5.00	03/01/12	2,135,000	400,000
			<u>8,565,000</u>	<u>855,000</u>
Total business-type activities long-term debt			66,510,000	4,130,000
Less: premium and deferred loss on refunding			(361,358)	-
Net business-type activities long-term debt			<u>66,148,642</u>	<u>4,130,000</u>
Net long-term bonded debt			<u>\$ 160,540,622</u>	<u>\$ 11,755,000</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>
2008	\$ 7,625,000	\$ 3,930,691	\$ 4,130,000	\$ 2,868,319
2009	7,110,000	3,651,763	4,310,000	2,708,153
2010	6,910,000	3,379,321	4,510,000	2,537,712
2011	6,510,000	3,107,261	4,750,000	2,350,766
2012	6,050,000	2,842,976	4,990,000	2,143,687
2013-2017	24,120,000	10,718,191	20,160,000	7,741,081
2018-2022	21,160,000	5,972,158	16,320,000	3,431,375
2023-2027	<u>15,720,000</u>	<u>1,448,991</u>	<u>7,340,000</u>	<u>673,945</u>
Total	<u>\$ 95,205,000</u>	<u>\$ 35,051,352</u>	<u>\$ 66,510,000</u>	<u>\$ 24,455,038</u>

**City of Mesquite, Texas**

**Notes to Basic Financial Statements  
September 30, 2007**

**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 still outstanding at September 30, 2007 was: water and sewer \$11,045,000, general obligation \$8,795,000, and certificates of obligation \$245,000.

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

The assets acquired through capital leases are as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Asset:		
Equipment	\$ 277,321	\$ 382,655
Less: Accumulated depreciation	<u>(141,661)</u>	<u>(153,956)</u>
Total	<u>\$ 135,660</u>	<u>\$ 228,699</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2007, were as follows:

Year ending <u>September 30</u>	Governmental <u>Activities</u>	Business-type <u>Activities</u>
2008	\$ 65,452	\$ 88,307
2009	50,284	72,714
2010	19,948	41,530
2011	13,299	38,377
2012	<u>-</u>	<u>11,308</u>
Total minimum future lease payments	148,983	252,236
Less: Amount representing interest	<u>(7,724)</u>	<u>(16,077)</u>
Present value of minimum lease payments	<u>\$ 141,259</u>	<u>\$ 236,159</u>

**City of Mesquite, Texas**

**Notes to Basic Financial Statements  
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**Notes Payable-** The City entered into a loan agreement with the State Infrastructure Bank in the original amount of \$5,615,287 for Mesquite's participation with the State of Texas for the LBJ Corridor Improvements. The interest rate on the note is 4.1%. Debt service payments are being made through available revenues from the Towne Center TIF. The outstanding balance at year end is \$5,243,716.

The City entered into a revolving loan agreement in the amount of \$555,328 with the State Energy Conservation Office to implement conservation improvements at the Municipal Center. Construction was completed on July 19, 2007 and the loan was set up to amortize over 9.75 years beginning August 31, 2007. The interest rate on the note is 3%. Debt service payments will be made from available operating funds of the government. The outstanding balance at year end is \$543,017.

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>
2008	\$ 436,980	\$ 230,723
2009	454,361	213,340
2010	472,439	195,263
2011	491,241	176,461
2012	510,797	156,905
2013-2017	2,842,820	462,736
2018	<u>578,095</u>	<u>23,702</u>
Total	<u>\$ 5,786,733</u>	<u>\$ 1,459,130</u>

Long-term liability activity for the year ended September 30, 2007, was as follows:

**City of Mesquite, Texas**

**Notes to Basic Financial Statements  
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	<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	\$ 45,590,000	\$ -	\$ 3,770,000	\$ 41,820,000	\$ 3,960,000
Certificates of obligation	28,495,000	20,545,000	1,500,000	47,540,000	1,975,000
Public property finance contractual obligations	<u>5,090,000</u>	<u>2,260,000</u>	<u>1,505,000</u>	<u>5,845,000</u>	<u>1,690,000</u>
Total bonds payable	79,175,000	22,805,000	6,775,000	95,205,000	7,625,000
Less deferred loss on refunding	<u>(907,862)</u>	<u>-</u>	<u>(94,842)</u>	<u>(813,020)</u>	<u>-</u>
Net bonds payable	78,267,138	22,805,000	6,680,158	94,391,980	7,625,000
Other General Fund long-term liability:					
Notes Payable	6,035,453	135,162	383,882	5,786,733	436,980
Capital leases	114,144	74,092	46,977	141,259	60,834
Accrued compensated absences	<u>16,791,922</u>	<u>1,264,262</u>	<u>234,380</u>	<u>17,821,804</u>	<u>5,885,366</u>
Total governmental activities	<u>101,208,657</u>	<u>24,278,516</u>	<u>7,345,397</u>	<u>118,141,776</u>	<u>14,008,180</u>
Business-type activities:					
Bonds payable:					
Revenue bonds -water/sewer	53,225,000	7,670,000	2,950,000	57,945,000	3,275,000
Revenue bonds -drainage	<u>9,405,000</u>	<u>-</u>	<u>840,000</u>	<u>8,565,000</u>	<u>855,000</u>
Total revenue bonds payable	62,630,000	7,670,000	3,790,000	66,510,000	4,130,000
Less premium and deferred loss on refunding	<u>(406,770)</u>	<u>1,282</u>	<u>(44,130)</u>	<u>(361,358)</u>	<u>-</u>
Net revenue bonds payable	62,223,230	7,671,282	3,745,870	66,148,642	4,130,000
Capital leases	117,338	173,393	54,572	236,159	80,514
Accrued compensated absences	<u>1,074,521</u>	<u>102,880</u>	<u>1,548</u>	<u>1,175,853</u>	<u>250,116</u>
Total business-type activities	<u>63,415,089</u>	<u>7,947,555</u>	<u>3,801,990</u>	<u>67,560,654</u>	<u>4,460,630</u>
Total long-term liabilities	<u>\$ 164,623,746</u>	<u>\$ 32,226,071</u>	<u>\$ 11,147,387</u>	<u>\$ 185,702,430</u>	<u>\$ 18,468,810</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 821 administered by TMRS, an agent multiple-employer public employee retirement system. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for TMRS. That report may be obtained by writing TMRS, P. O. Box 149153, Austin, Texas, 78714-9153 or by calling 800-924-8677.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan

## City of Mesquite, Texas

### Notes to Basic Financial Statements September 30, 2007

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

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

Plan provisions for the City were as follows:

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

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

**Contributions-** Under the state law governing TMRS, the City is required to contribute at an actuarially determined rate; the current rate is 16.00%. 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, 2006, valuation is effective for rates beginning January 2008).

**Annual Pension Cost-** For fiscal year 2007, the City's annual pension cost of \$9,067,506 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2006, 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.

**Future Funding Requirements-** In early December 2007 the TMRS Board of Trustees met and adopted actuarial changes that include a change from the Unit Credit actuarial cost method to the Projected Unit Credit

## City of Mesquite, Texas

### Notes to Basic Financial Statements September 30, 2007

actuarial cost method for all TMRS city plans as well as a closed amortization period of 30 years. The effect of these changes will result in an increase in city contribution rates for most Texas cities. Cities will have the option to increase their contributions over an eight-year phase-in period. All cities will receive their 2009 contribution rate letter in May 2008 that will specify exactly how these changes will affect the future annual required contribution rate upon completion of an actuarial valuation to be performed as of December 31, 2007. These changes are intended to help the TMRS system remain well-funded, to preserve members' benefits, and to give cities a more complete picture of the cost of benefits currently adopted. While the impact of TMRS changes is not presently known, the City's contribution rate is expected to increase significantly. Management believes that while these possible increases will present additional challenges to the City during the budget process the City will be able to make necessary changes to mitigate any adverse financial impact to the City.

#### Three-Year Trend Information for the City of Mesquite

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2007	\$ 9,067,506	100%	-
9/30/2006	8,276,438	100%	-
9/30/2005	7,658,549	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 \$7.977 million for the fiscal year ended September 30, 2007.

**City of Mesquite, Texas**

**Notes to Basic Financial Statements  
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**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, 2007, was approximately \$4.740 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 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 \$330,014 in unrestricted net assets after inclusion of \$1,198,000 of estimated outstanding health claims payable. During the year, operating and non-operating revenues exceeded operating expenses by \$633,340 after inclusion of a \$494,000 decrease in estimated claims payable resulting in a \$963,354 balance in unrestricted net assets at year-end. Actual claims paid totaled \$9,483,143. The increase in net assets was due to a decrease in medical claims incurred which was partially offset by a decrease in City contributions for employee and dependent coverage and employee contribution rates. In addition to these decreased 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 \$704,000 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 2006 and 2007 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>
2006	\$ 1,320,000	\$ 9,018,667	\$ 9,140,667	\$ 1,198,000
2007	1,198,000	8,989,143	9,483,143	704,000

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.

## City of Mesquite, Texas

### Notes to Basic Financial Statements September 30, 2007

**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 \$1,291,491. During the year, operating expenses exceeded operating and non-operating revenues by \$629,714 after inclusion of a \$210,624 decrease in estimated claims payable, resulting in a \$661,777 net assets balance at fiscal year-end.

Actual claims paid were \$937,934. The estimated claims payable of \$1,110,022 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 2006 and 2007 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>
2006	\$ 836,502	\$ 593,465	\$ 109,321	\$ 1,320,646
2007	1,320,646	727,310	937,934	1,110,022

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

## 11. POSTEMPLOYMENT BENEFITS

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

The City paid approximately \$1,759,048 for 228 retirees' premiums in fiscal year 2007. City paid claims for retired employees and their dependents approximated \$1.51 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 4, 2006. No rebate liability was due to the federal government. Information for the next computation period is currently due. Management does not anticipate there will be a material liability once the computation is completed.

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

**Conduit Debt Obligations-** From time to time, various legally separate component units of the City have issued bonded debt obligations to provide financial assistance to private-sector entities. The bonds were issued to acquire and construct industrial and commercial facilities (Mesquite Industrial Development Corporation); or to construct medical and health facilities (Mesquite Health Facilities Corporation). The bonds are secured by the property financed and are payable solely from payments received on the underlying debt obligations. Upon repayment of the bonds, ownership of the acquired capital assets transfers to the private-sector entity served by the bond issuance. Even though some of the bonds are outstanding, there is no liability to the City or the component unit (no commitment debt), as all liability transfers to the trustee of the bond issue. A summary of outstanding conduit debt by component unit at September 30, 2007, is as follows (for amounts marked \* more recent data was not available and the year balance was carried forward from the City's September 30, 2006 CAFR ):

**City of Mesquite, Texas**

**Notes to Basic Financial Statements  
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<u>Series</u>	<u>Mesquite Industrial Development Corporation</u>	<u>Mesquite Health Facilities Corporation</u>	<u>Total</u>
1994	\$ 1,000,000 *	\$ -	\$ 1,000,000
1995	855,000	-	855,000
1996A	-	12,105,000 *	12,105,000
1996B	-	1,920,000 *	1,920,000
1997	2,300,000	-	2,300,000
2000A	-	9,805,000	9,805,000
2000B	-	2,500,000	2,500,000
2000C	-	7,230,000	7,230,000
2003A	956,507	-	956,507
2003B	600,000	-	600,000
Total	<u>\$ 5,711,507</u>	<u>\$ 33,560,000</u>	<u>\$ 39,271,507</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>a Percent of Covered Payroll</u>
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
2006	158,532,987	225,572,028	67,039,041	70.3	54,796,225	122.3

Source: Texas Municipal Retirement System Comprehensive Annual Financial Reports.

**NOTES:**

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

City of Mesquite, Texas

Notes to Basic Financial Statements  
September 30, 2007



## **Combining and Individual Fund**

### **Statements and Schedules**

**MESQUITE**  
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## **City of Mesquite, Texas**

### **Non-Major Governmental Funds**

#### Special Revenue Funds:

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

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

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

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

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

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

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

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

City of Mesquite, Texas

Combining Balance Sheet  
 Non-Major Governmental Funds  
 September 30, 2007

	Special Revenue			
	Hotel/Motel Tax	Confiscated Drug	Other Grants	Other Special Revenue
<b>ASSETS:</b>				
Pooled cash and investments	\$ 136,755	\$ 1,752,940	\$ -	\$ 1,354,662
Receivables (net of allowance for uncollectibles):				
Accounts receivable	5,867	-	-	216
Intergovernmental	-	-	760,368	-
Prepays	-	-	-	358
Accrued interest	533	9,407	-	1,251
	<u>533</u>	<u>9,407</u>	<u>-</u>	<u>1,251</u>
 Total Assets	 <u>\$ 143,155</u>	 <u>\$ 1,762,347</u>	 <u>\$ 760,368</u>	 <u>\$ 1,356,487</u>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 18,003	\$ 16,156	\$ 15,629	\$ 210,858
Contracts payable	-	-	-	2,850
Deposits	-	38,237	-	18,365
Due to other Funds	-	-	670,164	-
Deferred revenue	-	-	2,500	-
	<u>-</u>	<u>-</u>	<u>2,500</u>	<u>-</u>
 Total Liabilities	 <u>18,003</u>	 <u>54,393</u>	 <u>688,293</u>	 <u>232,073</u>
<b>Fund Balances:</b>				
<b>Reserved for:</b>				
Encumbrances	-	21,354	39,172	5,398
Prepays	-	-	-	358
Debt retirement	-	-	-	-
<b>Unreserved, reported in:</b>				
Special revenue funds	125,152	1,686,600	32,903	1,118,658
Capital project funds	-	-	-	-
	<u>125,152</u>	<u>1,686,600</u>	<u>32,903</u>	<u>1,118,658</u>
 Total Fund Balances	 <u>125,152</u>	 <u>1,707,954</u>	 <u>72,075</u>	 <u>1,124,414</u>
 Total Liabilities and Fund Balances	 <u>\$ 143,155</u>	 <u>\$ 1,762,347</u>	 <u>\$ 760,368</u>	 <u>\$ 1,356,487</u>

<u>Debt Service</u>	<u>Capital Projects Local Finance</u>	<u>Total Other Governmental Funds</u>
\$ 918,639	\$ 12,216,301	\$ 16,379,297
-	7,817	13,900
-	-	760,368
-	-	358
-	42,090	53,281
<u>\$ 918,639</u>	<u>\$ 12,266,208</u>	<u>\$ 17,207,204</u>
\$ -	\$ 652	\$ 261,298
-	-	2,850
-	268,638	325,240
-	-	670,164
-	-	2,500
<u>-</u>	<u>269,290</u>	<u>1,262,052</u>
-	44,893	110,817
-	-	358
918,639	-	918,639
-	-	2,963,313
-	11,952,025	11,952,025
<u>918,639</u>	<u>11,996,918</u>	<u>15,945,152</u>
<u>\$ 918,639</u>	<u>\$ 12,266,208</u>	<u>\$ 17,207,204</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, 2007**

	Special Revenue			
	Hotel/Motel Tax	Confiscated Drug	Other Grants	Other Special Revenue
REVENUES:				
Gross receipts taxes	\$ -	\$ -	\$ -	\$ 93,074
Sales tax	1,144,758	-	-	-
Licenses and permits	-	-	-	2,875
Fines and forfeitures	-	308,258	-	61,823
Investment income	6,499	95,395	-	14,102
Charges for services	-	-	1,560	1,009,751
Intergovernmental	-	2,264	2,005,191	-
Other revenues	-	140,638	-	9,000
Contributions and donations	-	-	-	74,733
	<u>1,151,257</u>	<u>546,555</u>	<u>2,006,751</u>	<u>1,265,358</u>
Total Revenues				
EXPENDITURES:				
Current-				
General government	674,344	-	-	289,070
Fire services	-	-	343,780	12,175
Police services	-	627,693	128,299	254,389
Public works	-	-	196,642	-
Community development	123,125	-	567,705	2,748
Library services	-	-	74,524	1,960
Parks and recreation	-	-	32,166	32,573
Housing and community services	145,125	-	631,394	22,168
Capital outlay	-	-	-	-
Debt service-				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
	<u>942,594</u>	<u>627,693</u>	<u>1,974,510</u>	<u>615,083</u>
Total Expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>208,663</u>	<u>(81,138)</u>	<u>32,241</u>	<u>650,275</u>
OTHER FINANCING SOURCES (USES):				
Note payable proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(158,000)	-	-	(740,000)
	<u>(158,000)</u>	<u>-</u>	<u>-</u>	<u>(740,000)</u>
Total Other Financing Sources (Uses)				
NET CHANGE IN FUND BALANCES	50,663	(81,138)	32,241	(89,725)
FUND BALANCES AT BEGINNING OF YEAR	<u>74,489</u>	<u>1,789,092</u>	<u>39,834</u>	<u>1,214,139</u>
FUND BALANCES AT END OF YEAR	<u>\$ 125,152</u>	<u>\$ 1,707,954</u>	<u>\$ 72,075</u>	<u>\$ 1,124,414</u>

	<u>Debt Service</u>	<u>Capital Projects Local Finance</u>	<u>Total Other Governmental Funds</u>
\$	-	\$ -	\$ 93,074
	-	-	1,144,758
	-	-	2,875
	-	-	370,081
	-	370,068	486,064
	-	4,770,996	5,782,307
	-	-	2,007,455
	-	115,881	265,519
	-	-	<u>74,733</u>
	<u>-</u>	<u>5,256,945</u>	<u>10,226,866</u>
	-	1,093,785	2,057,199
	-	-	355,955
	-	-	1,010,381
	-	-	196,642
	-	-	693,578
	-	-	76,484
	-	4,538	69,277
	-	100	798,787
	-	224,654	224,654
	6,775,000	371,571	7,146,571
	<u>3,441,973</u>	<u>230,227</u>	<u>3,672,200</u>
	<u>10,216,973</u>	<u>1,924,875</u>	<u>16,301,728</u>
	<u>(10,216,973)</u>	<u>3,332,070</u>	<u>(6,074,862)</u>
	-	135,162	135,162
	10,551,906	1,733,187	12,285,093
	-	<u>(1,895,903)</u>	<u>(2,793,903)</u>
	<u>10,551,906</u>	<u>(27,554)</u>	<u>9,626,352</u>
	334,933	3,304,516	3,551,490
	<u>583,706</u>	<u>8,692,402</u>	<u>12,393,662</u>
\$	<u>918,639</u>	<u>\$ 11,996,918</u>	<u>\$ 15,945,152</u>

City of Mesquite, Texas

**Hotel/Motel Tax Special Revenue Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
 For the Year Ended September 30, 2007  
 With Comparative Actual Totals for the Year Ended September 30, 2006**

	2007				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	2006 Actual Amounts
	Original	Final			
REVENUES:					
Sales Tax	\$ 1,030,000	\$ 1,100,000	\$ 1,144,758	\$ 44,758	\$ 1,072,391
Investment income	1,200	5,000	6,499	1,499	3,952
TOTAL REVENUES	<u>1,031,200</u>	<u>1,105,000</u>	<u>1,151,257</u>	<u>46,257</u>	<u>1,076,343</u>
EXPENDITURES:					
Other-					
Administration projects-					
Personal services	23,000	41,515	43,070	(1,555)	27,534
Supplies	4,913	4,913	2,189	2,724	1,127
Contractual services	125,572	138,572	136,476	2,096	118,955
Capital outlay	-	-	-	-	-
	<u>153,485</u>	<u>185,000</u>	<u>181,735</u>	<u>3,265</u>	<u>147,616</u>
Chamber of Commerce projects-					
Contractual services	465,143	491,429	492,609	(1,180)	459,476
	<u>465,143</u>	<u>491,429</u>	<u>492,609</u>	<u>(1,180)</u>	<u>459,476</u>
Arts Council projects					
Contractual services	116,286	122,857	123,125	(268)	114,869
	<u>116,286</u>	<u>122,857</u>	<u>123,125</u>	<u>(268)</u>	<u>114,869</u>
Beautification Commission projects-					
Contractual services	22,000	22,000	22,000	-	16,500
	<u>22,000</u>	<u>22,000</u>	<u>22,000</u>	<u>-</u>	<u>16,500</u>
Historic Commission projects-					
Contractual services	116,286	122,857	123,125	(268)	114,868
	<u>116,286</u>	<u>122,857</u>	<u>123,125</u>	<u>(268)</u>	<u>114,868</u>
TOTAL EXPENDITURES	<u>873,200</u>	<u>944,143</u>	<u>942,594</u>	<u>1,549</u>	<u>853,329</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>158,000</u>	<u>160,857</u>	<u>208,663</u>	<u>47,806</u>	<u>223,014</u>
OTHER FINANCING USES:					
Transfers out	<u>(158,000)</u>	<u>(158,000)</u>	<u>(158,000)</u>	<u>-</u>	<u>(168,000)</u>
TOTAL OTHER FINANCING USES	<u>(158,000)</u>	<u>(158,000)</u>	<u>(158,000)</u>	<u>-</u>	<u>(168,000)</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ 2,857</u>	<u>50,663</u>	<u>\$ 47,806</u>	<u>55,014</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>74,489</u>		<u>19,475</u>
FUND BALANCE AT END OF YEAR			<u>\$ 125,152</u>		<u>\$ 74,489</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, 2007  
 With Comparative Actual Totals for the Year Ended September 30, 2006**

	2007				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	2006 Actual Amounts
	Original	Final			
REVENUES:					
Fines and forfeitures	\$ 400,000	\$ 400,000	\$ 308,258	\$ (91,742)	\$ 559,821
Investment income	50,000	87,000	95,395	8,395	77,906
Intergovernmental		-	2,264	2,264	
Other revenues	50,000	50,000	140,638	90,638	30,367
TOTAL REVENUES	<u>500,000</u>	<u>537,000</u>	<u>546,555</u>	<u>9,555</u>	<u>668,094</u>
EXPENDITURES:					
Police services-					
Supplies	266,000	485,784	155,674	330,110	46,282
Contractual services	170,400	317,261	100,203	217,058	185,519
Capital outlay	-	741,598	371,816	369,782	175,101
TOTAL EXPENDITURES	<u>436,400</u>	<u>1,544,643</u>	<u>627,693</u>	<u>916,950</u>	<u>406,902</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>63,600</u>	<u>(1,007,643)</u>	<u>(81,138)</u>	<u>926,505</u>	<u>261,192</u>
OTHER FINANCING SOURCES:					
Transfers in	-	-	-	-	6,323
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,323</u>
NET CHANGE IN FUND BALANCES	<u>\$ 63,600</u>	<u>\$ (1,007,643)</u>	<u>(81,138)</u>	<u>\$ 926,505</u>	<u>267,515</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>1,789,092</u>		<u>1,521,577</u>
FUND BALANCE AT END OF YEAR			<u>\$ 1,707,954</u>		<u>\$ 1,789,092</u>

City of Mesquite, Texas

Other Grants Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended September 30, 2007

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

	2007				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	2006 Actual Amounts
	Original	Final			
REVENUES:					
Charges for services	\$ -	\$ -	\$ 1,560	\$ 1,560	\$ 1,634
Investment income	-	-	-	-	-
Intergovernmental	952,509	2,457,596	2,005,191	(452,405)	1,754,113
Other revenues	-	-	-	-	2,654
<b>TOTAL REVENUES</b>	<b>952,509</b>	<b>2,457,596</b>	<b>2,006,751</b>	<b>(450,845)</b>	<b>1,758,401</b>
EXPENDITURES:					
Current-					
General government	-	-	-	-	-
Fire services	-	485,347	343,780	141,567	426,946
Police services	72,199	92,661	128,299	(35,638)	211,743
Public works	-	197,160	196,642	518	182,999
Housing and community services	544,004	944,794	631,394	313,400	340,290
Parks and recreation	-	88,443	32,166	56,277	-
Library services	40,677	75,535	74,524	1,011	57,398
Community Development	295,629	672,573	567,705	104,868	512,627
Other	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>952,509</b>	<b>2,556,513</b>	<b>1,974,510</b>	<b>582,003</b>	<b>1,732,003</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ (98,917)	32,241	\$ 131,158	\$ 26,398
NET CHANGE IN FUND BALANCES	\$ -	\$ (98,917)	32,241	\$ 131,158	26,398
FUND BALANCE AT BEGINNING OF YEAR			39,834		13,436
FUND BALANCE AT END OF YEAR			\$ 72,075		\$ 39,834

**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, 2007**

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

	2007			Variance with Final Budget - Positive (Negative)	2006 Actual Amounts
	Budgeted Amounts		Actual Amounts		
	Original	Final			
EXPENDITURES:					
Debt service-					
Principal	\$ 7,833,000	\$ 7,833,000	\$ 6,775,000	\$ 1,058,000	\$ 7,480,000
Interest and fiscal charges	<u>2,718,906</u>	<u>2,718,906</u>	<u>3,441,973</u>	<u>(723,067)</u>	<u>3,056,449</u>
TOTAL EXPENDITURES	<u>10,551,906</u>	<u>10,551,906</u>	<u>10,216,973</u>	<u>334,933</u>	<u>10,536,449</u>
EXCESS (DEFICIENCY) OF EXPENDITURES OVER (UNDER) REVENUES	<u>(10,551,906)</u>	<u>(10,551,906)</u>	<u>(10,216,973)</u>	<u>334,933</u>	<u>(10,536,449)</u>
OTHER FINANCING SOURCES:					
Transfers in	<u>10,551,906</u>	<u>10,551,906</u>	<u>10,551,906</u>	<u>-</u>	<u>10,589,366</u>
TOTAL OTHER FINANCING SOURCES	<u>10,551,906</u>	<u>10,551,906</u>	<u>10,551,906</u>	<u>-</u>	<u>10,589,366</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	334,933	<u>\$ 334,933</u>	52,917
FUND BALANCE AT BEGINNING OF YEAR			<u>583,706</u>		<u>530,789</u>
FUND BALANCE AT END OF YEAR			<u>\$ 918,639</u>		<u>\$ 583,706</u>

City of Mesquite, Texas

**Combining Statement of Net Assets  
Internal Service Funds  
September 30, 2007  
With Comparative Totals for September 30, 2006**

	Health <u>Claims</u>	General <u>Liability</u>	<u>Totals</u>	
			<u>2007</u>	<u>2006</u>
<b>ASSETS:</b>				
Current assets:				
Pooled cash and investments	\$ 1,691,571	\$ 1,723,581	\$ 3,415,152	\$ 3,008,999
Accounts receivable	-	-	-	43,819
Prepays and other assets	477,787	120,000	597,787	1,250,076
Accrued interest	<u>7,553</u>	<u>8,982</u>	<u>16,535</u>	<u>17,312</u>
Total Assets	<u>2,176,911</u>	<u>1,852,563</u>	<u>4,029,474</u>	<u>4,320,206</u>
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	509,557	80,764	590,321	180,055
Estimated claims payable	<u>704,000</u>	<u>365,022</u>	<u>1,069,022</u>	<u>2,098,000</u>
Total Current Liabilities	<u>1,213,557</u>	<u>445,786</u>	<u>1,659,343</u>	<u>2,278,055</u>
Noncurrent liabilities:				
Estimated claims payable	-	745,000	745,000	420,646
Total Noncurrent Liabilities	<u>-</u>	<u>745,000</u>	<u>745,000</u>	<u>420,646</u>
Total Liabilities	<u>1,213,557</u>	<u>1,190,786</u>	<u>2,404,343</u>	<u>2,698,701</u>
<b>NET ASSETS:</b>				
Unrestricted	<u>963,354</u>	<u>661,777</u>	<u>1,625,131</u>	<u>1,621,505</u>
Total Net Assets	<u>\$ 963,354</u>	<u>\$ 661,777</u>	<u>\$ 1,625,131</u>	<u>\$ 1,621,505</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, 2007  
 With Comparative Totals for September 30, 2006

	Health Claims	General Liability	Totals	
			2007	2006
Operating revenues:				
Contributions - City-				
Medical insurance	\$ 8,059,165	\$ -	\$ 8,059,165	\$ 8,034,620
Life and dental insurance	649,724	-	649,724	608,553
General liability	-	805,000	805,000	805,000
Workers' compensation	-	373,121	373,121	501,347
Total contributions - City	<u>8,708,889</u>	<u>1,178,121</u>	<u>9,887,010</u>	<u>9,949,520</u>
Contributions - Other-				
Employees - medical insurance	1,952,430	-	1,952,430	1,528,853
Retirees - medical insurance	592,194	-	592,194	474,790
COBRA - medical insurance	29,336	-	29,336	37,925
Stop loss and other contributions	1,067,249	-	1,067,249	373,412
Other Revenues	-	189,138	189,138	43,819
Total contributions - other	<u>3,641,209</u>	<u>189,138</u>	<u>3,830,347</u>	<u>2,458,799</u>
Total operating revenues	<u>12,350,098</u>	<u>1,367,259</u>	<u>13,717,357</u>	<u>12,408,319</u>
Operating expenses:				
Claims incurred	8,989,143	727,310	9,716,453	9,612,132
Insurance premiums	1,323,115	616,697	1,939,812	2,556,779
Administrative fees	958,996	717,250	1,676,246	1,559,735
Other Expenses	<u>482,368</u>	<u>40,888</u>	<u>523,256</u>	<u>88,517</u>
Total operating expenses	<u>11,753,622</u>	<u>2,102,145</u>	<u>13,855,767</u>	<u>13,817,163</u>
Operating income (loss)	<u>596,476</u>	<u>(734,886)</u>	<u>(138,410)</u>	<u>(1,408,844)</u>
Nonoperating revenues:				
Investment income	<u>36,864</u>	<u>105,172</u>	<u>142,036</u>	<u>198,805</u>
Total nonoperating revenues	<u>36,864</u>	<u>105,172</u>	<u>142,036</u>	<u>198,805</u>
Change in net assets	633,340	(629,714)	3,626	(1,210,039)
Total net assets - beginning	<u>330,014</u>	<u>1,291,491</u>	<u>1,621,505</u>	<u>2,831,544</u>
Total net assets - ending	<u>\$ 963,354</u>	<u>\$ 661,777</u>	<u>\$ 1,625,131</u>	<u>\$ 1,621,505</u>

**City of Mesquite, Texas**

**Combining Statement of Cash Flows**

**Internal Service Funds**

**For the Year Ended September 30, 2007**

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

	Health	General	Totals	
	<u>Claims</u>	<u>Liability</u>	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from City funds	\$ 8,708,889	\$ 1,178,122	\$ 9,887,011	\$ 9,949,520
Cash received from other operating sources	3,641,209	232,956	3,874,165	2,458,799
Cash paid to suppliers for goods and services	(2,427,770)	(1,301,328)	(3,729,098)	(4,220,690)
Cash paid to claimants	<u>(8,830,804)</u>	<u>(937,934)</u>	<u>(9,768,738)</u>	<u>(9,404,153)</u>
Net cash provided by (used for) operating activities	<u>1,091,524</u>	<u>(828,184)</u>	<u>263,340</u>	<u>(1,216,524)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest received on investments	<u>33,398</u>	<u>109,415</u>	<u>142,813</u>	<u>196,136</u>
Net cash provided by investing activities	<u>33,398</u>	<u>109,415</u>	<u>142,813</u>	<u>99,655</u>
<b>NET INCREASE (DECREASE) IN POOLED CASH AND INVESTMENTS</b>				
	1,124,922	(718,769)	406,153	(1,020,388)
<b>POOLED CASH AND INVESTMENTS AT BEGINNING OF YEAR</b>				
	<u>566,649</u>	<u>2,442,350</u>	<u>3,008,999</u>	<u>4,029,387</u>
<b>POOLED CASH AND INVESTMENTS AT END OF YEAR</b>				
	<u>\$ 1,691,571</u>	<u>\$ 1,723,581</u>	<u>\$ 3,415,152</u>	<u>\$ 3,008,999</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 596,476	\$ (734,886)	\$ (138,410)	\$ (1,408,844)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities-				
Changes in assets and liabilities-				
(Increase) decrease in accounts receivable	-	43,819	43,819	(43,819)
Increase in prepaid items	652,289	-	652,289	(88,933)
Increase (decrease) in accounts payable	336,759	73,507	410,266	(37,072)
Increase (decrease) in claims payable	<u>(494,000)</u>	<u>(210,624)</u>	<u>(704,624)</u>	<u>362,144</u>
Total adjustments	<u>495,048</u>	<u>(93,298)</u>	<u>401,750</u>	<u>192,320</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>				
	<u>\$ 1,091,524</u>	<u>\$ (828,184)</u>	<u>\$ 263,340</u>	<u>\$ (1,216,524)</u>

**City of Mesquite, Texas**

**Statement of Changes in Assets and Liabilities  
Agency Fund  
For the Year Ended September 30, 2007**

	Agency Fund - Tax Clearing Fund			
	Balance October 1, 2006	Additions	Deductions	Balance September 30, 2007
<b>ASSETS:</b>				
Current assets:				
Pooled cash and investments	\$ 288,247	\$ 152,267,967	\$ 152,364,847	\$ 191,367
Taxes receivable levied for other government	<u>3,608,912</u>	<u>112,503,299</u>	<u>111,752,061</u>	<u>4,360,150</u>
Total Assets	<u>\$ 3,897,159</u>	<u>\$ 264,771,266</u>	<u>\$ 264,116,908</u>	<u>\$ 4,551,517</u>
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	\$ 288,247	\$ 267,635,932	\$ 267,732,812	\$ 191,367
Due to other governments	<u>3,608,912</u>	<u>112,503,299</u>	<u>111,752,061</u>	<u>4,360,150</u>
Total Liabilities	<u>\$ 3,897,159</u>	<u>\$ 380,139,231</u>	<u>\$ 379,484,873</u>	<u>\$ 4,551,517</u>

**MESQUITE**  
T E X A S  
Real. Texas. Flavor.

**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.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	77
These schedules contain trend information to help the readers understand how the city's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	86
These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.	
<b>Debt Capacity</b>	91
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.	
<b>Demographic and Economic Information</b>	96
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.	
<b>Operating Information</b>	100
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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities:					
Invested in capital assets, net of related debt	\$ 95,809	\$ 105,798	\$ 117,266	\$ 128,362	\$ 137,669
Restricted	4,561	7,644	7,774	10,914	19,717
Unrestricted	<u>18,814</u>	<u>17,757</u>	<u>18,531</u>	<u>16,147</u>	<u>14,429</u>
Total governmental activities net assets	<u>\$ 119,184</u>	<u>\$ 131,199</u>	<u>\$ 143,571</u>	<u>\$ 155,423</u>	<u>\$ 171,815</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ 90,629	\$ 99,992	\$ 104,206	\$ 114,583	\$ 122,377
Restricted	5,847	6,067	6,685	7,124	7,484
Unrestricted	<u>14,579</u>	<u>12,492</u>	<u>13,430</u>	<u>15,232</u>	<u>12,526</u>
Total business-type activities net assets	<u>\$ 111,055</u>	<u>\$ 118,551</u>	<u>\$ 124,321</u>	<u>\$ 136,939</u>	<u>\$ 142,387</u>
Primary government:					
Invested in capital assets, net of related debt	\$ 186,438	\$ 205,790	\$ 221,472	\$ 242,945	\$ 260,046
Restricted	10,408	13,711	14,459	18,038	27,201
Unrestricted	<u>33,393</u>	<u>30,249</u>	<u>31,961</u>	<u>31,378</u>	<u>26,955</u>
Total primary government net assets	<u>\$ 230,239</u>	<u>\$ 249,750</u>	<u>\$ 267,892</u>	<u>\$ 292,361</u>	<u>\$ 314,202</u>

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

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

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Expenses</b>					
Governmental activities:					
General government	\$ 8,652	\$ 9,783	\$ 18,739	\$ 16,796	\$ 18,562
Fire services	17,517	18,805	19,636	21,186	22,245
Police services	23,595	24,982	26,336	28,156	30,850
Field services	12,660	13,449	12,670	6,629	13,424
Public works	2,450	2,752	2,974	15,381	3,539
Community development	2,734	3,133	3,375	3,302	3,731
Housing services	8,861	11,069	10,918	10,305	8,808
Library services	2,049	2,080	2,052	2,137	2,198
Parks and recreation	7,933	8,834	8,135	10,538	10,993
Community services	1,158	1,029	1,121	1,561	2,075
Other	6,720	7,228	-	-	-
Interest on long-term debt	<u>2,727</u>	<u>2,617</u>	<u>2,478</u>	<u>3,312</u>	<u>3,740</u>
Total governmental activities expenses	<u>97,056</u>	<u>105,761</u>	<u>108,434</u>	<u>119,303</u>	<u>120,165</u>
Business-type activities:					
Water and sewer	24,961	25,604	26,230	27,468	29,341
Drainage utility	1,515	1,606	1,616	1,550	1,736
Municipal airport	<u>958</u>	<u>1,130</u>	<u>1,297</u>	<u>1,537</u>	<u>1,521</u>
Total business-type activities expenses	<u>27,434</u>	<u>28,340</u>	<u>29,143</u>	<u>30,555</u>	<u>32,598</u>
Total primary government expenses	<u>\$ 124,490</u>	<u>\$ 134,101</u>	<u>\$ 137,577</u>	<u>\$ 149,858</u>	<u>\$ 152,763</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services					
Field Services	\$ 5,217	\$ 5,447	\$ 5,526	\$ 5,950	\$ 5,951
Community Development	4,809	3,924	6,007	4,988	6,314
General Government	2,110	2,945	4,270	3,882	5,271
Other Charges for services	9,209	9,467	8,741	8,803	8,283
Operating grants and contributions	10,446	11,852	12,561	12,439	13,351
Capital grants and contributions	<u>2,987</u>	<u>5,943</u>	<u>1,693</u>	<u>7,433</u>	<u>7,934</u>
Total governmental activities program revenues	<u>34,778</u>	<u>39,578</u>	<u>38,798</u>	<u>43,495</u>	<u>47,104</u>
Business-type activities:					
Charges for services:					
Water and sewer	27,739	27,761	31,219	32,682	29,833
Drainage utility	2,157	2,078	2,098	2,129	2,142
Municipal airport	461	673	814	1,098	1,110
Capital grants and contributions	<u>5,863</u>	<u>9,413</u>	<u>4,659</u>	<u>10,532</u>	<u>7,221</u>
Total business-type activities program revenues	<u>36,220</u>	<u>39,925</u>	<u>38,790</u>	<u>46,441</u>	<u>40,306</u>
Total primary government program revenues	<u>\$ 70,998</u>	<u>\$ 79,503</u>	<u>\$ 77,588</u>	<u>\$ 89,936</u>	<u>\$ 87,410</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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Net (Expenses)/Program Revenues</b>					
Governmental activities	\$ (62,278)	\$ (66,183)	\$ (69,636)	\$ (75,808)	\$ (73,061)
Business-type activities	8,786	11,585	9,647	15,886	7,708
Total primary government net expenses	<u>\$ (53,492)</u>	<u>\$ (54,598)</u>	<u>\$ (59,989)</u>	<u>\$ (59,922)</u>	<u>\$ (65,353)</u>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Ad valorem taxes	\$ 28,555	\$ 29,946	\$ 33,073	\$ 35,505	\$ 37,705
Gross receipts taxes	7,580	7,137	7,416	7,551	7,333
Sales taxes	35,292	36,136	35,663	36,880	35,996
Investment income	791	547	1,343	3,204	4,397
Sale of Capital Assets	-	-	-	-	80
Transfers	4,402	4,431	4,514	4,519	3,943
Total governmental activities	<u>76,620</u>	<u>78,197</u>	<u>82,009</u>	<u>87,659</u>	<u>89,454</u>
Business-type activities:					
Investment income	520	343	636	1,251	1,660
Sale of Capital Assets	-	-	-	-	23
Transfers	(4,402)	(4,431)	(4,514)	(4,519)	(3,943)
Total business-type activities	<u>(3,882)</u>	<u>(4,088)</u>	<u>(3,878)</u>	<u>(3,268)</u>	<u>(2,260)</u>
Total primary government	<u>\$ 72,738</u>	<u>\$ 74,109</u>	<u>\$ 78,131</u>	<u>\$ 84,391</u>	<u>\$ 87,194</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ 14,342	\$ 12,014	\$ 12,373	\$ 11,851	\$ 16,393
Business-type activities	4,904	7,497	5,769	12,618	5,448
Total primary government	<u>\$ 19,246</u>	<u>\$ 19,511</u>	<u>\$ 18,142</u>	<u>\$ 24,469</u>	<u>\$ 21,841</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>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
General Fund:					
Reserved	\$ 366	\$ 222	\$ 132	\$ 618	\$ 192
Unreserved	<u>12,119</u>	<u>11,899</u>	<u>12,508</u>	<u>14,061</u>	<u>15,148</u>
<b>Total General Fund</b>	<b><u>\$ 12,485</u></b>	<b><u>\$ 12,121</u></b>	<b><u>\$ 12,640</u></b>	<b><u>\$ 14,679</u></b>	<b><u>\$ 15,340</u></b>
All other governmental funds:					
Reserved for:					
Encumbrances	\$ 6,344	\$ 3,482	\$ 3,125	\$ 3,748	\$ 5,895
Debt service	1,198	636	289	295	327
Unreserved, reported in:					
Special revenue funds	1,618	2,349	4,733	6,476	6,084
Capital projects	<u>10,726</u>	<u>6,324</u>	<u>6,361</u>	<u>8,576</u>	<u>8,871</u>
<b>Total all other governmental funds</b>	<b><u>\$ 19,886</u></b>	<b><u>\$ 12,791</u></b>	<b><u>\$ 14,508</u></b>	<b><u>\$ 19,095</u></b>	<b><u>\$ 21,177</u></b>

Schedule 3

Fiscal Year				
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 1,848	\$ 1,674	\$ 732	\$ 637	\$ 1,286
<u>14,712</u>	<u>14,840</u>	<u>16,644</u>	<u>18,884</u>	<u>16,760</u>
<u>\$ 16,560</u>	<u>\$ 16,514</u>	<u>\$ 17,376</u>	<u>\$ 19,521</u>	<u>\$ 18,046</u>
\$ 3,342	\$ 3,284	\$ 5,673	\$ 4,359	\$ 25,061
337	417	531	584	919
5,063	7,071	9,148	13,071	14,374
<u>9,868</u>	<u>17,107</u>	<u>23,896</u>	<u>30,225</u>	<u>26,302</u>
<u>\$ 18,610</u>	<u>\$ 27,879</u>	<u>\$ 39,248</u>	<u>\$ 48,239</u>	<u>\$ 66,656</u>

**City of Mesquite, Texas**

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

(modified accrual basis of accounting)

(amounts expressed in thousands)

(Unaudited)

	Fiscal Year				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<b>Revenues</b>					
Taxes	\$ 52,165	\$ 55,335	\$ 63,681	\$ 68,171	\$ 69,195
Licenses and permits	1,015	1,217	1,171	1,475	1,487
Fines and forfeitures	2,344	2,335	2,264	2,551	2,524
Investment income	2,156	1,469	1,834	2,245	1,096
Charges for services	6,745	7,970	7,770	9,529	9,590
Intergovernmental	5,127	6,267	7,865	7,009	8,513
Other revenues	2,266	1,832	1,609	1,986	1,715
Contributions and donations	138	607	179	77	63
Total revenues	<u>71,956</u>	<u>77,032</u>	<u>86,373</u>	<u>93,043</u>	<u>94,183</u>
<b>Expenditures</b>					
General government	5,594	5,802	5,941	6,033	5,927
Fire services	11,953	13,204	14,780	15,245	16,306
Police services	17,691	18,759	20,444	21,352	22,662
Field services	6,231	6,991	7,599	7,684	8,738
Public works	1,984	1,929	1,909	1,925	1,988
Community development	1,933	2,032	2,442	2,637	2,733
Housing services	3,366	4,331	4,894	5,519	7,194
Library services	1,536	1,639	1,717	1,826	1,841
Parks and recreation	6,281	6,631	7,185	7,257	7,151
Community services	314	274	745	695	837
Other	5,863	4,933	3,195	3,702	4,190
Capital outlay	10,362	12,587	9,258	9,445	10,174
Debt service - principal	7,235	8,035	8,930	6,568	7,960
Debt service - interest	3,751	3,506	3,286	4,960	2,734
Total expenditures	<u>84,094</u>	<u>90,653</u>	<u>92,325</u>	<u>94,848</u>	<u>100,435</u>
Excess of revenues over (under) expenditures	(12,138)	(13,621)	(5,952)	(1,805)	(6,252)
<b>Other financing sources (uses)</b>					
Transfer in	16,952	24,034	19,502	18,232	17,571
Transfers out	(13,107)	(19,583)	(15,378)	(13,491)	(13,133)
Capital lease proceeds	-	-	-	-	-
Bond proceeds	4,495	1,710	4,065	3,690	4,500
Notes Payable Proceeds	-	-	-	-	-
Proceeds of refunding bonds	4,235	-	-	-	6,850
Premium on debt	-	-	-	-	-
Payment to refunded bond agent	(3,960)	-	-	-	(6,793)
Total other financing sources (uses)	<u>8,615</u>	<u>6,161</u>	<u>8,189</u>	<u>8,431</u>	<u>8,995</u>
Net change in fund balances	<u>\$ (3,523)</u>	<u>\$ (7,460)</u>	<u>\$ 2,237</u>	<u>\$ 6,626</u>	<u>\$ 2,743</u>
Debt service as a percentage of noncapital expenditures	15.39%	15.27%	15.10%	16.07%	13.43%

Schedule 4

Fiscal Year					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$	71,352	\$ 73,146	\$ 76,238	\$ 79,822	\$ 81,064
	1,418	1,347	1,249	1,661	1,396
	3,092	3,278	2,997	2,929	2,517
	700	492	1,242	3,006	4,255
	12,599	12,509	13,212	14,064	15,568
	10,589	11,997	14,611	13,491	13,459
	2,462	2,014	3,860	1,641	2,716
	119	86	107	104	185
	<u>102,331</u>	<u>104,869</u>	<u>113,516</u>	<u>116,718</u>	<u>121,160</u>
	6,118	6,752	6,649	17,958	12,667
	17,200	18,142	18,951	20,871	22,172
	23,254	24,245	25,647	27,346	30,464
	8,764	9,222	8,794	9,240	9,531
	2,268	2,387	2,384	2,763	2,589
	2,715	3,193	3,278	3,296	3,680
	8,848	11,063	10,774	10,345	8,808
	1,982	2,071	2,011	2,086	2,176
	7,563	8,612	7,542	9,853	10,106
	1,186	974	1,087	1,650	2,120
	9,612	7,589	8,269	-	-
	16,240	11,407	17,347	12,918	16,327
	7,805	7,830	8,350	7,480	7,147
	2,727	2,656	2,605	3,056	4,026
	<u>116,282</u>	<u>116,143</u>	<u>123,688</u>	<u>128,862</u>	<u>131,813</u>
	(13,951)	(11,274)	(10,172)	(12,144)	(10,653)
	17,248	16,704	18,154	18,655	20,202
	(12,845)	(11,933)	(13,640)	(14,136)	(15,621)
	-	203	-	-	74
	8,480	15,255	17,550	18,760	22,805
	-	-	-	-	135
	-	14,795	5,965	-	-
	-	-	433	-	-
	-	(14,805)	(6,059)	-	-
	<u>12,883</u>	<u>20,219</u>	<u>22,403</u>	<u>23,279</u>	<u>27,595</u>
\$	<u>(1,068)</u>	<u>\$ 8,945</u>	<u>\$ 12,231</u>	<u>\$ 11,135</u>	<u>\$ 16,942</u>
	12.34%	12.48%	11.63%	11.78%	11.47%

**City of Mesquite, Texas**

**General Governmental Tax Revenues By Source**

**Last Ten Fiscal Years**

(modified accrual basis of accounting)

(amounts expressed in thousands)

(Unaudited)

<u>Year Ended</u> <u>September</u>	<u>Total</u>	<u>Ad Valorem</u> <u>Taxes</u>	<u>Sales Taxes</u>		
			<u>General</u>	<u>Liquor</u>	<u>Hotel/Motel</u>
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
2007	80,972	37,735	34,616	235	1,145
% Total	100.00	46.6	42.7	0.3	1.4

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>
\$ 3,708 7.1	\$ 500 1.0	\$ 740 1.4	\$ 505 1.0	\$ 824 1.6	\$ 24 0.0
3,691 6.7	453 0.8	787 1.4	577 1.0	619 1.1	25 0.0
3,705 5.8	488 0.8	896 1.4	659 1.0	620 1.0	24 0.0
4,235 6.2	1,000 1.5	812 1.2	742 1.1	654 1.0	23 0.0
4,558 6.6	590 0.9	827 1.2	847 1.2	670 1.0	24 0.0
4,153 5.8	868 1.2	826 1.2	740 1.0	683 1.0	310 (3) 0.4
4,057 5.5	818 1.1	787 1.1	753 1.0	695 1.0	26 0.0
4,061 5.3	1,104 1.4	784 1.0	754 1.0	692 0.9	20 0.0
4,170 5.2	1,133 1.4	780 1.0	757 0.9	691 0.9	20 0.0
4,082 5.0	1,088 1.3	585 0.7	770 0.9	701 0.9	15 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	
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
2007	4,367,859	1,344,688	154,227	107,582	676,953	6,651,309

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**

Less: Exemptions, Abatements, and TIFs (2)

<u>Exemptions Granted</u>	<u>Tax Abatements</u>	<u>Tax Incentive Financing Districts (TIF)</u>	<u>Total Exemptions</u>	<u>Total Taxable Valuation</u>	<u>Tax Rate (3)</u>
\$ 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
425,235	25,111	146,325	596,671	6,054,638	.62000

**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	
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
2007	.46246	.15754	.62000	.2139	.254	.081	.005034	1.668	2.841934

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	2007			1998		
	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation
Town East Mall PS	\$ 160,455,460	1	2.65%			
Sun Life Asure Co of Can	56,724,340	2	0.94%			
Texas Utilities Electric Co	56,681,040	3	0.94%	\$ 45,605,760	3	1.28%
Curi Mesquite Prop LP	43,950,000	4	0.73%	-		-
Pepsi Cola	36,426,130	5	0.60%	22,784,680	8	0.64%
DDR MDT Marketplace	33,690,000	6	0.56%	-		0.00%
Alliance WE LP	30,208,000	7	0.50%	-		-
Southwestern Bell	29,293,050	8	0.48%	37,253,150	4	1.05%
American Multicinema Inc	25,731,380	9	0.42%	-		-
Barons Investors II LP	25,013,100	10	0.41%	-		-
Lucent Technologies	-		-	83,755,340	1	2.36%
Atlantic Freeholds II	-		-	83,505,030	2	2.35%
Pep Boys	-		-	33,525,940	5	0.94%
Market East Associates, Ltd. Inc	-		-	29,162,370	6	0.82%
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	<u>\$ 498,172,500</u>		<u>8.23%</u>	<u>\$ 395,646,180</u>		<u>11.14%</u>

Source: Tax/Accounting Division and Dallas Central Appraisal District

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

Fiscal Year Ended September 30	Adjusted Current Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
1998	\$22,134,921	\$21,687,749	97.98%	\$ 378,600	\$22,066,349	99.69%
1999	23,205,186	23,057,699	99.36	100,329	23,158,028	99.80
2000	23,163,476	23,036,809	99.45	65,170	23,101,979	99.73
2001	24,388,207	24,206,183	99.25	105,581	24,311,764	99.69
2002	25,855,016	25,656,864	99.23	128,483	25,785,347	99.73
2003	28,861,973	27,873,063	96.57	905,586	28,778,649	99.71
2004	30,501,206	29,200,767	95.74	1,179,956	30,380,723	99.60
2005	33,124,683	32,151,536	97.06	803,283	32,954,819	99.49
2006	35,132,527	34,433,390	98.01	381,618	34,815,008	99.10
2007	37,446,166	36,659,819	97.90	-	36,659,819	97.90

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

**Ratio of Outstanding Debt by Type  
Last Ten Fiscal Years**  
(Unaudited)

Governmental Activities						
<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Certificates of Obligations</u>	<u>Public Property Finance Contractual Obligations</u>	<u>Notes Payable</u>	<u>Capital Lease Obligations</u>	<u>Total</u>
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
2007	41,820,000	47,540,000	5,845,000	5,786,733	141,259	101,132,992

Business-Type Activities							
	<u>Water/ Sewer Revenue Bonds</u>	<u>Drainage Utility District Revenue Bonds</u>	<u>Water/ Sewer Capital Lease Obligations</u>	<u>Total</u>	<u>Total Primary Government</u>	<u>Percentage of Effective Buying Income (1)</u>	<u>Per Capita (1)</u>
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
2007	57,945,000	8,565,000	236,159	66,746,159	167,879,151	6.66%	1,227.64

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 96 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>
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
2007	136,750	6,054,638	95,205,000	918,369	94,286,631	1.56%	689.48

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, 2007**

(Unaudited)

<u>Taxing Jurisdiction</u>	Total Outstanding Bonded Debt (1)	Estimated Percent Applicable	Direct and Estimated Overlapping Bonded Debt
Direct-			
City of Mesquite	\$ 95,205,000	100.00%	\$ 95,205,000
Overlapping-			
Dallas County	213,606,038	4.33	9,249,141
Dallas County Community College District	100,380,000	4.33	4,346,454
Mesquite Independent School District	490,806,805	90.40	443,689,352
Dallas Independent School District	1,503,489,288	0.26	3,909,072
Garland Independent School District	<u>431,070,781</u>	0.04	<u>172,428</u>
Total overlapping	<u>2,739,352,912</u>		<u>461,366,448</u>
Total direct and estimated overlapping bonded debt	<u>\$ 2,834,557,912</u>		<u>\$ 556,571,448</u>

Ratio, direct and estimated overlapping debt to fiscal 2007 taxable assessed valuation (2) 9.19%

Per capita direct and estimated overlapping bonded debt (3) \$4,070

Notes:

- (1) Excluding self-supporting debt. Source is most recent Texas Municipal Reports, publication of the Municipal Advisory Council of Texas
- (2) Fiscal 2007 taxable assessed valuation (Net of TIF): \$6,054,638.
- (3) Based on 2007 population of 136,750.

**Computation of Legal Debt Margin**  
**September 30, 2007**  
(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, 2007, is \$.62000 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)		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
<b><u>WATER AND SEWER BONDS</u></b>						
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
2007	31,363,451	24,127,536	7,235,915	3,275,000	2,517,520	1.2
<b><u>DRAINAGE UTILITY DISTRICT BONDS</u></b>						
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
2007	2,294,313	678,532	1,615,781	855,000	350,799	1.3

## 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>
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%
2007	136,750	N/A	2,522,392	50,134	50,313	36,002	4.3%

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

**Principal Employers**  
**Current Year**  
(Unaudited)

<u>Employer</u>	<u>2007</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total City Employment</u>
United Parcel Service Inc.	3,000	1	4.03%
City of Mesquite	1,054	2	1.41%
Dallas Regional Medical Center (Formerly Mesquite Community Hospital)	775	3	1.04%
Wal-Mart Supercenter	510	4	0.68%
Sears	450	5	0.60%
Baker Drywall LTD	400	6	0.54%
Dallas County Community College	400	7	0.54%
Christian Care Center	400	8	0.54%
Integra Color	383	9	0.51%
Lineage Power (Formerly Tyco)	<u>325</u>	10	0.44%
Total	<u>7,697</u>		<u>10.33%</u>

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

**City of Mesquite, Texas**

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

(Unaudited)

	Fiscal Year				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<b>By Functions</b>					
General government	87.00	86.25	86.25	84.25	84.25
Fire services	178.00	178.00	186.00	187.00	187.00
Police services	268.50	269.50	272.50	276.50	278.50
Field services	121.95	120.95	120.95	128.95	128.00
Public works	24.00	22.00	23.00	25.50	25.00
Community development	40.00	39.00	40.00	41.85	43.85
Housing services	6.75	6.75	6.75	6.75	8.75
Library services	36.57	36.57	36.57	36.57	35.55
Parks and recreation	112.05	114.83	122.77	123.85	124.85
Community services	18.23	17.23	17.09	20.65	20.40
Water and Sewer	88.00	88.50	89.50	95.57	101.07
Drainage utility district	3.00	4.00	4.00	7.00	7.00
Municipal airport	<u>8.38</u>	<u>8.38</u>	<u>7.88</u>	<u>7.88</u>	<u>7.38</u>
Total employees by function	<u>992.43</u>	<u>991.96</u>	<u>1,013.26</u>	<u>1,042.32</u>	<u>1,051.60</u>
<b>By Departments</b>					
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	6.00	6.00
Human Resources	14.75	14.00	14.00	15.00	15.00
Budget and Research	2.00	2.00	2.00	2.00	2.00
Finance	67.25	67.25	67.25	69.25	69.25
Fire service	178.00	178.00	186.00	187.00	187.00
Police Service	268.50	269.50	272.50	276.50	278.50
Public Works	221.95	220.45	222.45	238.02	242.07
Housing and community service	25.98	23.98	23.84	28.40	30.85
Community development	39.00	39.00	40.00	40.85	42.15
Parks/ Recreation/Building service	112.05	114.83	122.77	123.85	124.85
Library service	36.57	36.57	36.57	36.57	35.55
Airport service	<u>8.38</u>	<u>8.38</u>	<u>7.88</u>	<u>7.88</u>	<u>7.38</u>
Total employees by department	<u>992.43</u>	<u>991.96</u>	<u>1,013.26</u>	<u>1,042.32</u>	<u>1,051.60</u>
<b>By Fund</b>					
General	883.55	883.08	903.88	920.47	916.30
Grants	9.50	8.00	8.00	11.40	19.85
Water and Sewer	88.00	88.50	89.50	95.57	101.07
Drainage Utility District	3.00	4.00	4.00	7.00	7.00
Municipal Airport	<u>8.38</u>	<u>8.38</u>	<u>7.88</u>	<u>7.88</u>	<u>7.38</u>
Total employees by fund	<u>992.43</u>	<u>991.96</u>	<u>1,013.26</u>	<u>1,042.32</u>	<u>1,051.60</u>

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

Schedule 17

Fiscal Year				
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
90.00	85.48	85.00	87.00	85.00
187.00	192.00	197.00	197.00	202.50
279.50	282.50	293.50	299.50	299.50
125.00	130.00	130.00	130.00	125.00
24.00	24.00	24.00	24.00	25.00
45.00	47.00	50.00	43.70	44.20
8.75	8.75	9.00	10.00	18.70
35.55	35.55	35.55	34.55	34.55
122.85	122.85	130.09	130.09	130.09
19.25	20.75	20.70	27.00	17.35
101.57	103.57	103.57	102.57	107.57
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>1,052.85</u>	<u>1,066.83</u>	<u>1,092.79</u>	<u>1,099.79</u>	<u>1,103.84</u>
10.00	10.00	9.00	10.00	8.00
3.00	3.00	3.00	3.00	3.00
6.00	6.00	6.00	6.00	6.00
14.00	14.48	14.00	14.00	14.00
2.00	2.00	2.00	2.00	2.00
68.50	68.50	68.50	68.50	68.50
187.00	192.00	197.00	197.00	202.50
279.50	282.50	293.50	299.50	299.50
244.07	248.07	248.07	247.07	248.07
30.95	33.45	37.00	37.00	36.05
42.05	42.05	42.70	43.70	44.20
122.85	122.85	130.09	130.09	130.09
35.55	34.55	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>1,052.85</u>	<u>1,066.83</u>	<u>1,092.79</u>	<u>1,099.79</u>	<u>1,103.84</u>
916.60	932.58	955.19	963.19	963.19
20.30	16.30	19.65	19.65	18.70
101.57	103.57	103.57	102.57	107.57
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>1,052.85</u>	<u>1,066.83</u>	<u>1,092.79</u>	<u>1,099.79</u>	<u>1,103.84</u>

**City of Mesquite, Texas**

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

(Unaudited)

	Fiscal Year			
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
<b>Functions</b>				
Fire services				
Number of calls answered	11,778	12,266	13,649	13,647
Inspections	6,360	4,410	3,810	5,317
Police services				
Reported index crimes	5,923	5,898	6,152	6,059
Criminal arrests - index crimes	1,908	2,049	1,664	1,606
Criminal arrests - non-index crimes	4,700	4,503	3,084	4,922
Traffic citations	30,753	29,615	29,714	39,261
Field services				
Residential solid waste customers	32,427	32,511	33,108	34,100
Annual tons recycled	15,685	19,624	21,010	17,771
Work hours per mile of streets and alleys	74.44	80.07	81.83	83.07
Public works				
Traffic studies conducted	66	60	104	128
Engineering Information requests	1,050	1,041	1,212	1,450
Housing services				
Number of HUD allocated unit months	8,552	10,159	9,691	12,250
Community development				
Residential building permits	1,676	2,091	2,015	2,050
Commercial building permits	617	690	665	723
Environmental code violations	25,449	35,912	36,106	37,856
Food inspections conducted	1,628	1,460	1,482	1,352
Animals processed by shelter	9,985	10,773	9,823	10,714
Library services				
Library visits per capita	3.53	2.77	2.62	2.60
Registered borrowers per capita	0.40	0.33	0.30	0.29
Parks and recreation				
Work hours per acre of park land	22.49	26.79	30.34	32.34
Athletic program participants	18,796	21,977	20,517	20,730
Aquatic program participants	92,500	N/A	67,511	58,619
Tennis program participants	15,250	N/A	7,700	8,000
Recreation centers programs offered	N/A	N/A	N/A	567
Community services				
Number of health clinic clients	6,180	6,381	6,695	7,265
Number of transportation service trips	38,050	36,106	36,250	39,223
Number of volunteer hours	38,980	42,382	24,544	19,849
Arts center events	670	1,150	1,161	1,162
Arts center participants	89,956	91,891	91,805	92,300
Water and Sewer				
Number of gallons of water pumped (000s)	7,535,336	7,298,815	7,857,950	7,228,597
Water main breaks	658	358	325	340
Miles of sewer mains cleaned	107	96	120	151
Municipal airport				
Number of airplanes fueled	5,627	5,768	5,595	5,021

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

Schedule 18

Fiscal Year					
<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
14,390	14,063	10,661	12,945	11,746	11,898
3,948	4,070	2,647	5,841	6,736	6,800
6,542	6,480	6,652	6,582	5,554	6,118
2,105	1,632	1,590	1,561	1,198	1,535
4,821	3,106	3,555	3,400	3,262	3,508
35,552	33,261	42,587	42,523	36,372	35,620
34,491	34,077	34,477	34,830	36,000	37,000
19,280	19,770	20,430	20,520	23,678	22,608
82.25	84.24	84.24	73.88	81.85	81.19
145	454	332	333	346	327
949	1,010	1,245	995	85,146	75,846
15,060	15,708	15,258	16,308	16,308	16,308
2,133	2,192	2,196	2,053	2,175	1,635
750	554	601	566	738	294
35,012	47,593	32,839	46,980	31,553	67,793
1,239	1,033	1,374	1,193	1,407	998
10,489	10,491	10,164	11,873	13,141	14,474
2.76	2.90	3.11	3.13	3.00	2.65
0.31	0.27	0.28	0.29	0.28	0.40
36.48	37.01	46.12	50.50	52.15	55.02
19,731	21,535	18,325	18,700	13,527	16,276
67,380	79,078	62,432	63,000	82,605	65,000
7,450	7,315	7,525	7,800	7,700	7,964
678	764	800	803	838	904
7,128	5,445	4,845	5,000	5,534	5,624
36,623	35,202	36,900	32,318	39,700	38,130
19,133	15,517	18,274	20,000	30,093	22,324
1,174	752	920	717	757	575
93,997	61,732	70,267	68,463	104,128	130,229
6,511,114	6,929,350	6,223,119	6,500,000	6,800,000	5,641,217
325	300	177	170	360	240
170	150	115	155	130	130
4,558	3,860	4,299	5,700	5,700	5,700

**City of Mesquite, Texas**

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

(Unaudited)

	Fiscal Year			
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
<b>Functions</b>				
Police services				
Police vehicles (sedans)	147	149	162	163
Field services				
Miles of streets	422	422	425	428
Miles of alleys	205	205	210	212
Number of vehicles in City fleet	572	580	592	588
Parks and recreation				
Parks acreage	1,356	1,356	1,347	1,371
Number of parks	62	62	62	62
Water and Sewer				
Water system miles	424	428	434	437
Water system connections	44,795	45,492	47,406	47,822
Sewer system miles	365	368	377	480
Sewer system connections	44,657	44,327	46,261	36,022

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

Schedule 19

Fiscal Year					
<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
164	168	166	184	192	196
428	432	432	435	400	440
212	213	213	215	220	220
592	601	600	624	636	651
1,373	1,373	1,422	1,422	1,422	1,422
63	63	66	66	67	67
440	445	448	450	538	566
48,747	48,885	49,136	50,313	50,598	51,903
484	488	491	492	476	492
36,077	36,311	36,564	36,756	36,900	50,658

**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, 2007 and have issued our report thereon dated April 22, 2008. 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 control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency 2007-01 described as follows to be a significant deficiency in internal control over financial accounting and reporting.

#### ***2007-01 Significant Deficiency: Financial Accounting and Reporting***

**Criteria:** Proper procedures and controls should be in place to properly account for and reconcile the general ledger accounts of the City.

**Condition Found (including cause):** During the audit, adjustments were identified and made to correct balances related to internal service fund prepaid expenses and escrow balances, Treasury Accounts, and deferred revenue. These adjustments resulted from:

- Lack of proper procedures requiring the periodic reconciliation of accounts (other than cash) to detailed ledgers
- Lack of proper understanding of accounting staff regarding how the Treasury Accounts and fund level cash equity are reconciled

- Lack of understanding of how the Internal Service Fund escrow accounts operated
- System limitations that do not facilitate accounting staff to easily generate a detailed subsidiary ledger for accounts payable balances

Perspective: There was a lack of timely reconciliation of general ledger accounts, Treasury Accounts to fund equity cash accounts, insurance escrow accounts, and accounts payable.

Asserted Effect: The lack of reconciliation and understanding of the nature of certain accounts on the general ledger caused audit adjustments that if not recorded would have caused the financial statements of the City to be misstated.

Recommendation: Implement procedures that require:

- Periodic reconciliation of all general ledger accounts to detailed subsidiary ledger or other details
- Review of all such reconciliations by a supervisor

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all material weaknesses. However, we do not consider the significant deficiency described above to be a material weakness.

### **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*.

We noted certain matters that we reported to management of the City in a separate letter dated April 22, 2008. We did not audit the City's responses and, accordingly we express no opinion on them.

This report is intended solely 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*

April 22, 2008

**MESQUITE**

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